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# 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, 2011**

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

**Commission File Number: 814-00832**

# NEW MOUNTAIN FINANCE CORPORATION

(Exact name of registrant as specified in its charter)

| **Delaware** | **27-2978010** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **787 Seventh Avenue 48th Floor New York, N.Y.** | **10019** |
| (Address of principal executive offices) | (Zip Code) |

**(212) 730-0300**
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ | Smaller Reporting Company ☐ |

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

The number of shares of the registrant's Common Stock, $.01 par value outstanding as of August 11, 2011 was 10,697,691.

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**NEW MOUNTAIN FINANCE CORPORATION**

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**New Mountain Finance Corporation**

**Statement of Assets and Liabilities**
**June 30, 2011**
**(unaudited)**

| | | |
|---|---|---|
| **Assets** | | |
| Investment in New Mountain Finance Holdings, L.L.C., at fair value (cost $144,396,075) | $ | 152,442,298 |
| **Total assets** | $ | 152,442,298 |
| **Net Assets** | | |
| Common stock, par value $0.01 per share 10,697,691 shares issued and outstanding | | 106,977 |
| Paid in capital in excess of par | | 144,289,098 |
| Net unrealized appreciation | | 8,046,223 |
| **Total Net Assets** | $ | 152,442,298 |
| Number of shares oustanding | | 10,697,691 |
| **Net Asset Value Per Share** | $ | 14.25 |

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



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**New Mountain Finance Corporation**

**Statement of Operations**
**from May 19, 2011 (commencement of operations) to June 30, 2011**
**(unaudited)**

| | | |
|---|---|---|
| **Net investment income allocated from New Mountain Finance Holdings, L.L.C.** | | |
| Interest income | $ | 2,423,593 |
| Other income | | 105,921 |
| Total expenses | | (945,385) |
| **Net investment income allocated from New Mountain Finance Holdings, L.L.C.** | | 1,584,129 |
| **Realized and unrealized gain (loss) allocated from New Mountain Finance Holdings, L.L.C.** | | |
| Realized losses on investments | | (139,087) |
| Net change in unrealized appreciation (depreciation) of investments | | 380,661 |
| **Realized and unrealized gain (loss) allocated from New Mountain Finance Holdings, L.L.C.** | | 241,574 |
| **Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.** | | 1,825,703 |
| Unrealized appreciation in New Mountain Finance Holdings, L.L.C. resulting from public offering price | | 6,220,520 |
| **Net increase in net assets resulting from operations** | $ | 8,046,223 |

| | | |
|---|---|---|
| Basic earnings per share | $ | 0.75 |
| Weighted Average shares of common stock outstanding - basic (See Note 7) | | 10,697,691 |
| Diluted earnings per share | $ | 0.17 |
| Weighted average shares of common stock outstanding - diluted (See Note 7) | | 30,919,629 |

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



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**New Mountain Finance Corporation**

**Statement of Changes in Net Assets**
**from May 19, 2011 (commencement of operations) to June 30, 2011**
**(unaudited)**

| | | |
|---|---|---|
| **Increase (Decrease) in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.:** | | |
| Net investment income | $ | 1,584,129 |
| Realized losses on investments | | (139,087) |
| Net change in unrealized appreciation (depreciation) of investments | | 380,661 |
| **Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.** | | 1,825,703 |
| **Unrealized appreciation in New Mountain Finance Holdings, L.L.C. resulting from public offering price** | | 6,220,520 |
| **Total net increase in net assets resulting from operations** | | 8,046,223 |
| **Capital Transactions** | | |
| Proceeds from shares sold | | 129,864,996 |
| Deferred Offering Costs allocated from New Mountain Finance Holdings, L.L.C. | | (3,958,378) |
| Contributions from Exchanged Shares | | 18,489,457 |
| **Total net increase in net assets resulting from capital transactions** | | 144,396,075 |
| **Net increase in net assets** | | 152,442,298 |
| **Net assets at beginning of period** | | — |
| **Net assets at end of period** | $ | 152,442,298 |

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



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**New Mountain Finance Corporation**

**Statement of Cash Flows**
**from May 19, 2011 (commencement of operations) to June 30, 2011**
**(unaudited)**

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net increase in net assets resulting from operations | $ | 8,046,223 |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash used in operating activities: | | |
| Net investment income allocated from New Mountain Finance Holdings, L.L.C. | | (1,584,129) |
| Total realized and unrealized (gain) loss allocated from New Mountain Finance Holdings, L.L.C. | | (241,574) |
| Unrealized appreciation in New Mountain Finance Holdings, L.L.C. resulting from public offering price | | (6,220,520) |
| **(Increase) decrease in operating assets:** | | |
| Purchase of investment | | (129,864,996) |
| **Net cash flows used in operating activities** | | (129,864,996) |
| **Cash flows from financing activities** | | |
| Proceeds from shares sold | | 129,864,996 |
| **Net cash flows provided by financing activities** | | 129,864,996 |
| **Net increase (decrease) in cash and cash equivalents** | | — |
| **Cash and cash equivalents at the beginning of the period** | | — |
| **Cash and cash equivalents at the end of the period** | $ | — |
| **Non-cash financing activities:** | | |
| New Mountain Guardian Partners, L.P. exchange of Operating Company units for shares | $ | 18,489,457 |
| Deferred Offering Costs allocated from New Mountain Finance Holdings, L.L.C. | $ | (3,958,378) |

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



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**New Mountain Finance Corporation**

## 1. Formation and Business Purpose

New Mountain Finance Corporation ("New Mountain Finance", the "Company", "we", "us", or "our") is a Delaware corporation that was originally incorporated on June 29, 2010. New Mountain Finance is a closed-end, non-diversified management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, the Company is obligated to comply with certain regulatory requirements. New Mountain Finance intends to be treated, and intends to comply with the requirements to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended, (the "Code") commencing with its taxable year ending December 31, 2011.

On May 19, 2011, New Mountain Finance priced its initial public offering (the "IPO") of 7,272,727 shares of common stock at a public offering price of $13.75 per share. Concurrently with the closing of the offering and at the public offering price of $13.75 per share, the Company sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital Group, L.L.C. in a separate private placement.

New Mountain Finance is a holding company with no direct operations of its own, and its sole asset is its ownership in New Mountain Finance Holdings, L.L.C. (the "Operating Company"). The Operating Company is externally managed and has elected to be treated as a business development company under the 1940 Act. As such, the Operating Company is obligated to comply with certain regulatory requirements. The Operating Company intends to be treated as a partnership for federal income tax purposes for so long as it has at least two members. The Operating Company, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ("Guardian AIV") by New Mountain Capital (defined as New Mountain Capital Group, L.L.C. and its affiliates) in October 2008. Guardian AIV was formed through an allocation of approximately $300 million of the $5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising $20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the "Predecessor Entities."

New Mountain Finance entered into a joinder agreement with respect to the amended and restated limited liability company agreement of the Operating Company, pursuant to which New Mountain Finance was admitted as a member of the Operating Company and acquired from the Operating Company, with the gross proceeds of the IPO and the concurrent private placement, common membership units ("units") of the Operating Company (the number of units are equal to the number of shares of New Mountain Finance's common stock sold in the IPO and the concurrent private placement). In connection with New Mountain Finance's IPO and through a series of transactions, the Operating Company owns all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.



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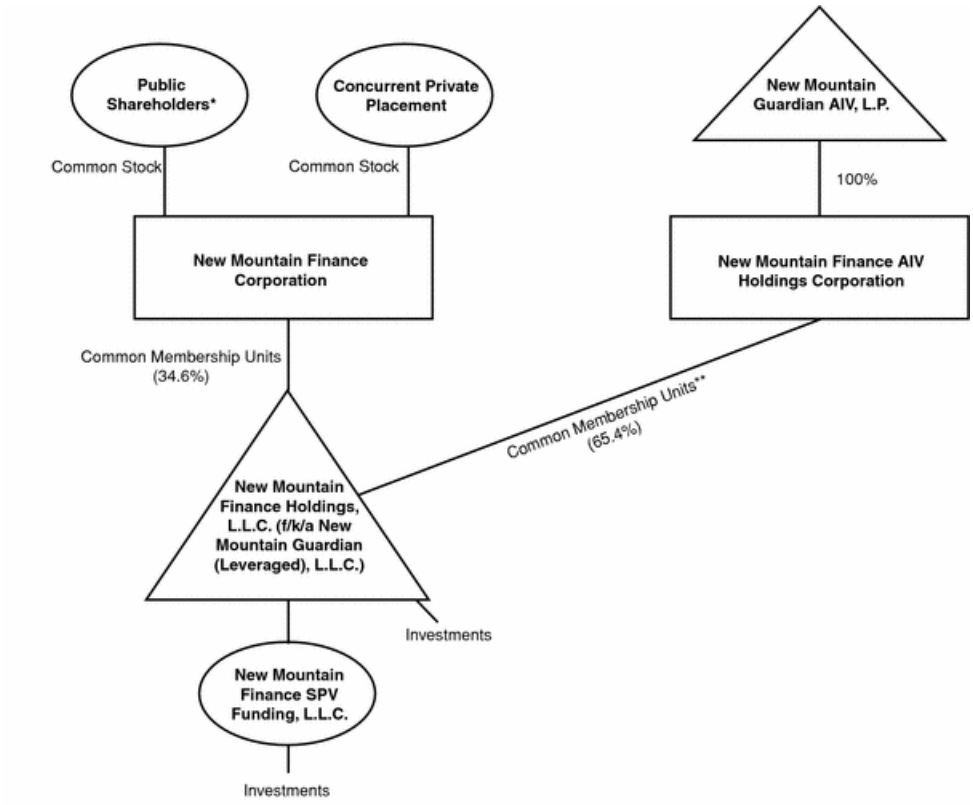
Guardian AIV was the parent of the Operating Company prior to the IPO and as a result of the offering obtained units in the Operating Company. Guardian AIV contributed its units in the Operating Company to its newly formed subsidiary, New Mountain Finance AIV Holdings Corporation ("AIV Holdings"), in exchange for common stock of AIV Holdings. AIV Holdings has the right to exchange all or any portion of its units in the Operating Company for shares of New Mountain Finance's common stock on a one-for-one basis. At June 30, 2011, New Mountain Finance and AIV Holdings own approximately 34.6% and 65.4%, respectively, of the units of the Operating Company.

The diagram below depicts our current organizational structure.




* Includes partners of New Mountain Guardian Partners, L.P.

** These common membership units are exchangeable into shares of New Mountain Finance common stock on a one-for-one basis.

The Company's investment objective is to generate current income and capital appreciation through the Operating Company by the sourcing and originating of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, the Operating Company's investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high



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barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) opportunities for niche market dominance.

**2. Summary of Significant Accounting Policies**

***Basis of accounting*** — The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Company does not consolidate the Operating Company. New Mountain Finance applies investment company master-feeder financial statement preparation, as described in Accounting Standards Codification 946, *Financial Services — Investment Companies,* ("ASC 946") to its interest in the Operating Company (or the "Master Fund"). New Mountain Finance observes that it is industry practice to follow the presentation prescribed for a Master Fund-Feeder fund structure in ASC 946 in instances in which a Master Fund is owned by more than one Feeder Fund and that such presentation provides stockholders of New Mountain Finance with a clearer depiction of its investment in the Master Fund. The Operating Company's Form 10-Q for the quarter ended June 30, 2011 is attached to this report and should be read in conjunction with that of New Mountain Finance.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. Accordingly, they 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 period ending December 31, 2011.

***Investments —*** New Mountain Finance is a holding company with no direct operations of its own, and its sole asset is its ownership in the Operating Company. New Mountain Finance's investment in the Operating Company is carried at fair value and represents the pro-rata interest in the net assets of the Operating Company as of the applicable reporting date. New Mountain Finance values its ownership interest on a quarterly basis, or more frequently if required under the 1940 Act. See the Operating Company's Form 10-Q for the quarter ended June 30, 2011 included in this filing for further details.

***Cash and cash equivalents*** — Cash and cash equivalents include cash and short-term, highly liquid investments with original maturities of three months or less.

**Revenue, Expenses, and Capital Gains (Losses)** — At each quarterly valuation date, the Operating Company's investment income, expenses, net realized gains (losses), and net increase (decrease) in unrealized appreciation (depreciation) are allocated to New Mountain Finance based on its pro-rata interest in the net assets of the Operating Company. This is recorded on New Mountain Finance's Statement of Operations. New Mountain Finance used the proceeds from its IPO and concurrent private placement to purchase units in the Operating Company at $13.75 per unit (its IPO price per share). At the IPO date, $13.75 per unit represented a discount to the actual net asset value per unit of the Operating

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**New Mountain Finance Corporation**

**Notes to the Financial Statements**
**As of June 30, 2011 and for the period from May 19, 2011 (commencement of operations) to June 30, 2011**
**(unaudited)**

Company. As a result, New Mountain Finance experienced immediate unrealized appreciation on its investment in the Operating Company equal to the difference between the cost of $13.75 per unit and the actual net asset value per unit. This unrealized appreciation is shown separately on the Statement of Operations of New Mountain Finance. See the Operating Company's Form 10-Q for the quarter ended June 30, 2011 included in this filing for further details.

All expenses, including those of New Mountain Finance, are paid and recorded by the Operating Company, and allocated to New Mountain Finance based on pro-rata ownership interest. In addition, the Operating Company paid all of the offering costs related to the IPO. New Mountain Finance has recorded its portion of the offering costs as a direct reduction to net assets and the cost of its investment in the Operating Company.

***Income taxes —*** New Mountain Finance intends to elect to be treated, and intends to comply with the requirements to qualify annually, as a RIC under subchapter M of the Code commencing with its taxable year ending on December 31, 2011. As a RIC, the Company will not be subject to federal income tax on the portion of taxable income and gains timely distributed to stockholders; therefore, no provision for income taxes has been recorded.

To qualify as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90% of its investment company taxable income and net capital gains, as defined by the Code. Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes.

The Company will be subject to a 4% 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% of its net ordinary income earned for the calendar year and (2) 98.2% of its capital gain net income for the one-year period ending October 31 in the calendar year.

The Company has adopted the Income Taxes topic of the Codification ("ASC 740"). ASC 740 provides guidance for how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on its analysis, the Company has determined that the adoption of ASC 740 did not have a material impact to the Company's financial statements.

***Dividends*** — Dividends and distributions to common stockholders are recorded on the record date. Quarterly dividend payments are determined by the board of directors. New Mountain Finance intends to distribute approximately all of its portion of the Operating Company's adjusted net investment income on a quarterly basis and substantially all of its portion of the Operating Company's taxable income on an annual basis, except that it may retain certain net capital gains for reinvestment in units of the Operating Company. See the Operating Company's Form 10-Q for the quarter ended June 30, 2011 included in this filing for further details.



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**New Mountain Finance Corporation**

**Notes to the Financial Statements**
**As of June 30, 2011 and for the period from May 19, 2011 (commencement of operations) to June 30, 2011**
**(unaudited)**

New Mountain Finance has adopted a dividend reinvestment plan that provides on behalf of its stockholders for reinvestment of any distributions declared, unless a stockholder elects to receive cash. Cash distributions reinvested in additional shares of New Mountain Finance's common stock will be automatically reinvested by New Mountain Finance in units of the Operating Company. New Mountain Finance will use only newly issued shares to implement the plan if the price at which newly-issued shares are to be credited is equal to or greater than 110% of the last determined net asset value of the shares. 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 New Mountain Finance's common stock at the close of regular trading 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 asked prices. If New Mountain Finance uses newly issued shares to implement the plan, New Mountain Finance will receive, on a one-for-one basis, additional units of the Operating Company in exchange for cash distributions that are reinvested in shares of New Mountain Finance's common stock under the dividend reinvestment plan. If New Mountain Finance's common stock price is less than 110% of the last determined net asset value of the shares, New Mountain Finance 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 New Mountain Finance'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 New Mountain Finance's stockholders have been tabulated.

***Use of estimates*** — The preparation of the 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 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.

## 3. Agreements

On May 19, 2011, New Mountain Finance entered into a joinder agreement with respect to the amended and restated limited liability agreement of the Operating Company pursuant to which New Mountain Finance was admitted as a member of the Operating Company and agreed to acquire from the Operating Company a number of units of the Operating Company equal to the number of shares of common stock outstanding of New Mountain Finance.

The Operating Company entered into an Investment Management Agreement with New Mountain Finance Advisers BDC, L.L.C. (the "Investment Advisor"). Under the

**New Mountain Finance Corporation**

**Notes to the Financial Statements**
**As of June 30, 2011 and for the period from May 19, 2011 (commencement of operations) to June 30, 2011**
**(unaudited)**

Investment Management Agreement, the Investment Adviser provides investment advisory services to the Operating Company. For providing these services, the Investment Adviser receives a fee from the Operating Company, consisting of two components — a base management fee and an incentive fee. See the Operating Company's Form 10-Q for the quarter ended June 30, 2011 included in this filing for further details.

New Mountain Finance and the Operating Company have entered into an Administration Agreement with New Mountain Finance Administration, L.L.C. (the "Administrator") under which the Administrator provides administrative services. The Administrator oversees our financial records, prepares reports filed with the SEC, generally monitors the payment of our expenses, and watches the performance of administrative and professional services rendered by others. The Operating Company will reimburse the Administrator for New Mountain Finance's and the Operating Company's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to New Mountain Finance and the Operating Company under the Administration Agreement. During the first year of operations, the Operating Company has capped its direct and indirect expenses at $3 million.

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

**4. Regulation**

The Company intends to elect to be treated, and intends to comply with the requirements to qualify annually, as a RIC under Subchapter M of the Code. In order to qualify as a RIC, among other things, the Company is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. The Company, among other things, intends to make and 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 business development company, both New Mountain Finance and the Operating 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% of its total assets are qualifying assets (with certain limited exceptions).





**New Mountain Finance Corporation**

**Notes to the Financial Statements**
**As of June 30, 2011 and for the period from May 19, 2011 (commencement of operations) to June 30, 2011**
**(unaudited)**

**5. Related Parties**

New Mountain Finance has entered into a number of business relationships with affiliated or related parties, including the following:

- New Mountain Finance and the Operating Company have entered into an Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for New Mountain Finance and the Operating Company and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. The Operating Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Operating Company and New Mountain Finance under the Administration Agreement, including rent, the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of the Operating Company's chief financial officer and chief compliance officer and their respective staffs. During the first year of operations, the Operating Company has capped its direct and indirect expenses at $3 million.
- Together, New Mountain Finance and AIV Holdings own all the outstanding units of the Operating Company. As of June 30, 2011, New Mountain Finance and AIV Holdings own approximately 34.6% and 65.4%, respectively, of the units of the Operating Company.
- New Mountain Finance and the Operating Company have entered into a royalty-free license agreement with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant New Mountain Finance and the Operating Company a non-exclusive, royalty-free license to use the name ''New Mountain''.

Concurrently with the IPO, New Mountain Finance sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a separate private placement.

**6. 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 may provide general indemnifications.





**New Mountain Finance Corporation**

**Notes to the Financial Statements**
**As of June 30, 2011 and for the period from May 19, 2011 (commencement of operations) to June 30, 2011**
**(unaudited)**

## 7. Stockholders' Equity

The table below illustrates the effect of certain transactions on our capital accounts:

| | Common Stock | | Paid in Capital in Excess of Par | Net Unrealized Appreciation | Total Stockholders' Equity |
|---|---|---|---|---|---|
| | Shares | Par Amount | | | |
| Balance at December 31, 2010 | — | $ — | $ — | $ — | $ — |
| Issuances of common stock in the IPO(1) | 7,272,727 | 72,727 | 99,927,269 | — | 99,999,996 |
| Issuances of common stock in private placement(2) | 2,172,000 | 21,720 | 29,843,280 | — | 29,865,000 |
| Issuances of common stock to New Mountain Guardian Partners, L.P.(3) | 1,252,964 | 12,530 | 18,476,927 | — | 18,489,457 |
| Deferred Offering Costs allocated from New Mountain Finance Holdings, L.L.C. | — | — | (3,958,378) | — | (3,958,378) |
| Net increase in stockholders' equity resulting from operations | — | — | — | 8,046,223 | 8,046,223 |
| Balance at June 30, 2011 | 10,697,691 | $ 106,977 | $ 144,289,098 | $ 8,046,223 | $ 152,442,298 |

(1) On May 19, 2011, New Mountain Finance priced its initial public offering of 7,272,727 shares of common stock at a public offering price of $13.75 per share.
(2) Concurrently with the closing of the IPO and at the public offering price of $13.75 per share, the Company sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a separate private placement.
(3) On May 19, 2011, New Mountain Finance issued 1,252,964 shares of common stock to New Mountain Guardian Partners, L.P. for their respective ownership interest in the Predecessor Entities.



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## 8. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase in stockholders' equity per share resulting from operations for the period May 19, 2011 to June 30, 2011:

| | May 19, 2011 (commencement of operations) to June 30, 2011 |
|---|---|
| Numerator for basic earnings per share: | $ 8,046,223 |
| Denominator for basic weighted average share: | 10,697,691 |
| Basic net increase in net assets resulting from operations: | $ 0.75 |
| Numerator for diluted earnings per share (a): | $ 5,276,851 |
| Denominator for diluted weighted average share (b): | 30,919,629 |
| Diluted net increase in net assets resulting from operations: | $ 0.17 |

(a) Includes full income at the Operating Company for the period. Does not include unrealized appreciation in the Operating Company resulting from the initial public offering.
(b) Assumes AIV Holdings exchanges its units in the Operating Company for public shares of New Mountain Finance on May 19, 2011 (see Note 1*Formation and Business Purpose*)



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## 9. Financial Highlights

The following information sets forth the financial highlights for the period May 19, 2011 to June 30, 2011. The ratios to average net assets have been annualized.

| | Period Ended June 30, 2011 |
|---|---|
| Per share data: | |
| Net asset value, beginning of period | $ 13.50 |
| Net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.: | |
| Net investment income | 0.15 |
| Net realized and unrealized gain (loss) | 0.02 |
| Total net increase | 0.17 |

| | | |
|---|---|---|
| Unrealized appreciation in New Mountain Finance Holdings, L.L.C. resulting from public offering price | | 0.58 |
| Net asset value, end of period | $ | 14.25 |
| Total Return (a) | | (5.93)% |
| Average net assets for the period | $ | 151,529,446 |
| Ratio to average net assets: | | |
| Total expenses | | 5.42% |
| Net investment income | | 9.09% |

(a) Total Return is calculated as the ending market price per share as of June 30, 2011 less the average initial cost basis per share over the average initial cost basis per share.

**10. Recent Accounting Standards Updates**

In May 2011, the FASB issued Accounting Standards Update No. 2011-04 ("ASU 2011-04"), which provides clarification about how to measure fair value and improves comparability of fair value measurements presented and disclosed in accordance with U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 is effective for annual periods beginning after December 15, 2011. The Company is currently assessing the impact that adoption of ASU 2011-04 will have on the financial statements.



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

The following analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto contained elsewhere in the report. See ''Risk Factors'' for a discussion of the uncertainties, risks and assumptions associated with these statements.

***Forward-Looking Statements***

The information contained in this section should be read in conjunction with the financial data and financial statements and notes thereto appearing elsewhere in this quarterly report. In addition, some of the statements in this report (including in the following discussion) constitute forward-looking statements, which relate to future events or the future performance or financial condition of New Mountain Finance Corporation ("New Mountain Finance", the "Company", "we", "us", or "our"). The forward-looking statements contained in this report 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 New Mountain Finance Holdings, L.L.C. (the "Operating Company") invests;
- the ability of the Operating Company's portfolio companies to achieve their objectives;
- the Operating Company's ability to make investments consistent with its 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 other affiliates of New Mountain Capital Group, L.L.C.;
- the impact of New Mountain Finance's ownership of a minority of the outstanding common membership units of the Operating Company, New Mountain Finance's only asset; and
- other factors, including those discussed in our Registration Statement on Form N-2, filed with the Securities and Exchange Commission (the "SEC") on May 16, 2011.

We use words such as "anticipates", "believes", "expects", "intends", "will", "should", "may" and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" section in our Registration Statement on Form N-2, filed with the SEC on May 16, 2011.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, 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 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***

New Mountain Finance Corporation ("New Mountain Finance", the "Company", "we", "us", or "our") is a Delaware corporation that was originally incorporated on June 29, 2010. New Mountain Finance is a closed-end, non-diversified management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, the Company is obligated to comply with certain regulatory requirements. New Mountain Finance intends to be treated, and intends to comply with the requirements to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended, (the "Code") commencing with its taxable year ending December 31, 2011.

On May 19, 2011, New Mountain Finance priced its initial public offering (the "IPO") of 7,272,727 shares of common stock at a public offering price of $13.75 per share. Concurrently with the closing of the offering and at the public offering price of $13.75 per share, the Company sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital Group, L.L.C. in a separate private placement.

New Mountain Finance is a holding company with no direct operations of its own, and its sole asset is its ownership in New Mountain Finance Holdings, L.L.C. (the "Operating Company"). The Operating Company is externally managed and has elected to be treated as a business development company under the 1940 Act. As such, the Operating Company is obligated to comply with certain regulatory requirements. The Operating Company intends to be treated as a partnership for federal income tax purposes for so long as it has at least two members. The Operating Company, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ("Guardian AIV") by New Mountain Capital (defined as New Mountain Capital Group, L.L.C. and its affiliates) in October 2008. Guardian AIV was formed through an allocation of approximately $300 million of the $5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising $20.4 million of commitments. New Mountain

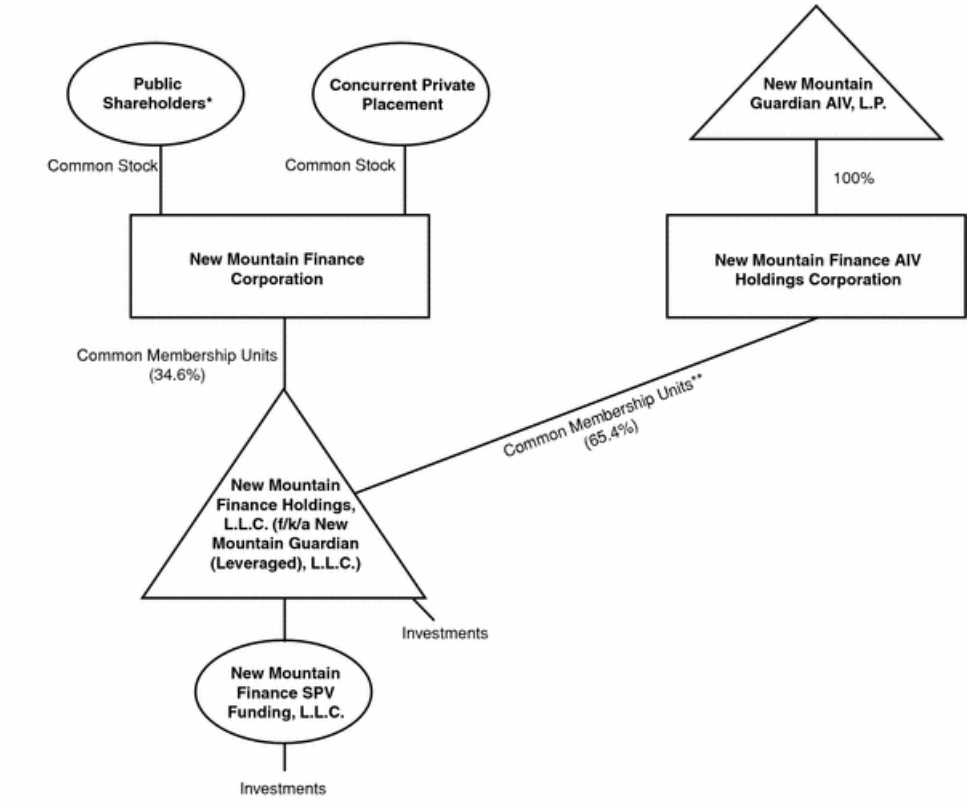
Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the "Predecessor Entities."

The following structure was designed to generally prevent New Mountain Finance from being allocated taxable income in respect of unrecognized gains in the Predecessor Entities' assets, with the result that any distributions made to New Mountain Finance's stockholders that are attributable to such gains generally will not be treated as taxable dividends.

New Mountain Finance entered into a joinder agreement with respect to the amended and restated limited liability company agreement of the Operating Company, pursuant to which New Mountain Finance was admitted as a member of the Operating Company and acquired from the Operating Company, with the gross proceeds of the IPO and the concurrent private placement, common membership units ("units") of the Operating Company (the number of units are equal to the number of shares of New Mountain Finance's common stock sold in the IPO and the concurrent private placement). In connection with New Mountain Finance's IPO and through a series of transactions, the Operating Company owns all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

Guardian AIV was the parent of the Operating Company prior to the IPO and as a result of the offering obtained units in the Operating Company. Guardian AIV contributed its units in the Operating Company to its newly formed subsidiary, New Mountain Finance AIV Holdings Corporation ("AIV Holdings"), in exchange for common stock of AIV Holdings. AIV Holdings has the right to exchange all or any portion of its units in the Operating Company for shares of New Mountain Finance's common stock on a one-for-one basis. At June 30, 2011, New Mountain Finance and AIV Holdings own approximately 34.6% and 65.4%, respectively, of the units of the Operating Company.

The diagram below depicts our current organizational structure.




* Includes partners of New Mountain Guardian Partners, L.P.

** These common membership units are exchangeable into shares of New Mountain Finance common stock on a one-for-one basis.

The Company's investment objective is to generate current income and capital appreciation through the Operating Company by the sourcing and originating of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, the Operating Company's investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to





competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) opportunities for niche market dominance.

As of June 30, 2011, the Operating Company's net asset value was $440.6 million and its portfolio had a fair value of approximately $544.3 million in 47 portfolio companies, with a weighted average Unadjusted and Adjusted Yield to Maturity of approximately 10.4% and 12.7%, respectively. "Adjusted Yield to Maturity'' assumes that the investments in the Operating Company's portfolio are purchased at fair value on June 30, 2011 and held until their respective maturities with no prepayments or losses and are exited at par at maturity. This calculation excludes the impact of existing leverage, except for the non-recourse debt of New Mountain Finance SPV Funding, L.L.C ("NMF SLF"). NMF SLF is treated as a fully levered asset of the Operating Company, with NMF SLF's net asset value being included for yield calculation purposes. The actual yield to maturity may be higher or lower due to the future selection of LIBOR contracts by the individual companies in the portfolio or other factors. References to "Unadjusted Yield to Maturity" have the same assumptions as Adjusted Yield to Maturity except that NMF SLF is not treated as a fully levered asset of the Operating Company, but rather the assets themselves are consolidated into the Operating Company.

***Recent Developments***

On August 10, 2011, Daniel Hébert and Adam J. Collins were appointed to the board of directors of New Mountain Finance, the Operating Company, and AIV Holdings.

***Dividend***

On August 10, 2011, the Operating Company's board of directors, and subsequently New Mountain Finance's board of directors, declared a second quarter 2011 distribution of $0.27 per unit/share payable on August 31, 2011 to holders of record as of August 22, 2011.

Additionally, on August 10, 2011, the Operating Company's board of directors, and subsequently New Mountain Finance's board of directors, declared a third quarter 2011 distribution of $0.29 per unit/share payable on September 30, 2011 to holders of record as of September 15, 2011.

Because New Mountain Finance is a holding company, all distributions on its common stock will be paid from distributions received from the Operating Company. The Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC. The distribution per unit from the Operating Company will equal the dividend per share of New Mountain Finance. New Mountain Finance intends to distribute approximately all of its portion of the Operating Company's adjusted net investment income on a quarterly basis and substantially all of its portion of the Operating Company's taxable income on an annual basis, except that it may retain certain net capital gains for reinvestment. See the Operating Company's Form 10-Q for the quarter ended June 30, 2011 included in this filing for further details.

**Critical Accounting Policies**

***Basis of Accounting***

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States ("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.

The Company does not consolidate the Operating Company. New Mountain Finance applies investment company master-feeder financial statement preparation, as described in Accounting Standards Codification 946, *Financial Services — Investment Companies,* ("ASC 946") to its interest in the Operating Company (or the "Master Fund"). New Mountain Finance believes that it is industry practice to follow the presentation prescribed for a Master Fund-Feeder fund structure in ASC 946 in instances in which a Master Fund is owned by more than one Feeder Fund and that such presentation provides stockholders of New Mountain Finance with a clearer depiction of its investment in the Master Fund. The Operating Company's Form 10-Q for the quarter ended June 30, 2011 is attached to this report and should be read in conjunction with that of New Mountain Finance.

***Valuation of Portfolio Investments***

The Operating Company conducts the valuation of its assets, pursuant to which its net asset value and consequently New Mountain Finance's net asset value is determined, at all times consistent with GAAP and the 1940 Act.

New Mountain Finance is a holding company with no direct operations of its own, and its sole asset is its ownership in the Operating Company. New Mountain Finance's investment in the Operating Company is carried at fair value and represents the pro-rata interest in the net assets of the Operating Company as of the applicable reporting date. New Mountain Finance values its ownership interest on a quarterly basis, or more frequently if required under the 1940 Act. See the Operating Company's Form 10-Q for the quarter ended June 30, 2011 included in this filing for further details.



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***Revenue Recognition***

At each quarterly valuation date, the Operating Company's investment income, expenses, net realized gains (losses), and net increase (decrease) in unrealized appreciation (depreciation) are allocated to New Mountain Finance based on its pro-rata interest in the net assets of the Operating Company. This is recorded on New Mountain Finance's Statement of Operations. New Mountain Finance used the proceeds from its IPO and concurrent private placement to purchase units in the Operating Company at $13.75 per unit (its IPO price per share). At the IPO date, $13.75 per unit represented a discount to the actual net asset value per unit of the Operating Company. As a result, New Mountain Finance experienced immediate unrealized appreciation on its investment in the Operating Company equal to the difference between the cost of $13.75 per unit and the actual net asset value per unit. This unrealized appreciation is shown separately on the Statement of Operations of New Mountain Finance. See the Operating Company's Form 10-Q for the quarter ended June 30, 2011 included in this filing for further details.

All expenses, including those of New Mountain Finance, are paid and recorded by the Operating Company, and allocated to New Mountain Finance based on pro-rata ownership interest.

***Results of Operations***

As a result of the Master Fund-Feeder fund structure, New Mountain Finance's results of operations are a function of their pro-rata ownership interest in the Operating Company. Additionally, New Mountain Finance commenced operations on May 19, 2011 and therefore has no comparative periods of results of operations. See the Operating Company's Management Discussion and Analysis of Financial Condition and Results of Operations included in this filing for further details.

***Liquidity and Capital Resources***

On May 19, 2011, New Mountain Finance priced its IPO of 7,272,727 shares of common stock at a public offering price of $13.75 per share. Concurrently with the closing of the offering and at the public offering price of $13.75 per share, the Company sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a separate private placement.

The Company's liquidity is generally expected to be generated through periodic follow-on equity offerings. The primary use of any funds raised in the future is expected to be for investments in the Operating Company and cash distributions to our stockholders or for other general corporate purposes.

At June 30, 2011, we had no cash and cash equivalents. Cash used in operating activities from May 19, 2011 (commencement of operations) to June 30, 2011 was approximately $(129.9) million.

The Operating Company's liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, investment sales of liquid assets, repayments of senior and subordinated loans, income earned on investments and cash equivalents, and, we expect, through periodic follow-on equity offerings of New Mountain Finance.

***Distributions and Dividends***

On August 10, 2011, the Operating Company's board of directors, and subsequently New Mountain Finance's board of directors, declared a second quarter 2011 distribution of $0.27 per unit/share payable on August 31, 2011 to holders of record as of August 22, 2011.

Additionally, on August 10, 2011, the Operating Company's board of directors, and subsequently New Mountain Finance's board of directors, declared a third quarter 2011 distribution of $0.29 per unit/share payable on September 30, 2011 to holders of record as of September 15, 2011.

Tax characteristics of all dividends paid by New Mountain Finance will be reported to stockholders on Form 1099 after the end of the calendar year. Future quarterly dividends, if any, for both the Operating Company and New Mountain Finance will be determined by the respective board of directors.

Because New Mountain Finance is a holding company, distributions will be paid on its common stock from distributions received from the Operating Company. The Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC. The distribution per unit from the Operating Company will equal the dividend per share of New Mountain Finance. New Mountain Finance intends to distribute approximately all of its portion of the Operating Company's adjusted net investment income on a quarterly basis and substantially all of its portion of the Operating Company's taxable income on an annual basis, except that it may retain certain net capital gains for reinvestment. See the Operating Company's Form 10-Q for the quarter ended June 30, 2011 included in this filing for further details.

New Mountain Finance maintains an "opt out" dividend reinvestment plan for our common stockholders. As a result, if New Mountain Finance declares a dividend, then New Mountain Finance stockholders' cash dividends will be automatically reinvested in additional shares of the New Mountain Finance's common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends. Cash dividends reinvested in additional shares of New Mountain Finance's common stock will be automatically reinvested by New Mountain Finance in the Operating Company in exchange for additional units of the Operating Company.



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***Related Parties***

New Mountain Finance has entered into a number of business relationships with affiliated or related parties, including the following:

- New Mountain Finance and the Operating Company have entered into an Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for New Mountain Finance and the Operating Company and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. The Operating Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Operating Company and New Mountain Finance under the Administration Agreement, including rent, the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of the Operating Company's chief financial officer and chief compliance officer and their respective staffs. During the first year of operations, the Operating Company has capped its direct and indirect expenses at $3 million.
- Together, New Mountain Finance and AIV Holdings own all the outstanding units of the Operating Company. As of June 30, 2011, New Mountain Finance and AIV Holdings own approximately 34.6% and 65.4%, respectively, of the units of the Operating Company.
- New Mountain Finance and the Operating Company have entered into a royalty-free license agreement with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant New Mountain Finance and the Operating Company a non-exclusive, royalty-free license to use the name ''New Mountain''.

In addition, New Mountain Finance and the Operating Company have adopted a formal code of ethics that governs the conduct of their respective 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.

**Item 3. Quantitative and Qualitative Disclosure about Market Risk**

See the Quantitative and Qualitative Disclosure about Market Risk in the Operating Company's Form 10-Q for the quarter ended June 30, 2011 included in this filing.

**Item 4. Controls and Procedures**

***(a) Evaluation of Disclosure Controls and Procedures***

As of June 30, 2011 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Act of 1934, as amended). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic Securities and Exchange Commission ("SEC") filings is recorded, processed, summarized and reported within the time periods specified in the SEC'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 the Company's internal control over financial reporting that occurred during the second quarter of 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

This quarterly report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.



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**APPENDIX A**

# 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, 2011**

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

**Commission File Number: 814-00839**

# NEW MOUNTAIN FINANCE HOLDINGS, L.L.C

(Exact name of registrant as specified in its charter)

| **Delaware** | **26-3633318** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **787 Seventh Avenue**<br>**48th Floor**<br>**New York, N.Y.** | **10019** |
| (Address of principal executive offices) | (Zip Code) |

**(212) 730-0300**
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ | Smaller Reporting Company ☐ |

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

The number of the registrant's common membership units outstanding as of August 11, 2011 was 30,919,629.



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**NEW MOUNTAIN FINANCE HOLDINGS, L.L.C.**

**FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2011**
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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**New Mountain Finance Holdings, L.L.C.**

**Consolidated Statements of Assets, Liabilities and Members' Capital**

| | June 30, 2011 (unaudited) | December 31, 2010 |
|---|---|---|
| **Assets** | | |
| Investments, at fair value (cost $524,049,396 and $414,308,823 respectively) | $ 544,336,397 | $ 441,057,840 |
| Cash equivalents, at value (cost $60,000,067 and $0 respectively) | 59,999,970 | — |
| Cash | 17,850,716 | 10,744,082 |
| Interest receivable | 4,046,499 | 3,007,787 |
| Deferred credit facility costs (net of accumulated amortization of $381,192 and $69,909 respectively) | 3,596,057 | 1,880,120 |
| Deferred offering costs | — | 3,528,110 |
| Other assets | 760,367 | 5,842 |
| **Total assets** | $ 630,590,006 | $ 460,223,781 |
| **Liabilities** | | |
| SLF credit facility | 126,917,448 | 56,936,000 |
| Holdings credit facility | 34,300,000 | 59,696,938 |
| Payable for unsettled securities purchased | 22,885,720 | 94,462,500 |
| Interest payable | 1,092,341 | 813,192 |
| Management fee payable | 807,509 | — |
| Incentive fee payable | 504,393 | — |
| Payable to affiliates | — | 2,531,319 |
| Other liabilities | 3,477,299 | 3,856,571 |
| **Total liabilities** | 189,984,710 | 218,296,520 |
| **Members' Capital** | 440,605,296 | 241,927,261 |
| **Total liabilities and members' capital** | $ 630,590,006 | $ 460,223,781 |
| Outstanding Common Membership Units (a) | 30,919,629 | |
| Capital per unit (a) | $ 14.25 | |

(a) Fund was not unitized as of December 31, 2010.

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



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**New Mountain Finance Holdings, L.L.C.**

**Consolidated Statements of Operations**

(unaudited)

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2011 | June 30, 2010 | June 30, 2011 | June 30, 2010 |
| **Investment income** | | | | |
| Interest income | $ 12,810,147 | $ 8,331,777 | $ 23,978,194 | $ 17,219,965 |
| Other income | 306,144 | 265,192 | 349,817 | 453,934 |

| | | | | |
|---|---|---|---|---|
| Total investment income | 13,116,291 | 8,596,969 | 24,328,011 | 17,673,899 |
| **Expenses** | | | | |
| Interest and other credit facility expenses | 1,534,147 | 556,046 | 3,080,900 | 1,221,963 |
| Management fee | 773,509 | 17,749 | 807,509 | 35,498 |
| Incentive fee | 504,393 | — | 504,393 | — |
| Professional fees (net of reimbursable expenses of $130,186) | 516,678 | 141,307 | 569,834 | 193,342 |
| Administrative expenses (net of reimbursable expenses of $180,255) | 62,610 | 84,183 | 203,418 | 196,679 |
| Other general and administrative expenses | 170,712 | 21,173 | 178,568 | 41,700 |
| Total expenses | 3,562,049 | 820,458 | 5,344,622 | 1,689,182 |
| **Net investment income** | 9,554,242 | 7,776,511 | 18,983,389 | 15,984,717 |
| Realized gains on investments | 6,659,833 | 8,249,823 | 12,552,163 | 29,193,602 |
| Net change in unrealized (depreciation) appreciation of investments | (7,559,450) | (13,598,102) | (6,462,113) | (16,404,095) |
| **Net increase in capital resulting from operations** | $ 8,654,625 | $ 2,428,232 | $ 25,073,439 | $ 28,774,224 |

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



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**New Mountain Finance Holdings, L.L.C.**

**Consolidated Statements of Changes in Members' Capital**
(unaudited)

| | Six months ended June 30, 2011 | Six months ended June 30, 2010 |
|---|---|---|
| **Increase (Decrease) in members' capital resulting from operations:** | | |
| Net investment income | $ 18,983,389 | $ 15,984,717 |
| Realized gains on investments | 12,552,163 | 29,193,602 |
| Net change in unrealized (depreciation) appreciation of investments | (6,462,113) | (16,404,095) |
| **Net increase (decrease) in members' capital resulting from operations** | 25,073,439 | 28,774,224 |
| **Distributions** | (10,249,155) | (38,270,191) |
| **Contributions** | 195,294,674 | 12,131,014 |
| **Offering Costs** | (11,440,923) | — |
| **Net increase in members' capital** | 198,678,035 | 2,635,047 |
| **Members' capital at beginning of period** | 241,927,261 | 239,440,683 |
| **Members' capital at end of period** | $ 440,605,296 | $ 242,075,730 |

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



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**New Mountain Finance Holdings, L.L.C.**

**Consolidated Statements of Cash Flows**
(unaudited)

| | Six months ended | |
|---|---|---|
| | June 30, 2011 | June 30, 2010 |
| **Cash flows from operating activities** | | |
| Net increase in capital resulting from operations | $ 25,073,439 | $ 28,774,224 |
| Adjustments to reconcile net increase (decrease) in capital resulting from operations to net cash (used in) provided by operating activities: | | |
| Realized gains on investments | (12,552,163) | (29,193,602) |
| Net change in unrealized (appreciation) depreciation of investments | 6,462,113 | 16,404,095 |
| Amortization of purchase discount | (3,401,906) | (7,494,472) |
| Amortization of deferred credit facility costs | 311,283 | — |
| Non-cash interest | (727,135) | (1,011,987) |
| **(Increase) decrease in operating assets:** | | |
| Purchase of investments | (245,993,220) | (75,681,612) |
| Proceeds from sales and paydowns of investments | 152,208,584 | 110,581,682 |
| Cash received for purchase of undrawn portion of revolving credit facility | 1,260,000 | — |
| Cash paid for drawn revolver | (535,593) | — |
| Interest receivable | (1,038,712) | (1,337,237) |
| Receivable from unsettled securities sold | — | 5,124,622 |
| Other assets | (754,525) | 1,407 |
| **Increase (decrease) in operating liabilities:** | | |
| Payable for unsettled securities purchased | (71,576,780) | (3,482,265) |
| Interest payable | 279,149 | (47,516) |
| Management fee payable | 807,509 | — |
| Incentive fee payable | 504,393 | — |
| Payable to affiliates | (202,180) | (173,440) |
| Other liabilities | (326,040) | 258,364 |
| **Net cash flows (used in) provided by operating activities** | (150,201,784) | 42,722,263 |
| **Cash flows from financing activities** | | |

| | | |
|---|---|---|
| Contributions | 195,294,674 | 12,131,014 |
| Distributions | (10,249,155) | (38,270,191) |
| Offering costs paid | (8,344,393) | — |
| Proceeds from Holdings credit facility | 63,281,605 | 21,785,175 |
| Repayment of Holdings credit facility | (88,678,542) | (38,419,909) |
| Proceeds from SLF credit facility | 92,043,800 | — |
| Repayment of SLF credit facility | (22,062,352) | — |
| Deferred credit facility costs paid | (3,977,249) | — |
| **Net cash flows provided by (used in) financing activities** | 217,308,388 | (42,773,911) |
| **Net increase in cash and cash equivalents** | 67,106,604 | (51,648) |
| **Cash and cash equivalents at the beginning of the period** | 10,744,082 | 4,110,193 |
| **Cash and cash equivalents at the end of the period** | $ 77,850,686 | $ 4,058,545 |
| **Supplemental disclosure of cash flow information** | | |
| Interest paid | $ 1,962,278 | $ 1,073,927 |
| **Non-cash financing activities:** | | |
| Accrual of offering costs | 3,096,530 | — |

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



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**New Mountain Finance Holdings, L.L.C.**

**Consolidated Schedule of Investments**

**June 30, 2011**
(unaudited)

| Portfolio Company, Location and Industry | Type of Investment | Interest Rate | Maturity Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Members' Capital |
|---|---|---|---|---|---|---|---|
| **United States** | | | | | | | |
| Stratus Technologies, Inc. | | | | | | | |
| Information Technology | Ordinary shares(2) | — | — | 144,270 | $ 65,123 | $ 56,324 | |
| | Preferred shares(2) | — | — | 32,830 | 14,819 | 12,817 | |
| | | | | | 79,942 | 69,141 | 0.02% |
| Total shares | | | | | 79,942 | 69,141 | 0.02% |
| **United States** | | | | | | | |
| Alion Science and Technology Corporation | | | | | | | |
| Federal Services | Warrants (2) | — | — | 6,000 | 292,851 | 316,560 | 0.07% |
| Learning Care Group (US), Inc. | | | | | | | |
| Education | Warrants (2) | — | — | 845 | 193,850 | 90,663 | 0.02% |
| Total warrants | | | | | 486,701 | 407,223 | 0.09% |
| **United States** | | | | | | | |
| Managed Health Care Associates, Inc. | | | | | | | |
| Healthcare Services | First lien (2) | 3.44% (Base Rate + 3.25%) | 8/1/2014 | 22,467,673 | 18,046,809 | 21,568,965 | |
| | Second lien (2) | 6.69% (Base Rate + 6.50%) | 2/1/2015 | 15,000,000 | 11,575,183 | 14,025,000 | |
| | | | | 37,467,673 | 29,621,992 | 35,593,965 | 8.08% |
| Decision Resources, LLC | | | | | | | |
| Business Services | First lien (3) | 7.00% (Base Rate + 5.50%) | 12/28/2016 | 17,910,000 | 17,658,629 | 17,943,580 | |
| | Second lien (2) | 9.50% (Base Rate + 8.00%) | 5/7/2018 | 14,500,000 | 14,357,575 | 14,427,500 | |
| | | | | 32,410,000 | 32,016,204 | 32,371,080 | 7.35% |
| Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation) | | | | | | | |
| Software | First lien (3) | 6.50% (Base Rate + 5.00%) | 4/27/2017 | 12,000,000 | 11,907,570 | 12,062,495 | |
| | Second lien (2) | 9.50% (Base Rate + 8.00%) | 10/27/2017 | 15,000,000 | 14,853,966 | 15,199,995 | |
| | | | | 27,000,000 | 26,761,536 | 27,262,490 | 6.19% |
| Lawson Software, Inc. (fka SoftBrands, Inc.) | | | | | | | |
| Software | First lien (3) | 6.75% (Base Rate + 5.25%) | 7/5/2017 | 20,000,000 | 19,200,000 | 19,215,620 | |
| | Subordinated(2) | 11.50% | 7/15/2018 | 4,000,000 | 3,685,720 | 3,685,720 | |
| | | | | 24,000,000 | 22,885,720 | 22,901,340 | 5.20% |
| Learning Care Group (US), Inc. | | | | | | | |
| Education | First lien (2) | 12.00% | 4/27/2016 | 17,368,421 | 17,086,426 | 17,368,421 | |
| | Subordinated(2) | 15.00% | 6/30/2016 | 3,044,655 | 2,841,846 | 2,919,766 | |
| | | | | 20,413,076 | 19,928,272 | 20,288,187 | 4.60% |
| U.S. Healthworks Holding Company, Inc. | | | | | | | |
| Healthcare Services | Second lien (2) | 10.50% (Base Rate + 9.00%) | 6/15/2017 | 20,000,000 | 19,701,348 | 19,800,000 | 4.49% |
| Unitek Global Services, Inc. | | | | | | | |
| Business Services | First lien (2) | 9.00% (Base Rate + 7.50%) | 4/15/2018 | 19,950,000 | 19,368,140 | 19,501,125 | 4.43% |
| KeyPoint Government Solutions, Inc. | | | | | | | |
| Federal Services | First lien (2) | 10.00% (Base Rate + 8.00%) | 12/31/2015 | 17,910,000 | 17,579,885 | 17,865,225 | 4.05% |
| Smile Brands Group Inc. | | | | | | | |
| Healthcare Services | First lien (3) | 7.00% (Base Rate + 5.25%) | 12/21/2017 | 17,412,500 | 17,165,414 | 17,470,536 | 3.97% |
| Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.) | | | | | | | |
| Federal Services | First lien (3) | 7.00% (Base Rate + 5.50%) | 4/21/2017 | 17,000,000 | 16,834,586 | 17,042,500 | 3.87% |
| TravelCLICK, Inc. (fka TravelCLICK Acquisition Co.) | | | | | | | |
| Information Services | First lien (3) | 6.50% (Base Rate + 5.00%) | 3/16/2016 | 16,458,750 | 16,147,823 | 16,304,449 | 3.70% |
| Brock Holdings III, Inc. | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Industrial Services | Second lien (2) | 10.00% (Base Rate + 8.25%) | 3/16/2018 | 15,000,000 | 14,716,318 | 15,375,000 | 3.49% |

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



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**New Mountain Finance Holdings, L.L.C.**

**Consolidated Schedule of Investments (continued)**

**June 30, 2011**
(unaudited)

| Portfolio Company, Location and Industry | Type of Investment | Interest Rate | Maturity Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Members' Capital |
|---|---|---|---|---|---|---|---|
| Volume Services America, Inc. (Centerplate) | | | | | | | |
| Consumer Services | First lien (2) | 10.50% (Base Rate + 8.50%) | 9/16/2016 | 14,887,500 | $ 14,519,018 | $ 14,961,938 | 3.40% |
| MLM Holdings, Inc. | | | | | | | |
| Software | First lien (3) | 7.00% (Base Rate + 5.25%) | 12/1/2016 | 14,887,500 | 14,681,208 | 14,924,719 | 3.39% |
| Virtual Radiologic Corporation | | | | | | | |
| Healthcare Information Technology | First lien (3) | 7.75% (Base Rate + 4.50%) | 12/22/2016 | 14,927,494 | 14,726,220 | 14,778,219 | 3.35% |
| Pacific Architects and Engineers Incorporated | | | | | | | |
| Federal Services | First lien (3) | 7.50% (Base Rate + 6.00%) | 4/4/2017 | 15,000,000 | 14,706,963 | 14,700,000 | 3.34% |
| LANDesk Group, Inc. | | | | | | | |
| Software | First lien (3) | 7.02% (Base Rate + 5.17%) | 3/28/2016 | 14,750,000 | 14,480,083 | 14,473,437 | 3.28% |
| SonicWALL, Inc. | | | | | | | |
| Software | First lien (3) | 8.25% (Base Rate + 6.25%) | 1/23/2016 | 3,485,887 | 3,501,650 | 3,503,317 | |
| | Second lien (2) | 12.00% (Base Rate + 10.00%) | 1/23/2017 | 10,000,000 | 9,728,753 | 10,150,000 | |
| | | | | 13,485,887 | 13,230,403 | 13,653,317 | 3.10% |
| Airvana Network Solutions Inc. | | | | | | | |
| Software | First lien (2) | 10.00% (Base Rate + 8.00%) | 3/25/2015 | 12,838,095 | 12,597,336 | 12,990,548 | 2.95% |
| Vision Solutions, Inc. | | | | | | | |
| Software | Second lien (2) | 9.50% (Base Rate + 8.00%) | 7/23/2017 | 12,000,000 | 11,884,519 | 12,060,000 | 2.74% |
| Fibertech Networks, LLC (fka Firefox Merger Sub, LLC) | | | | | | | |
| Telecommunication | First lien (3) | 6.75% (Base Rate + 5.00%) | 11/30/2016 | 11,940,000 | 11,775,068 | 12,051,938 | 2.74% |
| Mailsouth, Inc | | | | | | | |
| Media | First lien (3) | 6.75% (Base Rate + 4.99%) | 12/14/2016 | 11,970,000 | 11,802,468 | 11,955,038 | 2.71% |
| Merrill Communications LLC | | | | | | | |
| Business Services | First lien (2) | 7.50% (Base Rate + 5.50%) | 12/22/2012 | 11,421,788 | 9,782,937 | 11,407,511 | 2.59% |
| PODS Holding Funding Corp. | | | | | | | |
| Consumer Services | Subordinated(2) | 16.64% | 12/23/2015 | 11,664,000 | 10,228,016 | 10,311,372 | 2.34% |
| CHG Companies Inc. | | | | | | | |
| Healthcare Services | Second lien (2) | 11.25% (Base Rate + 9.50%) | 4/7/2017 | 10,000,000 | 9,814,942 | 10,300,000 | 2.34% |
| Vertafore, Inc. | | | | | | | |
| Software | Second lien (2) | 9.75% (Base Rate + 8.25%) | 10/29/2017 | 10,000,000 | 9,906,642 | 10,200,000 | 2.31% |
| Porex Corporation | | | | | | | |
| Specialty Chemicals and Materials | First lien (3) | 7.14% (Base Rate + 4.73%) | 3/31/2015 | 10,000,000 | 9,850,430 | 9,900,000 | 2.25% |
| Merge Healthcare Inc. | | | | | | | |
| Healthcare Services | First lien (2) | 11.75% | 5/1/2015 | 9,000,000 | 8,861,269 | 9,675,000 | 2.20% |
| Sunquest Information Systems, Inc. (Misys Hospital Systems, Inc.) | | | | | | | |
| Healthcare Services | Second lien (2) | 9.75% (Base Rate + 8.50%) | 6/16/2017 | 9,000,000 | 8,829,941 | 9,270,000 | 2.10% |
| Mach Gen, LLC | | | | | | | |
| Power Generation | Second lien (2) | 7.76% (Base Rate + 7.50%) | 2/22/2015 | 11,599,718 | 9,258,823 | 8,970,268 | 2.04% |
| Research Pharmaceutical Services, Inc. | | | | | | | |
| Healthcare Services | First lien (3) | 6.75% (Base Rate + 5.25%) | 2/18/2017 | 7,500,000 | 7,392,660 | 7,462,500 | 1.69% |
| Surgery Center Holdings, Inc. | | | | | | | |
| Healthcare Services | First lien (3) | 6.50% (Base Rate + 5.00%) | 2/6/2017 | 6,982,500 | 6,948,517 | 7,021,777 | 1.59% |
| Stratus Technologies, Inc. | | | | | | | |
| Information Technology | First lien (2) | 12.00% | 3/29/2015 | 6,827,000 | 6,459,103 | 6,741,663 | 1.53% |
| Alion Science and Technology Corporation | | | | | | | |
| Federal Services | First lien (2) | 12.00% | 11/1/2014 | 6,133,884 | 5,502,207 | 6,312,789 | 1.43% |

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



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**New Mountain Finance Holdings, L.L.C.**

**Consolidated Schedule of Investments (continued)**

**June 30, 2011**

(unaudited)

| Portfolio Company, Location and Industry | Type of Investment | Interest Rate | Maturity Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Members' Capital |
|---|---|---|---|---|---|---|---|
| Ozburn-Hessey Holding Company LLC | | | | | | | |
| Logistics | Second lien (2) | 10.50% (Base Rate + 8.50%) | 10/8/2016 | 6,000,000 | $ 5,880,252 | $ 6,045,000 | 1.37% |
| Bartlett Holdings, Inc. | | | | | | | |
| Industrial Services | First lien (3) | 6.75% (Base Rate + 5.00%) | 11/23/2016 | 5,970,000 | 5,915,090 | 5,999,850 | 1.36% |
| Datatel, Inc. | | | | | | | |
| Software | Second lien (2) | 8.75% (Base Rate + 7.25%) | 2/19/2018 | 5,000,000 | 4,975,867 | 5,100,000 | 1.16% |
| Asurion, LLC (fka Asurion Corporation) | | | | | | | |
| Business Services | Second lien (2) | 9.00% (Base Rate + 7.50%) | 5/24/2019 | 5,000,000 | 4,975,262 | 5,032,030 | 1.14% |
| ATI Acquisition Company (fka Ability Acquisition, Inc.) | | | | | | | |
| Education | First lien (2) | 8.25% (Base Rate + 6.00%) | 12/30/2014 | 4,432,500 | 4,298,200 | 4,144,388 | 0.94% |
| LVI Services, Inc. | | | | | | | |
| Industrial Services | First lien (2) | 9.25% (Base Rate + 7.50%) | 3/31/2014 | 5,141,609 | 4,745,421 | 4,113,287 | 0.93% |
| Physiotherapy Associates, Inc. / Benchmark Medical, Inc. | | | | | | | |
| Healthcare Facilities | First lien (2) | 7.50% (Base Rate + 4.25%) | 6/28/2013 | 3,803,980 | 3,174,013 | 3,784,960 | 0.86% |
| Brickman Group Holdings, Inc. | | | | | | | |
| Business Services | First lien (3) | 7.25% (Base Rate + 5.50%) | 10/14/2016 | 2,985,000 | 3,017,796 | 3,029,309 | 0.69% |
| Source Media Inc./Accuity Inc. | | | | | | | |
| Business Services | First lien (3) | 6.50% (Base Rate + 5.00%) | 1/24/2017 | 1,972,414 | 1,954,023 | 1,987,204 | 0.45% |
| Education Management LLC | | | | | | | |
| Education | First lien (1), (2) - Drawn | — | 6/1/2012 | 535,593 | 318,678 | 504,796 | |
| | First lien (1), (2) - Undrawn | — | 6/1/2012 | 2,464,407 | (998,085) | (141,703) | |
| | | | | 3,000,000 | (679,407) | 363,093 | 0.08% |
| Kronos Incorporated | | | | | | | |
| Software | First lien (1), (2) - Undrawn | — | 6/11/2013 | 4,198,500 | (629,775) | (225,669) | -0.05% |
| RGIS Services, LLC | | | | | | | |
| Business Services | First lien (1), (2) - Undrawn | — | 4/30/2013 | 5,000,000 | (2,850,000) | (256,350) | -0.06% |
| Advantage Sales & Marketing Inc. | | | | | | | |
| Business Services | First lien (1), (2) - Undrawn | — | 12/17/2015 | 10,500,000 | (1,260,000) | (1,155,000) | -0.26% |
| Total United States | | | | 574,841,368 | 523,482,753 | 543,860,033 | 123.44% |
| Total investments | | | | | $ 524,049,396 | $ 544,336,397 | 123.55% |
| **Cash Equivalents** | | | | | | | |
| U.S. Treasury Bill, 0.00%, 7/20/2011 | | | | | | | |
| Government | Cash equivalent | 0.00% | 7/20/2011 | 60,000,000 | 60,000,067 | 59,999,970 | 13.62% |
| Total investments and cash equivalents | | | | | $ 584,049,463 | $ 604,336,367 | 137.17% |

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

(2) The Holdings Credit Facility is collateralized by the indicated investments.

(3) The SLF Credit Facility is collateralized by the indicated investments.

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



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**New Mountain Finance Holdings, L.L.C.**

**Consolidated Schedule of Investments**

**December 31, 2010**

| Portfolio Company, Location and Industry | Type of Investment | Interest Rate | Maturity Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Members' Capital |
|---|---|---|---|---|---|---|---|
| **United States** | | | | | | | |
| Stratus Technologies, Inc. | | | | | | | |
| Information Technology | Ordinary shares | — | — | 103,050 | $ 47,063 | $ 45,149 | |
| | Preferred shares | — | — | 23,450 | 10,710 | 10,274 | |
| | | | | | 57,773 | 55,423 | 0.02% |
| Total shares | | | | | 57,773 | 55,423 | 0.02% |
| **United States** | | | | | | | |
| Alion Science and Technology Corporation | | | | | | | |
| Federal Services | Warrants (3) | — | — | 6,000 | 292,851 | 283,698 | 0.12% |
| Learning Care Group (US), Inc. | | | | | | | |
| Education | Warrants | — | — | 845 | 193,850 | 193,742 | 0.08% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total warrants | | | | | 486,701 | 477,440 | 0.20% |
| **Canada** | | | | | | | |
| Trident Exploration Corp. (2) | | | | | | | |
| Energy | First lien (3) | 12.50% (Base Rate + 9.50%) | 6/30/2014 | 4,477,500 | 4,357,151 | 4,746,150 | 1.96% |
| Total Canada | | | | 4,477,500 | 4,357,151 | 4,746,150 | 1.96% |
| **United States** | | | | | | | |
| Managed Health Care Associates, Inc. | | | | | | | |
| Healthcare Services | First lien (3) | 3.52% (Base Rate + 3.25%) | 8/1/2014 | 22,467,673 | 17,462,237 | 20,557,920 | |
| | Second lien (3) | 6.77% (Base Rate + 6.50%) | 2/1/2015 | 15,000,000 | 11,227,497 | 13,200,001 | |
| | | | | 37,467,673 | 28,689,734 | 33,757,921 | 13.96% |
| Attachmate Corporation, NetIQ Corporation | | | | | | | |
| Software | Second lien (3) | 7.04% (Base Rate + 6.75%) | 10/13/2013 | 22,500,000 | 17,121,571 | 22,275,000 | 9.21% |
| Learning Care Group (US), Inc. | | | | | | | |
| Education | First lien (3) | 12.00% | 4/27/2016 | 17,368,422 | 17,057,656 | 17,192,834 | |
| | Subordinated | 15.00% | 6/30/2016 | 2,832,237 | 2,610,113 | 2,630,413 | |
| | | | | 20,200,659 | 19,667,769 | 19,823,247 | 8.19% |
| Decision Resources, LLC | | | | | | | |
| Business Services | First lien (4) | 7.75% (Base Rate + 4.50%) | 12/28/2016 | 18,000,000 | 17,730,000 | 17,820,001 | 7.37% |
| KeyPoint Government Solutions, Inc | | | | | | | |
| Federal Services | First lien (3) | 10.00% (Base Rate + 8.00%) | 12/31/2015 | 18,000,000 | 17,640,000 | 17,730,000 | 7.33% |
| Smile Brands Group, Inc. | | | | | | | |
| Healthcare Services | First lien (4) | 7.50% (Base Rate + 4.25%) | 12/21/2017 | 17,500,000 | 17,237,500 | 17,390,625 | 7.19% |
| Volume Services America, Inc. (Centerplate) | | | | | | | |
| Consumer Services | First lien (3) | 10.50% (Base Rate + 8.50%) | 9/16/2016 | 14,962,500 | 14,527,858 | 15,056,016 | 6.22% |
| MLM Holdings, Inc. | | | | | | | |
| Software | First lien (4) | 7.00% (Base Rate + 5.25%) | 12/1/2016 | 14,962,500 | 14,739,863 | 14,775,469 | 6.11% |
| LANDesk Software, Inc. | | | | | | | |
| Software | First lien (4) | 7.00% (Base Rate + 5.25%) | 3/28/2016 | 15,000,000 | 14,701,917 | 14,718,750 | 6.08% |
| SonicWALL, Inc. | | | | | | | |
| Software | First lien (4) | 8.26% (Base Rate + 6.19%) | 1/23/2016 | 4,485,887 | 4,507,797 | 4,519,531 | |
| | Second lien (3) | 12.00% (Base Rate + 10.00%) | 1/23/2017 | 10,000,000 | 9,712,391 | 10,050,000 | |
| | | | | 14,485,887 | 14,220,188 | 14,569,531 | 6.02% |

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



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## New Mountain Finance Holdings, L.L.C.

## Consolidated Schedule of Investments (continued)

## December 31, 2010

| Portfolio Company, Location and Industry | Type of Investment | Interest Rate | Maturity Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Members' Capital |
|---|---|---|---|---|---|---|---|
| Virtual Radiologic Corporation | | | | | | | |
| Healthcare Information Technology | First lien (4) | 7.75% (Base Rate + 4.50%) | 12/22/2016 | 14,000,000 | $ 13,790,000 | $ 13,965,000 | 5.77% |
| Asurion, LLC | | | | | | | |
| Business Services | First lien (4) | 6.75% (Base Rate + 5.25%) | 3/31/2015 | 13,000,000 | 12,494,497 | 13,052,234 | 5.40% |
| Aspen Dental Management, Inc. | | | | | | | |
| Healthcare Services | First lien (4) | 7.72% (Base Rate + 6.00%) | 10/6/2016 | 12,967,500 | 12,713,475 | 13,016,128 | 5.38% |
| Firefox Merger Sub, LLC (fka Fibertech Networks, LLC) | | | | | | | |
| Telecommunication | First lien (4) | 6.75% (Base Rate + 5.00%) | 11/30/2016 | 12,000,000 | 11,821,633 | 12,240,000 | 5.06% |
| Airvana Network Solutions Inc. | | | | | | | |
| Software | First lien (3) | 11.00% (Base Rate + 9.00%) | 8/27/2014 | 11,833,333 | 11,611,357 | 11,890,039 | 4.91% |
| Mailsouth, Inc. | | | | | | | |
| Media | First lien (4) | 7.00% (Base Rate + 3.75%) | 12/14/2016 | 12,000,000 | 11,820,000 | 11,880,000 | 4.91% |
| Merge Healthcare Inc. | | | | | | | |
| Healthcare Services | First lien (3) | 11.75% | 5/1/2015 | 11,000,000 | 10,808,642 | 11,770,000 | 4.87% |
| Merrill Communications LLC | | | | | | | |
| Business Services | First lien (3) | 8.50% (Base Rate + 6.50%) | 12/22/2012 | 11,421,788 | 9,332,773 | 11,393,234 | 4.71% |
| PODS Holding Funding Corp. | | | | | | | |
| Consumer Services | Subordinated | 16.64% | 12/23/2015 | 11,664,000 | 10,137,299 | 10,117,351 | 4.18% |
| Vertafore, Inc | | | | | | | |
| Software | Second lien (3) | 9.75% (Base Rate + 8.25%) | 10/29/2017 | 10,000,000 | 9,901,457 | 10,106,250 | 4.18% |
| CHG Companies, Inc. | | | | | | | |
| Healthcare Services | Second lien (3) | 11.25% (Base Rate + 9.50%) | 4/7/2017 | 10,000,000 | 9,804,011 | 9,900,000 | 4.09% |
| First Data Corporation | | | | | | | |
| Business Services | First lien (3) | 3.01% (Base Rate + 2.75%) | 9/24/2014 | 10,646,143 | 7,932,011 | 9,842,273 | 4.07% |
| Focus Brands, Inc. | | | | | | | |
| Franchises | First lien (4) | 7.25% (Base Rate + 5.50%) | 11/5/2016 | 9,181,818 | 9,091,224 | 9,285,114 | 3.84% |
| Sunquest Information Systems, Inc. | | | | | | | |
| Healthcare Services | Second lien | 9.75% (Base Rate + 8.50%) | 6/16/2017 | 9,000,000 | 8,820,000 | 9,000,000 | 3.72% |
| Mach Gen, LLC | | | | | | | |
| Power Generation | Second lien | 7.79% (Base Rate + 7.50%) | 2/22/2015 | 11,145,736 | 8,580,242 | 7,803,431 | 3.23% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| SSI Investments II Limited | | | | | | | |
| Education | Subordinated (3) | 11.13% | 6/1/2018 | 7,000,000 | 7,064,923 | 7,630,000 | 3.15% |
| Hyland Software, Inc. | | | | | | | |
| Software | First lien (4) | 6.75% (Base Rate + 5.00%) | 12/19/2016 | 7,500,000 | 7,425,000 | 7,528,125 | 3.11% |
| Wyle Services Corporation | | | | | | | |
| Federal Services | First lien (4) | 7.75% (Base Rate + 5.75%) | 3/25/2016 | 7,481,234 | 7,508,583 | 7,509,290 | 3.10% |
| RGIS Services, LLC | | | | | | | |
| Business Services | First lien (3) | 2.80% (Base Rate + 2.50%) | 4/30/2014 | 7,394,480 | 5,807,941 | 6,913,839 | |
| | First lien (1) | — | 4/30/2013 | 5,000,000 | (2,850,000) | (406,350) | |
| | | | | 12,394,480 | 2,957,941 | 6,507,489 | 2.69% |
| Alion Science and Technology Corporation | | | | | | | |
| Federal Services | First lien (3) | 12.00% | 11/1/2014 | 6,073,149 | 5,392,607 | 6,273,057 | 2.59% |
| Kronos Incorporated | | | | | | | |
| Software | First lien (1) | — | 6/11/2013 | 4,198,500 | (629,775) | (346,376) | |
| | Second lien (3) | 6.05% (Base Rate + 5.75%) | 6/11/2015 | 6,700,000 | 5,041,455 | 6,563,206 | |
| | | | | 10,898,500 | 4,411,680 | 6,216,830 | 2.57% |

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



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**New Mountain Finance Holdings, L.L.C.**

**Consolidated Schedule of Investments (continued)**

**December 31, 2010**

| Portfolio Company, Location and Industry | Type of Investment | Interest Rate | Maturity Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Members' Capital |
|---|---|---|---|---|---|---|---|
| Bartlett Holdings, Inc. | | | | | | | |
| Industrial Services | First lien (4) | 6.75% (Base Rate + 5.00%) | 11/23/2016 | 6,000,000 | $ 5,940,644 | $ 6,037,500 | 2.50% |
| Ozburn-Hessey Holding Company LLC | | | | | | | |
| Logistics | Second lien | 10.50% (Base Rate + 8.50%) | 10/8/2016 | 6,000,000 | 5,874,951 | 5,985,000 | 2.47% |
| Vision Solutions, Inc. | | | | | | | |
| Software | First lien (4) | 7.75% (Base Rate + 6.00%) | 7/23/2016 | 5,775,000 | 5,662,174 | 5,753,344 | 2.38% |
| LVI Services, Inc | | | | | | | |
| Industrial Services | First lien (3) | 9.25% (Base Rate + 7.50%) | 3/31/2014 | 5,162,883 | 4,304,472 | 4,388,450 | 1.81% |
| Stratus Technologies, Inc. | | | | | | | |
| Information Technology | First lien | 12.00% | 3/29/2015 | 5,000,000 | 4,796,989 | 4,225,000 | 1.75% |
| ATI Acquisition Company | | | | | | | |
| Education | First lien (3) | 8.25% (Base Rate + 5.99%) | 12/30/2014 | 4,455,000 | 4,304,106 | 4,076,325 | 1.68% |
| Physiotherapy Associates, Inc. / Benchmark Medical, Inc. | | | | | | | |
| Healthcare Facilities | First lien (3) | 7.50% (Base Rate + 4.25%) | 6/28/2013 | 3,823,549 | 3,063,441 | 3,594,136 | 1.49% |
| Brickman Group Holdings, Inc. | | | | | | | |
| Business Services | First lien (4) | 7.25% (Base Rate + 5.50%) | 10/14/2016 | 3,000,000 | 3,035,496 | 3,042,501 | 1.26% |
| Datatel, Inc | | | | | | | |
| Software | Second lien (3) | 10.25% (Base Rate + 8.25%) | 12/9/2016 | 2,000,000 | 1,964,077 | 2,042,500 | 0.84% |
| Applied Systems, Inc. | | | | | | | |
| Software | Second lien | 9.25% (Base Rate + 7.75%) | 6/8/2017 | 2,000,000 | 1,980,093 | 2,009,166 | 0.83% |
| Education Management LLC | | | | | | | |
| Education | First lien (1) | — | 6/1/2012 | 3,000,000 | (1,215,000) | (217,500) | -0.09% |
| Total United States | | | | 460,503,332 | 409,407,198 | 435,778,827 | 180.13% |
| Total debt investments | | | | 464,980,832 | 413,764,349 | 440,524,977 | 182.09% |
| Total investments | | | | | $ 414,308,823 | $ 441,057,840 | 182.31% |

(1) Par Value amounts represent the undrawn portion of revolving credit facilities. Cost amounts represent the cash received at settlement date increased for paydowns at par minus the purchase price.

(2) The company is headquartered in Canada. The debt is issued in USD.

(3) The Holdings credit facility (formerly known as the Debt Funding credit facility) is collateralized by the indicated investments.

(4) The SLF credit facility is collateralized by the indicated investments.

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



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**New Mountain Finance Holdings, L.L.C.**

**Notes to the Consolidated Financial Statements**

## 1. Formation and Business Purpose

New Mountain Finance Holdings, L.L.C. ("NMF Holdings", the "Company", "we", "us", or "our") is a Delaware limited liability company. NMF Holdings is externally managed and has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, the Company is obligated to comply with certain regulatory requirements. NMF Holdings intends to be treated as a partnership for federal income tax purposes for so long as it has at least two members.

NMF Holdings is externally managed by New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser"). New Mountain Finance Administration, L.L.C. (the "Administrator") provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital (defined as New Mountain Capital Group, L.L.C. and its affiliates). New Mountain Capital is a firm with a track record of investing in the middle market and with assets under management (which includes amounts committed, not all of which have been drawn down and invested to date) totaling more than $9.0 billion as of June 30, 2011. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity, and credit investment vehicles. NMF Holdings, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ("Guardian AIV") by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately $300 million of the $5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising $20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the "Predecessor Entities."

New Mountain Finance Corporation ("New Mountain Finance") is a Delaware corporation that was originally incorporated on June 29, 2010. New Mountain Finance is a closed-end, non-diversified management investment company that has elected to be treated as a business development company under the 1940 Act. As such, New Mountain Finance is obligated to comply with certain regulatory requirements. New Mountain Finance intends to be treated, and intends to comply with the requirements to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended, (the "Code") commencing with its taxable year ending December 31, 2011.

On May 19, 2011, New Mountain Finance priced its initial public offering (the "IPO") of 7,272,727 shares of common stock at a public offering price of $13.75 per share. Concurrently with the closing of the offering and at the public offering price of $13.75 per share, New Mountain Finance sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a separate private placement.



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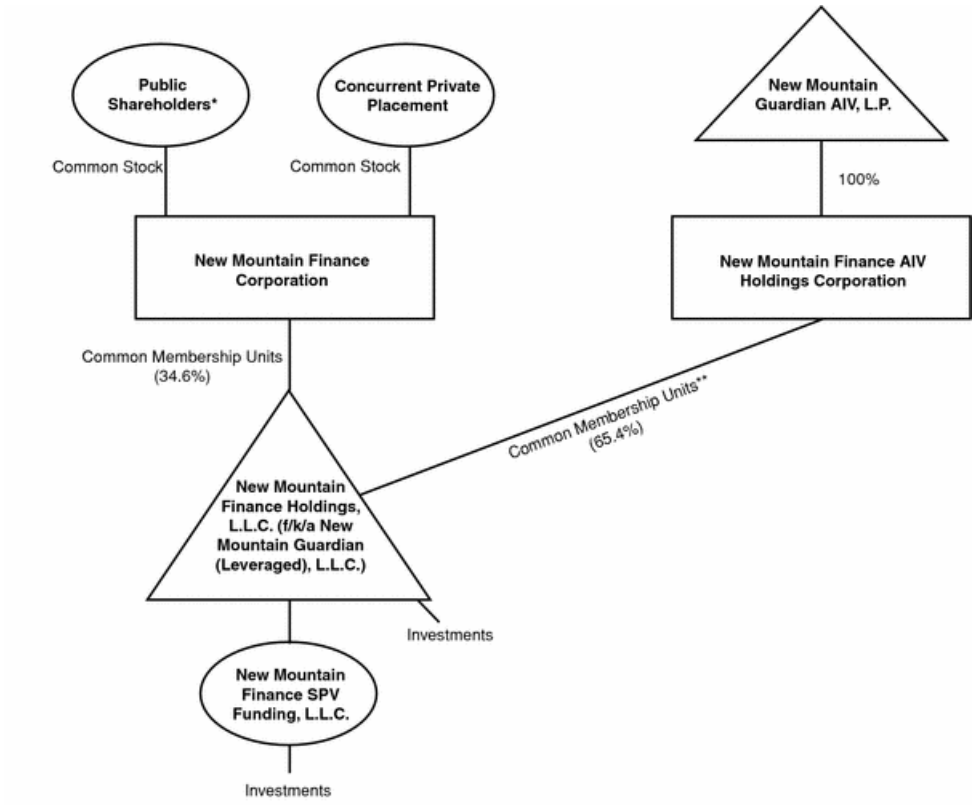
New Mountain Finance is a holding company with no direct operations of its own, and its sole asset is its ownership in NMF Holdings. New Mountain Finance entered into a joinder agreement with respect to the amended and restated limited liability company agreement of NMF Holdings, pursuant to which New Mountain Finance was admitted as a member of NMF Holdings and acquired from NMF Holdings, with the gross proceeds of the IPO and the concurrent private placement, common membership units ("units") of NMF Holdings (the number of units are equal to the number of shares of New Mountain Finance's common stock sold in the IPO and the concurrent private placement). In connection with New Mountain Finance's IPO and through a series of transactions, the Company owns all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

Guardian AIV was the parent of the Company prior to the IPO and as a result of the offering obtained units in NMF Holdings. Guardian AIV contributed its units in NMF Holdings to its newly formed subsidiary, New Mountain Finance AIV Holdings Corporation ("AIV Holdings"), in exchange for common stock of AIV Holdings. AIV Holdings has the right to exchange all or any portion of its units in NMF Holdings for shares of New Mountain Finance's common stock on a one-for-one basis. As of June 30, 2011, New Mountain Finance and AIV Holdings own approximately 34.6% and 65.4%, respectively, of the units of NMF Holdings.

The diagram below depicts our current organizational structure.




* Includes partners of New Mountain Guardian Partners, L.P.

** These common membership units are exchangeable into shares of New Mountain Finance common stock on a one-for-one basis.



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**New Mountain Finance Holdings, L.L.C.**

**Notes to the Consolidated Financial Statements**
**June 30, 2011**

(unaudited)

The Company's investment objective is to generate current income and capital appreciation through the sourcing of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, our investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) opportunities for niche market dominance.

**2. Summary of Significant Accounting Policies**

***Basis of accounting*** — The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Company consolidates its wholly-owned subsidiary, New Mountain Finance SPV Funding, L.L.C. ("NMF SLF"). The 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.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. Accordingly, they 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, 2011.

***Investments*** — NMF Holdings 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 Consolidated Statements of Assets, Liabilities and Capital at fair value, with changes in unrealized gains and losses resulting from changes in fair value reflected in the Consolidated Statements of Operations as "Net change in unrealized appreciation (depreciation) of investments" and realizations on portfolio investments reflected in the Consolidated Statements of Operations as "Realized gains (losses) on investments."

The Company values its assets on a quarterly basis, or more frequently if required under the 1940 Act. 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 Bloomberg;
(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 Interactive Data Corporation. Analytics are performed by the investment professionals of the Company's 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

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**New Mountain Finance Holdings, L.L.C.**

**Notes to the Consolidated Financial Statements**
**June 30, 2011**

(unaudited)

par value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below);

b. For investments other than bonds, we look at the number of quotes readily available and perform the following:
   i. Investments for which more than two 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 or two quotes are 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(s) internally and if the investment's par 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 in good faith by the board of directors 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, 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 our board of directors.
   d. Also, when deemed appropriate by the Company's senior management, an independent valuation firm may be engaged to review and value investment(s) in 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.

Valuation methods may include comparisons of financial ratios of the portfolio companies that issued such private securities to peer companies that are public, the nature and realizable value of any collateral, the portfolio company's earnings, discounted cash flows, and ability to make payments, the markets in which the portfolio company conducts business, and other relevant factors, including available market data such as relevant and applicable market trading and transaction comparables; applicable market yields and multiples; security covenants; call protection provisions; information rights; comparable merger and acquisition transactions; and the principal market and enterprise values. 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.

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.

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

***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



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**New Mountain Finance Holdings, L.L.C.**

**Notes to the Consolidated Financial Statements**
**June 30, 2011**

(unaudited)

readily convertible into known amounts of cash and so near maturity that there is insignificant risk of changes in value. Generally, these securities have original maturities of three months or less.

***Revenue recognition*** — The Company's revenue recognition policies are as follows:

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

*Interest 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 in the portfolio that contain a payment-in-kind ("PIK") provision. PIK represents interest that is accrued and recorded as interest income at the contractual rates, added to the loan principal on the respective capitalization dates, and generally due at maturity.

*Non-Accrual Income:* Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment of the ultimate outcome. Non-accrual loans 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 and miscellaneous fees received. Delayed compensation is income earned from counterparties on trades that do not settle within a set number of business days after trade date.

***Interest and other credit facility expenses*** — Interest and other credit facility fees are recorded on an accrual basis. See Note 7,*Borrowing Facilities*, for details.

***Deferred credit facility costs*** — Deferred credit facility costs consist of expenses related to the origination of the existing credit facilities. These expenses are amortized using the straight-line method over the stated life of the related credit facility. See Note 7, *Borrowing Facilities*, for details.

***Income taxes*** — NMF Holdings intends to be treated as a partnership for federal income tax purposes. Accordingly, no provision for income taxes has been made in the accompanying financial statements, as the partners are individually responsible for reporting income or loss based on their respective share of the revenues or expenses.

NMF Holdings files U.S. federal, state, and local income tax returns.

NMF Holdings has adopted the Income Taxes topic of the Codification ("ASC 740"). ASC 740 provides guidance for how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on its analysis, NMF Holdings has determined that the adoption of ASC 740 did not have a material impact to the Company's financial statements.

***Dividends*** — Distributions to common unit holders are recorded on the record date as set by the Company's board of directors. The Company and New Mountain Finance are required to take certain actions in order to maintain, at all times, a one-to-one ratio between the



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number of units held by New Mountain Finance and the number of shares of New Mountain Finance's common stock outstanding. In addition, in order for New Mountain Finance to pay a dividend or other distribution to holders of its common stock, it must be accompanied by a prior distribution by NMF Holdings to all of its members. NMF Holdings intends to make distributions to its members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC. New Mountain Finance intends to distribute approximately all of its portion of the Company's adjusted net investment income (see Note 5, *Agreements*) on a quarterly basis and substantially all of its portion of the Company's taxable income on an annual basis, except that it may retain certain net capital gains for reinvestment.

New Mountain Finance has adopted a dividend reinvestment plan that provides on behalf of its stockholders for reinvestment of any distributions declared, unless a stockholder elects to receive cash. Cash distributions reinvested in additional shares of New Mountain Finance's common stock will be automatically reinvested by New Mountain Finance in NMF Holdings. New Mountain Finance will use only newly issued shares to implement the plan if the price at which newly-issued shares are to be credited is equal to or greater than 110% of the last determined net asset value of the shares. 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 New Mountain Finance's common stock at the close of regular trading 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 asked prices. If New Mountain Finance uses newly issued shares to implement the plan, New Mountain Finance will receive, on a one-for-one basis, additional units of NMF Holdings in exchange for cash distributions that are reinvested in shares of New Mountain Finance's common stock under the dividend reinvestment plan. If New Mountain Finance's common stock price is less than 110% of the last determined net asset value of the shares, New Mountain Finance 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 New Mountain Finance'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 New Mountain Finance's stockholders have been tabulated.

***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 "Realized gains (losses) on investments" in the Consolidated Statements of Operations.

Investments denominated in foreign currencies may be negatively affected by movements in the rate of exchange between the United States 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 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 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.



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## 3. Investments

At June 30, 2011 investments consisted of the following:

**Investment Cost and Fair Value by Type**

| | Cost | Fair Value |
|---|---|---|
| First lien | $ 356,267,780 | $ 370,988,382 |
| Second lien | 150,459,391 | 155,954,793 |
| Subordinated | 16,755,582 | 16,916,858 |
| Equity and other | 566,643 | 476,364 |
| Total investments | $ 524,049,396 | $ 544,336,397 |

**Investment Cost and Fair Value by Industry**

| | Cost | Fair Value |
|---|---|---|
| Business Services | $ 67,004,362 | $ 71,916,909 |
| Consumer Services | 24,747,034 | 25,273,310 |
| Education | 23,740,915 | 24,886,331 |
| Federal Services | 54,916,492 | 56,237,074 |
| Healthcare Facilities | 3,174,013 | 3,784,960 |
| Healthcare Information Technology | 14,726,220 | 14,778,219 |
| Healthcare Services | 108,336,083 | 116,593,778 |
| Industrial Services | 25,376,829 | 25,488,137 |
| Information Services | 16,147,823 | 16,304,449 |
| Information Technology | 6,539,045 | 6,810,804 |
| Logistics | 5,880,252 | 6,045,000 |
| Media | 11,802,468 | 11,955,038 |
| Power Generation | 9,258,823 | 8,970,268 |
| Software | 130,773,539 | 133,340,182 |
| Specialty Chemicals and Materials | 9,850,430 | 9,900,000 |
| Telecommunication | 11,775,068 | 12,051,938 |
| Total investments | $ 524,049,396 | $ 544,336,397 |

At December 31, 2010 investments consisted of the following:

**Investment Cost and Fair Value by Type**

| | Cost | Fair Value |
|---|---|---|
| First lien | $ 303,924,269 | $ 321,212,659 |
| Second lien | 90,027,745 | 98,934,554 |
| Subordinated | 19,812,335 | 20,377,764 |
| Equity and other | 544,474 | 532,863 |
| Total investments | $ 414,308,823 | $ 441,057,840 |



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**New Mountain Finance Holdings, L.L.C.**

**Notes to the Consolidated Financial Statements**
**June 30, 2011**

(unaudited)

**Investment Cost and Fair Value by Industry**

| | Cost | Fair Value |
|---|---|---|
| Business Services | $ 53,482,718 | $ 61,657,732 |
| Consumer Services | 24,665,157 | 25,173,367 |
| Education | 30,015,648 | 31,505,814 |
| Energy | 4,357,151 | 4,746,150 |
| Federal Services | 30,834,041 | 31,796,045 |
| Franchises | 9,091,224 | 9,285,114 |
| Healthcare Facilities | 3,063,441 | 3,594,136 |
| Healthcare Information Technology | 13,790,000 | 13,965,000 |
| Healthcare Services | 88,073,362 | 94,834,674 |
| Industrial Services | 10,245,116 | 10,425,950 |
| Information Technology | 4,854,762 | 4,280,423 |
| Logistics | 5,874,951 | 5,985,000 |
| Media | 11,820,000 | 11,880,000 |
| Power Generation | 8,580,242 | 7,803,431 |
| Software | 103,739,377 | 111,885,004 |
| Telecommunication | 11,821,633 | 12,240,000 |
| Total investments | $ 414,308,823 | $ 441,057,840 |

As of June 30, 2011 and December 31, 2010, there were no assets being accounted for on a non-accrual basis.

As of June 30, 2011 and December 31, 2010, the Company had unfunded commitments on revolving credit facilities of $22,162,907 and $12,198,500, respectively, which are disclosed on the Consolidated Schedules of Investments.

## 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. Accounting Standards Codification 820, *Fair Value Measurement and Disclosure*, ("ASC 820") establishes a fair value hierarchy that prioritizes and ranks the inputs to valuation techniques used in measuring investments at fair value. This hierarchy consists of three levels. The hierarchy classifies the inputs used in measuring fair value as follows:

Level I — Quoted prices (unadjusted) are available in active markets for identical investments that the Company has the ability to access 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 they hold 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:

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**New Mountain Finance Holdings, L.L.C.**

**Notes to the Consolidated Financial Statements**
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(unaudited)

a) Quoted prices for similar assets or liabilities in active markets;
b) Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
c) 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
d) 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 into the determination of fair value require significant judgment or estimation by management.

The inputs used to measure fair value may fall into different levels. 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 input that is significant to the fair value measurement in its entirety. For example, a Level III fair value measurement may include inputs that are observable (Levels I and II) and unobservable (Level III). Therefore, 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 (Levels II and III) and unobservable inputs (Level III).

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 reclassification of certain investments within the fair value hierarchy. Reclassifications impacting Level III of the fair value hierarchy are reported as transfers in/out of the Level III category as of the beginning of the quarter in which the reclassifications occur.

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of June 30, 2011:

| | Total | Level I | Level II | Level III |
|---|---|---|---|---|
| First lien | $ 370,988,382 | — | $ 340,193,887 | $ 30,794,495 |
| Second lien | 155,954,793 | — | 155,954,793 | — |
| Subordinated | 16,916,858 | — | 3,685,720 | 13,231,138 |
| Equity and other | 476,364 | — | — | 476,364 |
| Total investments | $ 544,336,397 | — | $ 499,834,400 | $ 44,501,997 |

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of December 31, 2010:

| | Total | Level I | Level II | Level III |
|---|---|---|---|---|
| First lien | $ 321,212,659 | — | $ 304,237,325 | $ 16,975,334 |
| Second lien | 98,934,554 | — | 98,934,554 | — |
| Subordinated | 20,377,764 | — | 7,630,000 | 12,747,764 |
| Equity and other | 532,863 | — | — | 532,863 |
| Total investments | $ 441,057,840 | — | $ 410,801,879 | $ 30,255,961 |



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**New Mountain Finance Holdings, L.L.C.**

**Notes to the Consolidated Financial Statements**
**June 30, 2011**

(unaudited)

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended June 30, 2011, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held at June 30, 2011:

| | Total | First Lien | Subordinated | Equity and other |
|---|---|---|---|---|
| **Fair value, March 31, 2011** | $ 29,440,577 | $ 15,944,572 | $ 13,010,878 | $ 485,127 |
| Total gains or losses included in earnings: | | | | |
| Net change in unrealized appreciation (depreciation) | 34,078 | 34,999 | 7,842 | (8,763) |
| Purchases, including capitalized PIK and revolver fundings | 15,448,011 | 15,235,593 | 212,418 | — |
| Transfers into Level III (1) | (420,669) | (420,669) | — | — |
| **Fair value, June 30, 2011** | $ 44,501,997 | $ 30,794,495 | $ 13,231,138 | $ 476,364 |
| 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: | $ 34,078 | $ 34,999 | $ 7,842 | $ (8,763) |

(1) Portfolio investments are transferred into Level III at fair value as of the beginning of the period and are transferred in accordance with the Company's valuation policy.

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended June 30, 2010, as well as the portion of

appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held at June 30, 2010:

| | Total | First Lien | Subordinated | Equity and other |
|---|---|---|---|---|
| **Fair value, March 31, 2010** | $ — | $ — | $ — | $ — |
| Total gains or losses included in earnings: | | | | |
| Net change in unrealized appreciation (depreciation) | 85,609 | 73,768 | (16,706) | 28,547 |
| Purchases, including capitalized PIK | 19,903,731 | 17,028,010 | 2,389,020 | 486,701 |
| **Fair value, June 30, 2010** | $ 19,989,340 | $ 17,101,778 | $ 2,372,314 | $ 515,248 |
| 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: | $ 85,609 | $ 73,768 | $ (16,706) | $ 28,547 |



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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, 2011, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held at June 30, 2011:

| | Total | First Lien | Subordinated | Equity and other |
|---|---|---|---|---|
| **Fair value, December 31, 2010** | $ 30,255,961 | $ 16,975,334 | $ 12,747,764 | $ 532,863 |
| Total gains or losses included in earnings: | | | | |
| Net change in unrealized appreciation (depreciation) | 788,581 | 596,294 | 270,956 | (78,669) |
| Purchases, including capitalized PIK and revolver fundings | 14,210,181 | 13,975,593 | 212,418 | 22,170 |
| Transfers into Level III (1) | (752,726) | (752,726) | — | — |
| **Fair value, June 30, 2011** | $ 44,501,997 | $ 30,794,495 | $ 13,231,138 | $ 476,364 |
| 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: | $ 788,581 | $ 596,294 | $ 270,956 | $ (78,669) |

(1) Portfolio investments are transferred into Level III at fair value as of the beginning of the period and are transferred in accordance with the Company's valuation policy.

The following table summarizes the changes in fair value of Level III portfolio investments for the six months ended June 30, 2010, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held at June 30, 2010:

| | Total | First Lien | Subordinated | Equity and other |
|---|---|---|---|---|
| **Fair value, December 31, 2009** | $ — | $ — | $ — | $ — |
| Total gains or losses included in earnings: | | | | |
| Net change in unrealized appreciation (depreciation) | 85,609 | 73,768 | (16,706) | 28,547 |
| Purchases, including capitalized PIK | 19,903,731 | 17,028,010 | 2,389,020 | 486,701 |
| **Fair value, June 30, 2010** | $ 19,989,340 | $ 17,101,778 | $ 2,372,314 | $ 515,248 |
| 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: | $ 85,609 | $ 73,768 | $ (16,706) | $ 28,547 |

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the six months ended June 30, 2011 and the year ended December 31, 2010.



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***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 investments 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. 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.

## 5. Agreements

NMF Holdings entered into an Investment Management Agreement with New Mountain Finance Advisers BDC, L.L.C. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, NMF Holdings. For providing these services, the Investment

Adviser receives a fee from NMF Holdings, consisting of two components — a base management fee and an incentive fee.

The base management fee is calculated at an annual rate of 1.75% of the Company's gross assets less (i) the borrowings under the SLF Credit Facility (See Note 7, *Borrowing Facilities*) 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 Operating Company's gross assets, 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 incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20% of the Company's ''Pre-incentive Fee Adjusted Net Investment Income'' for the immediately preceding quarter, subject to a "preferred return", or ''hurdle'', and a ''catch-up'' feature. ''Pre-Incentive Fee Net Investment Income'' means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, 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 the Administration Agreement with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred membership units, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

Under GAAP, New Mountain Finance's IPO did not step-up cost basis of the Company's existing investments to fair market value at the IPO date. Since the total value of the Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, and differences in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such investments are sold or mature in the future. The Company tracks the transferred (or fair market) value of



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each of its investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts Pre-Incentive Fee Net Investment Income to reflect the amortization of purchase or original issue discount on our investments as if each investment was purchased at the date of IPO, or stepped up to fair market value. This is defined as ''Pre-incentive Fee Adjusted Net Investment Income.'' The Company also uses the transferred (or fair market) value of each of its investments as of the time of the IPO to adjust capital gains or losses and unrealized capital depreciation. This is defined as "Adjusted Realized Capital Gains", "Adjusted Realized Capital Losses", and "Adjusted Unrealized Capital Depreciation".

Pre-Incentive Fee Adjusted Net Investment Income, expressed as a rate of return on the value of the Operating Company's net assets at the end of the immediately preceding calendar quarter, will be compared to a ''hurdle rate'' of 2% per quarter or appropriately pro-rated for any partial quarter (8% annualized), subject to a ''catch-up'' provision measured as of the end of each calendar quarter. The calculation of the Company's incentive fee with respect to the Pre-Incentive Fee Adjusted Net Investment Income for each quarter is as follows:

- No incentive fee is payable to the Investment Adviser in any calendar quarter in which the Company's Pre-Incentive Fee Adjusted Net Investment Income does not exceed the hurdle rate of 2% (the ''preferred return'' or ''hurdle'').
- 100% of the Company's Pre-Incentive Fee Adjusted Net Investment Income with respect to that portion of such Pre-Incentive Fee Adjusted Net Investment Income, if any, that exceeds the hurdle rate but is less than or equal to 2.5% in any calendar quarter (10% annualized) is payable to the Investment Adviser. This portion of the Company's Pre-Incentive Fee Adjusted Net Investment Income (which exceeds the hurdle rate but is less than or equal to 2.5%) is referred to as the ''catch-up''. The catch-up provision is intended to provide the Investment Adviser with an incentive fee of 20% on all of the Company's Pre-Incentive Fee Adjusted Net Investment Income as if a hurdle rate did not apply when the Company's Pre-Incentive Fee Adjusted Net Investment Income exceeds 2.5% in any calendar quarter.
- 20% of the amount of the Company's Pre-Incentive Fee Adjusted Net Investment Income, if any, that exceeds 2.5% in any calendar quarter (10% annualized) is payable to the Investment Adviser once the hurdle is reached and the catch-up is achieved, (20% of all Pre-Incentive Fee Adjusted Net Investment Income thereafter is allocated to the Investment Adviser).

The second part will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement) and will equal 20% of the Company's Adjusted Realized Capital Gains, if any, on a cumulative basis from inception through the end of the each calendar year, computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee.

The management fee and incentive fee were $807,509 and $504,393 for the period from May 19, 2011 (effective date of the Investment Management Agreement) to June 30, 2011. The Consolidated Statement of Operations below is adjusted as if step-up in cost basis to fair market value had occured at the IPO date. This statement begins on May 19, 2011, the effective date of the Investment Management Agreement.



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| | Period from May 19, 2011 to June 30, 2011 | Adjustments | Adjusted Period from May 19, 2011 to June 30, 2011 |
|---|---|---|---|
| **Investment income** | | | |
| Interest income | $ 7,004,932 | (558,689 ) | $ 6,446,243 |

| | | | |
|---|---|---|---|
| Other income | 306,144 | | 306,144 |
| Total investment income | 7,311,076 | (558,689) | 6,752,387 |
| **Expenses** | | | |
| Interest and other credit facility expenses | 893,380 | | 893,380 |
| Management fee | 807,509 | | 807,509 |
| Professional fees | 342,535 | | 342,535 |
| Administrative expenses | 47,923 | | 47,923 |
| Other general and administrative expenses | 136,710 | | 136,710 |
| Total expenses | 2,228,057 | — | 2,228,057 |
| **Pre-Incentive Fee Net investment income** | 5,083,019 | (558,689) | 4,524,330 |
| Incentive fee | 504,393 | | 504,393 |
| **Post-Incentive Fee Net Investment Income** | 4,578,626 | (558,689) | 4,019,937 |
| Realized loss on investments | (402,003) | 215,321 | (186,682) |
| Net change in unrealized appreciation of investments | 1,100,228 | 343,368 | 1,443,596 |
| **Net increase in capital resulting from operations** | $ 5,276,851 | | $ 5,276,851 |

NMF Holdings and New Mountain Finance have entered into an Administration Agreement with New Mountain Finance Administration, L.L.C. under which the Administrator provides administrative services. The Administrator oversees our financial records, prepares reports filed with the SEC, generally monitors the payment of our expenses, and watches the performance of administrative and professional services rendered to the Company by others. NMF Holdings will reimburse the Administrator for New Mountain Finance's and the Company's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to New Mountain Finance and the Company under the Administration Agreement. During the first year of operations, the Company has capped its direct and indirect expenses at $3 million.

The Company and New Mountain Finance have also entered into a license agreement with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant the Company and New Mountain Finance a non-exclusive, royalty-free license to use the New Mountain name. Under this agreement, subject to certain conditions, the Company and New Mountain Finance will have a right to use the New Mountain name, 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 and New Mountain Finance will have no legal right to the New Mountain name.

## 6. Related Parties

NMF Holdings has entered into a number of business relationships with affiliated or related parties, including the following:

- NMF Holdings has entered into an 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.

- NMF Holdings and New Mountain Finance have entered into an Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for New Mountain Finance and the Company and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. NMF Holdings reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to NMF Holdings and New Mountain Finance under the Administration Agreement, including rent, 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. During the first year of operations, the Company has capped its direct and indirect expenses at $3 million.
- Together, New Mountain Finance and AIV Holdings own all the outstanding units of the Company. As of June 30, 2011, New Mountain Finance and AIV Holdings own approximately 34.6% and 65.4%, respectively, of the units of NMF Holdings.
- The Company and New Mountain Finance have entered into a royalty-free license agreement with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant the Company and New Mountain Finance a non-exclusive, royalty-free license to use the name ''New Mountain''.

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with NMF Holdings' investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for NMF Holdings 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.

Concurrently with its initial public offering, New Mountain Finance sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a separate private placement.

## 7. Borrowing Facilities

Holdings Credit Facility — The Loan and Security Agreement dated May 19, 2011 (the "Holdings Credit Facility") among NMF Holdings as the Borrower and

Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 21, 2015. The maximum amount of revolving borrowings available under the Holdings Credit Facility is $160,000,000. Under the terms of the Holdings Credit Facility, the Company is permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien debt securities or non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, N.A. The credit facility 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 facility are capitalized on the Consolidated Statement of Assets, Liabilities, and Member's Capital and charged against income over the life of the facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default, including the





**New Mountain Finance Holdings, L.L.C.**

**Notes to the Consolidated Financial Statements**
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occurrence of a change in control. In addition, the Holdings Credit Facility requires the Company to maintain a minimum asset coverage ratio. However, the covenants are generally not tied to mark to market fluctuations in the prices of our investments, but rather to the performance of the underlying portfolio companies.

The Company became a party to the Holdings Credit Facility upon the IPO of New Mountain Finance. The Holdings Credit Facility amends and restates the credit facility of the Predecessor Entities (the "Predecessor Credit Facility"). The Predecessor Credit Facility consisted of two separate facilities. First, the Loan and Security Agreement dated October 21, 2009 among New Mountain Guardian (Leveraged), L.L.C. as the Collateral Manager, New Mountain Guardian Debt Funding, L.L.C. as the Borrower, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, was structured as a revolving credit facility that matured on October 21, 2014. The maximum amount of revolving borrowings available under this credit facility was $112,500,000. Second, the Loan and Security Agreement dated November 19, 2009 among New Mountain Guardian Partners (Leveraged), L.L.C as the Collateral Manager, New Mountain Guardian Partners Debt Funding, L.L.C. as the Borrower, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility that matures on October 21, 2014. The maximum amount of revolving borrowings available under this credit facility was $7,500,000.

The Holdings Credit Facility (as well as the Predecessor Credit Facility) bears interest at a rate of LIBOR plus 3.00% per annum and charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement). Interest expense and non-usage fees were $893,905 and $374,900, respectively, for the six months ended June 30, 2011. Interest expense and non-usage fees were $1,023,415 and $148,548, respectively, for the six months ended June 30, 2010. The weighted average interest rate for the six months ended June 30, 2011 and June 30, 2010 was 3.2% and 3.3%, respectively. The average debt outstanding for the six months ended June 30, 2011 and June 30, 2010 was $53,853,228 and $62,290,738, respectively. The outstanding balance as of June 30, 2011 and December 31, 2010 was $34,300,000 and $59,696,938, respectively. As of June 30, 2011 and December 31, 2010, the Company was in compliance with all financial and operational covenants required by the existing credit facilities.

SLF Credit Facility — The Loan and Security Agreement dated October 27, 2010 (the "SLF Credit Facility") among NMF SLF as the Borrower, NMF Holdings as the Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 27, 2015. A Second Amendment to the Loan and Security Agreement was executed on March 9, 2011. This amendment increased the maximum amount of revolving borrowings available under this credit facility from $100,000,000 to $150,000,000. The loan is non-recourse to NMF Holdings and secured by all assets owned by the borrower on an investment by investment basis. All fees associated with the origination or upsizing of the facility are capitalized on the Consolidated Statement of Assets, Liabilities, and Member's Capital and charged against income over the life of the facility. The credit facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. The covenants are generally not tied to mark to market fluctuations in the prices of our investments, but rather to the performance of the underlying portfolio companies.

The SLF Credit Facility permits borrowings of up to 67.0% of the purchase price of pledged debt securities subject to approval by Wells Fargo Bank, N.A. and bears interest at a rate of





**New Mountain Finance Holdings, L.L.C.**

**Notes to the Consolidated Financial Statements**
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LIBOR plus 2.25% per annum. A non-usage fee is paid, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement). Interest expense and non-usage fees were $1,349,394 and $58,168, respectively, for the six months ended June 30, 2011. The weighted average interest rate for the six months ended June 30, 2011 for the facility was 2.5%. The average debt outstanding for the six months ended June 30, 2011 was $108,352,940. The SLF Credit Facility did not exist during the six months ended June 30, 2010. The outstanding balance as of June 30, 2011 and December 31, 2010 was $126,917,448 and $56,936,000, respectively. As of June 30, 2011 and December 31, 2010, NMF SLF was in compliance with all financial and operational covenants required by the existing credit facilities.

## 8. Regulation

As a BDC, NMF Holdings 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% of its total assets are qualifying assets (with certain limited exceptions).

## 9. Commitments and Contingencies

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company has unfunded commitments on revolving credit facilities, which are disclosed on the Consolidated Schedules of Investments and in Note 3, Investments. 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. As of June 30, 2011 and December 31, 2010, the Company had no outstanding bridge financing commitments. The Company also has revolving borrowings available under the Holdings Credit Facility and the SLF Credit Facility as of June 30, 2011. See

Note 7, Borrowing Facilities, for details.

**10. Financial Highlights**

The following information sets forth the financial highlights for the six months ended June 30, 2011 and 2010. The ratios to average net assets have been annualized. The total return is not annualized.



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**New Mountain Finance Holdings, L.L.C.**

**Notes to the Consolidated Financial Statements**
**June 30, 2011**

(unaudited)

| | Six Months Ended June 30, 2011 | Six Months Ended June 30, 2010 |
|---|---|---|
| Total Return | 8.68% | 12.34% |
| Average net assets for the period | $ 341,266,279 | $ 240,758,207 |
| Ratio to average net assets: | | |
| Net investment income | 11.13% | 13.28% |
| Total expenses (gross) | 3.31% | 1.40% |
| Total expenses (net of reimbursable expenses) | 3.13% | 1.40% |
| Per Unit Data: | | |
| Net asset value, May 19, 2011 (a) | $ 14.08 | |
| Net investment income | 0.15 | |
| Net realized and unrealized gain | 0.02 | |
| Net increase in net assets resulting from operations | 0.17 | |
| Net asset value, June 30, 2011 | $ 14.25 | |

(a) Data presented from May 19, 2011 forward as the fund became unitized on that date, the IPO date.

**11. Recent Accounting Standards Updates**

In May 2011, the FASB issued Accounting Standards Update No. 2011-04 ("ASU 2011-04"), which provides clarification about how to measure fair value and improves comparability of fair value measurements presented and disclosed in accordance with U.S. GAAP and International Financial Reporting Standards. Some of the amendments included in ASU 2011-4 clarify the FASB's intent about the application of existing fair value measurement and disclosure requirements (e.g., by clarifying that a reporting entity should disclose quantitative information about unobservable inputs used in a fair value measurement that is categorized within Level III of the fair value hierarchy). Other amendments change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements (e.g., by requiring additional disclosures about fair value measurements, including fair value measurements categorized within Level III of the fair value hierarchy [such as the valuation processes used by the reporting entity] and by clarifying the application of premiums and discounts in a fair value measurement). ASU 2011-04 is effective for annual periods beginning after December 15, 2011. The Company is currently assessing the impact that adoption of ASU 2011-04 will have on the financial statements.

In January 2010, the FASB issued Accounting Standards Update No. 2010-06 ("ASU 2010-06"), which, among other things, amends ASC 820 to require entities to separately present purchases, sales, issuances, and settlements in their reconciliation of Level III fair value measurements (i.e., to present such items on a gross basis rather than on a net basis). The adoption on January 1, 2011 of the applicable additional disclosure requirements of ASU 2010-06 listed above did not materially impact the Company's consolidated financial statements.

**12. Subsequent Events**

On July 15, 2011, NMF SLF entered into the fourth amendment to the SLF Credit Facility, which increased the facility amount from $150,000,000 to $175,000,000.



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

The following analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto contained elsewhere in the report. See ''Risk Factors'' for a discussion of the uncertainties, risks and assumptions associated with these statements.

***Forward-Looking Statements***

The information contained in this section should be read in conjunction with the financial data and financial statements and notes thereto appearing elsewhere in this quarterly report. In addition, some of the statements in this report (including in the following discussion) constitute forward-looking statements, which relate to future events or the future performance or financial condition of New Mountain Finance Holdings, L.L.C. ("NMF Holdings", the "Company", "we", "us", or "our"). The forward-looking statements contained in this report 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;
- 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 other affiliates of New Mountain Capital Group, L.L.C.; and
- other factors, including those discussed in our Registration Statement on Form N-2, filed with the Securities and Exchange Commission (the "SEC") on May 16, 2011.

We use words such as "anticipates", "believes", "expects", "intends", "will", "should", "may" and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" section in our Registration Statement on Form N-2, filed with the SEC on May 16, 2011.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, 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 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***

New Mountain Finance Holdings, L.L.C. ("NMF Holdings", the "Company", "we", "us", or "our") is a Delaware limited liability company. NMF Holdings is externally managed and has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, the Company is obligated to comply with certain regulatory requirements. NMF Holdings intends to be treated as a partnership for federal income tax purposes for so long as it has at least two members.

NMF Holdings is externally managed by New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser"). New Mountain Finance Administration, L.L.C. (the "Administrator") provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital (defined as New Mountain Capital Group, L.L.C. and its affiliates). New Mountain Capital is a firm with a track record of investing in the middle market and with assets under management (which includes amounts committed, not all of which have been drawn down and invested to date) totaling more than $9.0 billion as of June 30, 2011. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity, and credit investment vehicles. NMF Holdings, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ("Guardian AIV") by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately $300 million of the $5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising $20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the "Predecessor Entities."

The following structure was designed to generally prevent New Mountain Finance from being allocated taxable income in respect of unrecognized gains in the Predecessor Entities' assets, with the result that any distributions made to New Mountain Finance's stockholders that are attributable to such gains generally will not be treated as taxable dividends.

New Mountain Finance Corporation ("New Mountain Finance") is a Delaware corporation that was originally incorporated on June 29, 2010. New Mountain Finance is a closed-end, non-diversified management investment company that has elected to be treated as a business development company under the 1940 Act. As such, New Mountain Finance is obligated to comply with certain regulatory requirements.



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New Mountain Finance intends to be treated, and intends to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended, (the "Code") commencing with it taxable year ending December 31, 2011.

On May 19, 2011, New Mountain Finance priced its initial public offering (the "IPO") of 7,272,727 shares of common stock at a public offering price of $13.75 per share. Concurrently with the closing of the offering and at the public offering price of $13.75 per share, New Mountain Finance sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a separate private placement.

New Mountain Finance is a holding company with no direct operations of its own, and its sole asset is its ownership in NMF Holdings. New Mountain Finance entered into a joinder agreement with respect to the amended and restated limited liability company agreement of NMF Holdings, pursuant to which New Mountain Finance was admitted as a member of NMF Holdings and acquired from NMF Holdings, with the gross proceeds of the IPO and the concurrent private placement, common membership units ("units") of NMF Holdings (the number of units are equal to the number of shares of New Mountain Finance's common stock sold in the IPO and the concurrent private placement). In connection with New Mountain Finance's IPO and through a series of transactions, NMF Holdings owns all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

Guardian AIV was the parent of the Company prior to the IPO and as a result of the offering obtained units in NMF Holdings. Guardian AIV contributed its units in NMF Holdings to its newly formed subsidiary, New Mountain Finance AIV Holdings Corporation ("AIV Holdings"), in exchange for common stock of AIV Holdings. AIV Holdings has the right to exchange all or any portion of its units in NMF Holdings for shares of New Mountain Finance's common stock on a one-for-one basis. As of June 30, 2011, New Mountain Finance and AIV Holdings own approximately 34.6% and 65.4%, respectively, of the units of NMF Holdings.

The diagram below depicts our current organizational structure.



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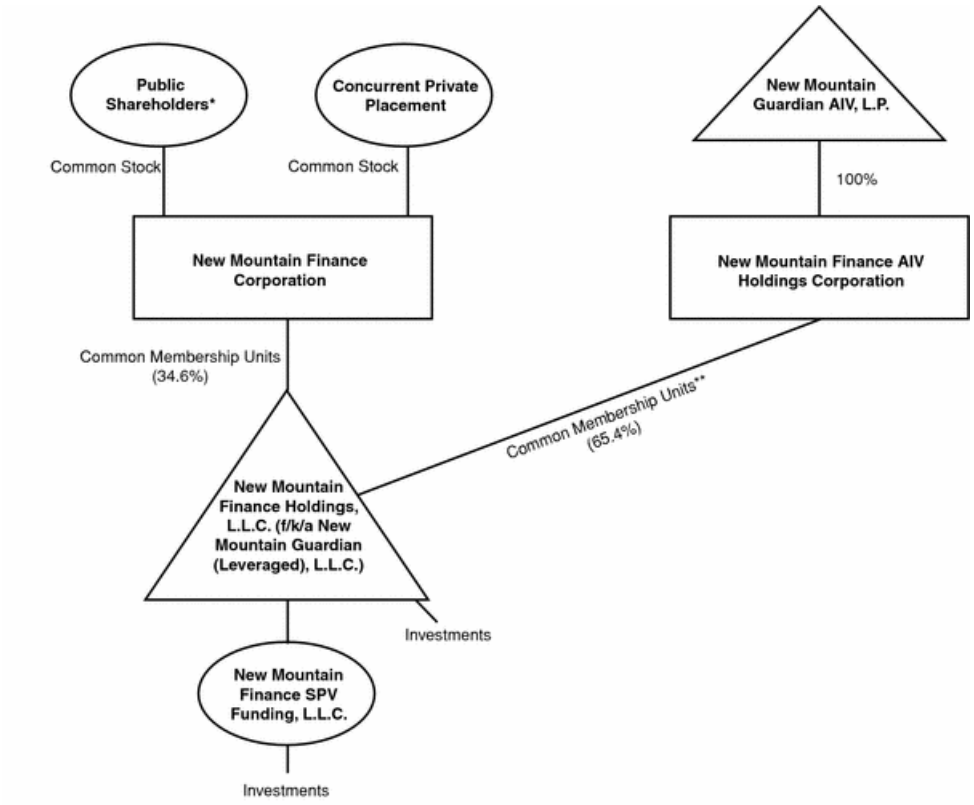


* Includes partners of New Mountain Guardian Partners, L.P.

** These common membership units are exchangeable into shares of New Mountain Finance common stock on a one-for-one basis.

The Company's investment objective is to generate current income and capital appreciation through the sourcing and originating of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, our investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) opportunities for niche market dominance.

As of June 30, 2011, our net asset value was $440.6 million and our portfolio had a fair value of approximately $544.3 million in 47 portfolio companies, with a weighted average Unadjusted and Adjusted Yield to Maturity of approximately 10.4% and 12.7%, respectively. "Adjusted Yield to Maturity'' assumes that the investments in our portfolio are purchased at fair value on June 30, 2011 and held until their respective maturities with no prepayments or losses and are exited at par at maturity. This calculation excludes the impact of existing leverage, except for the non-recourse debt of New Mountain Finance SPV Funding, L.L.C ("NMF SLF"). NMF SLF is treated as a fully levered asset of the Company, with NMF SLF's net asset value being included for yield calculation purposes. The actual yield to maturity may be higher or lower due to the future selection of LIBOR contracts by the individual companies in our portfolio or other factors. References to "Unadjusted Yield to Maturity" have the same assumptions as Adjusted Yield to Maturity except that NMF SLF is not treated as a fully levered asset of the Company, but rather the assets themselves are consolidated into the Company.

***Recent Developments***

On August 10, 2011, Daniel Hébert and Adam J. Collins were appointed to the board of directors of NMF Holdings, New Mountain Finance, and AIV Holdings.

***Dividend***

On August 10, 2011, the Company's board of directors, and subsequently New Mountain Finance's board of directors, declared a second quarter 2011 distribution of $0.27 per unit/share payable on August 31, 2011 to holders of record as of August 22, 2011.



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Additionally, on August 10, 2011, the Company's board of directors, and subsequently New Mountain Finance's board of directors, declared a third quarter 2011 distribution of $0.29 per unit/share payable on September 30, 2011 to holders of record as of September 15, 2011.

Because New Mountain Finance is a holding company, all distributions on its common stock will be paid from distributions received from NMF Holdings. NMF Holdings intends to make distributions to its members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC. New Mountain Finance intends to distribute approximately all of its portion of the Company's adjusted net investment income (see Results of Operations) on a quarterly basis and substantially all of its portion of the Company's taxable income on an annual basis, except that it may retain certain net capital gains for reinvestment.

**Critical Accounting Policies**

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States ("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.

***Valuation of Portfolio Investments***

NMF Holdings conducts the valuation of our assets, pursuant to which its net asset value, and, consequently, New Mountain Finance's net asset value is determined, at all times consistent with GAAP, and the 1940 Act. NMF Holdings's valuation procedures are set forth in more detail below:

The Company values its assets on a quarterly basis, or more frequently if required under the 1940 Act. 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 Bloomberg;
(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 Interactive Data Corporation. Analytics are performed by the investment professionals of the Company's 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 exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below);
    b. For investments other than bonds, we look at the number of quotes readily available and perform the following:
        i. Investments for which more than two 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 or two quotes are 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(s) internally and if the investment's par 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 in good faith by the board of directors 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, 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 our board of directors.
    d. Also, when deemed appropriate by the Company's senior management, an independent valuation firm may be engaged to review and value investment(s) in 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.

Valuation methods may include comparisons of financial ratios of the portfolio companies that issued such private securities to peer companies that are public, the nature and realizable value of any collateral, the portfolio company's earnings, discounted cash flows, and ability to make payments, the markets in which the portfolio company conducts business, and other relevant factors, including available market data such as relevant and applicable market trading and transaction comparables; applicable market yields and multiples; security covenants; call protection provisions; information rights; comparable merger and acquisition transactions; and the principal market and enterprise values. 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.



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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.

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

Level I — Quoted prices (unadjusted) are available in active markets for identical investments that the Company has the ability to access 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 they hold 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:

A) Quoted prices for similar assets or liabilities in active markets;
B) Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
C) 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
D) 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 into the determination of fair value require significant judgment or estimation by management.

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 reclassification of certain investments within the fair value hierarchy.

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of June 30, 2011:

*(in thousands)*

| | Total | Level I | Level II | Level III |
|---|---|---|---|---|
| First lien | 370,989 | — | $ 340,194 | $ 30,795 |
| Second lien | 155,955 | — | 155,955 | — |
| Subordinated | 16,916 | — | 3,685 | 13,231 |
| Equity and other | 476 | — | — | 476 |
| Total investments | $ 544,336 | — | $ 499,834 | $ 44,502 |

***Revenue Recognition***

The Company's revenue recognition policies are as follows:

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

Interest 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 in the portfolio that contain a payment-in-kind ("PIK") provision. PIK represents interest that is accrued and recorded as interest income at the contractual rates, added to the loan principal on the respective capitalization dates, and generally due at maturity.

Non-Accrual Income: Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment of the ultimate outcome. Non-accrual loans 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 and miscellaneous fees received. Delayed compensation is income earned from counterparties on trades that do not settle within a set number of business days after trade date.

***Portfolio and Investment Activity***

The fair value of our investments was approximately $544.3 million in 47 portfolio companies at June 30, 2011 and $441.1 million in 43 portfolio companies at December 31, 2010. For the six months ended June 30, 2011, NMF Holdings made approximately $244.7 million of new



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investments in 22 portfolio companies. For the year ended December 31, 2010, NMF Holdings made approximately $332.7 million of new investments in 34 portfolio companies.

For the six months ended June 30, 2011, NMF Holdings had approximately $102.1 million in debt repayments in existing portfolio companies and sales of securities in nine portfolio companies aggregating approximately $50.1 million. In addition, during the six months ended June 30, 2011, NMF Holdings had a change in unrealized appreciation on 33 portfolio companies totaling approximately $6.3 million, which was offset by a change in unrealized depreciation on 22 portfolio companies totaling approximately $12.8 million. For the year ended December 31, 2010, NMF Holdings had approximately $40.3 million in debt repayments in existing portfolio companies and sales of securities in 16 portfolio companies aggregating approximately $217.9 million.

At June 30, 2011, our weighted average Unadjusted and Adjusted Yield to Maturity was approximately 10.4% and 12.7%, respectively.

***Results of Operations***

Under GAAP, New Mountain Finance's IPO did not step-up the cost basis of the Company's existing investments to fair market value at the IPO date. Since the total value of the Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, and differences in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such investments are sold or mature in the future. The Company tracks the transferred (or fair market) value of each of its investments as of the time of the IPO. The respective "Adjusted Net Investment Income" (as described above) is used in calculating both the incentive fee and dividend payments. The below Statement of Operations for the three months ended June 30, 2011 is adjusted to reflect this step-up to fair market value.

*(in thousands)*

| | Three months ended June 30, 2011 | Adjustments | Adjusted Three months ended June 30, 2011 |
|---|---|---|---|
| **Investment income** | | | |
| Interest income | $ 12,810 | (1,117) | $ 11,693 |
| Other income | 306 | | 306 |
| Total investment income | 13,116 | (1,117) | 11,999 |
| **Expenses** | | | |
| Interest and other credit facility expenses | 1,534 | | 1,534 |
| Management fee | 774 | | 774 |
| Incentive fee | 504 | | 504 |
| Professional fees | 517 | | 517 |
| Administrative expenses | 62 | | 62 |
| Other general and administrative expenses | 171 | | 171 |
| Total expenses | 3,562 | — | 3,562 |
| **Net investment income** | 9,554 | (1,117) | 8,437 |
| Realized gains on investments | 6,660 | (7,048) | (388) |
| Net change in unrealized (depreciation) appreciation of investments | (7,559) | 8,165 | 606 |
| **Net increase in capital resulting from operations** | $ 8,655 | | $ 8,655 |

For the three months ended June 30, 2011, the Company had a $1.1 million adjustment to interest income for discount amortization and a decrease of $7.0 million to realized gains to adjust for the stepped-up cost basis of the transferred investments. Adjusted Net Investment Income was $8.4 million for the three months ended June 30, 2011.

***Results of Operations for the Quarter Ended June 30, 2011 compared to the Quarter Ended June 30, 2010***

***Revenue***

| | Three months ended | | |
|---|---|---|---|
| | June 30, 2011 | June 30, 2010 | % Change |
| | (in thousands) | | |
| Interest income | $ 12,810 | $ 8,332 | 54% |
| Other income | 306 | 265 | 15% |

| | | |
|---|---|---|
| Total investment income | $ 13,116 | $ 8,597 |



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Total investment income increased by $4.5 million for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. The increase in investment income during the three months ended June 30, 2011 was primarily attributable to larger invested balances, which were mainly driven by the proceeds of the IPO on May 19, 2011 and the formation of NMF SLF. NMF SLF, formed on October 7, 2010, uses cash injected by NMF Holdings and leverage from its revolving credit facility to invest primarily in first lien debt securities. Additionally in 2011, interest income increased due to prepayment premiums associated with the refinancing and early repayment of the debt of multiple portfolio companies.

***Operating Expenses***

| | Three months ended | | |
|---|---|---|---|
| | June 30, 2011 | June 30, 2010 | % Change |
| | (in thousands) | | |
| Interest and other credit facility expenses | $ 1,534 | $ 556 | 176 % |
| Management fee | 774 | 18 | NM * |
| Incentive fee | 504 | — | N/A |
| Professional fees | 517 | 141 | 267 % |
| Other expenses | 233 | 105 | 122 % |
| Total operating expenses | $ 3,562 | $ 820 | |

* Not meaningful.

Total operating expenses increased by $2.7 million for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. Interest and other credit facility expenses increased by $1.0 million during the three months ended June 30, 2011. The credit facility of NMF SLF was originally executed in October 2010 and therefore not outstanding at anytime during the three months ended June 30, 2010. Costs associated with the closing of the credit facility of NMF SLF are capitalized and charged against income as other credit facility expense.

Additionally, management fees and incentive fees increased $0.8 million and $0.5 million, respectively, for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. As a result of the IPO on May 19, 2011, the Company pays management fees and incentive fees under its Investment Management Agreement, which provides a different basis for the calculation of these fees as compared to amounts previously paid prior to the completion of the IPO. Prior to the IPO, an affiliate of the Predecessor Entities paid a majority of the management and incentive fees. In addition, historical operating expenses do not reflect the allocation of certain administrative costs and professional fees that have been incurred following the completion of the IPO. Accordingly, the Company's historical operating expenses are not comparable to its operating expenses after the completion of the IPO.

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

| | Three Months Ended | |
|---|---|---|
| | June 30, 2011 | June 30, 2010 |
| | (in thousands) | |
| Realized gains on investments | $ 6,660 | $ 8,250 |
| Net change in unrealized (depreciation) appreciation of investments | (7,559) | (13,598) |
| Total net realized gains and net change in unrealized (depreciation) appreciation | $ (899) | $ (5,348) |

The net realized and unrealized gains or losses resulted in a net loss of $0.9 million for the three months ended June 30, 2011 compared to a net loss of $5.3 million for the same period in 2010. The net loss for the three months ended June 30, 2011 and the net loss for the three months ended June 30, 2010 were primarily driven by an increase in the cost basis of our assets due to the amortization of purchase discounts and market prices remaining relatively constant during the period.

***Results of Operations for the Six Months Ended June 30, 2011 compared to the Six Months Ended June 30, 2010***

***Revenue***

| | Six months ended | | |
|---|---|---|---|
| | June 30, 2011 | June 30, 2010 | % Change |
| | (in thousands) | | |
| Interest income | $ 23,978 | $ 17,220 | 39 % |
| Other income | 350 | 454 | -23 % |
| Total investment income | $ 24,328 | $ 17,674 | |



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Total investment income increased by $6.7 million for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. The increase in investment income during the six months ended June 30, 2011 was primarily attributable to larger invested balances, which were mainly driven by the proceeds of the IPO on May 19, 2011 and the formation of NMF SLF. NMF SLF, formed on October 7, 2010, uses cash injected by NMF Holdings and leverage from its revolving credit facility to invest primarily in first lien debt securities. Additionally in 2011, interest income increased due to prepayment premiums associated with the refinancing and early repayment of the debt of multiple portfolio companies.

***Operating Expenses***

| | Six months ended |
|---|---|

| | June 30, 2011 | June 30, 2010 | % Change |
|---|---|---|---|
| | (in thousands) | | |
| Interest and other credit facility expenses | $ 3,081 | $ 1,222 | 152 % |
| Management fee | 808 | 35 | NM * |
| Incentive fee | 504 | — | N/A |
| Professional fees | 570 | 193 | 195 % |
| Other expenses | 382 | 239 | 60 % |
| Total operating expenses | $ 5,345 | $ 1,689 | |

* Not meaningful.

Total operating expenses increased by $3.7 million for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. Interest and other credit facility expenses increased by $1.9 million during the six months ended June 30, 2011. The credit facility of NMF SLF was originally executed in October 2010 and therefore not outstanding at anytime during the six months ended June 30, 2010. Costs associated with the closing of the credit facility of NMF SLF are capitalized and charged against income as other credit facility expense.

Additionally, management fees and incentive fees increased $0.8 million and $0.5 million, respectively, for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. As a result of the IPO on May 19, 2011, the Company pays management fees and incentive fees under its Investment Management Agreement, which provides a different basis for the calculation of these fees as compared to amounts previously paid prior to the completion of the IPO. Prior to the IPO, an affiliate of the Predecessor Entities paid a majority of the management and incentive fees. In addition, historical operating expenses do not reflect the allocation of certain administrative costs and professional fees that have been incurred following the completion of the IPO. Accordingly, the Company's historical operating expenses are not comparable to its operating expenses after the completion of the IPO.

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

| | Six months ended | |
|---|---|---|
| | June 30, 2011 | June 30, 2010 |
| | (in thousands) | |
| Realized gains on investments | $ 12,552 | $ 29,194 |
| Net change in unrealized (depreciation) appreciation of investments | (6,462) | (16,404) |
| Total net realized gains and net change in unrealized appreciation (depreciation) | $ 6,090 | $ 12,790 |

The net realized and unrealized gains or losses resulted in a net gain of $6.1 million for the six months ended June 30, 2011 compared to a net gain of $12.8 million for the same period in 2010. The net gain for the six months ended June 30, 2011 was primarily driven by the appreciation of our portfolio and the sale or repayment of investments with fair values in excess of December 31, 2010 valuations, resulting in realized gains being greater than the reversal of the cumulative unrealized gains for those investments. The net gain during the six months ended June 30, 2010 was primarily driven by the sharp rise in market prices. We look at total realized and unrealized gains or losses together as movement in unrealized appreciation or depreciation can be the result of realizations.

***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.



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Guardian AIV and New Mountain Guardian Partners, L.P. contributed a portfolio to NMF Holdings in connection with the IPO of New Mountain Finance, receiving 20,221,938 units of NMF Holdings and 1,252,965 shares New Mountain Finance respectively. On May 19, 2011, New Mountain Finance priced its initial offering of 7,272,727 shares of common stock at a public offering price of $13.75 per share. Concurrently with the closing of the offering and at the public offering price of $13.75 per share, the Company sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a separate private placement.

The Company's liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, investment sales of liquid assets, repayments of senior and subordinated loans, income earned on investments and cash equivalents, and, we expect, through periodic follow-on equity offerings.

At June 30, 2011 and December 31, 2010, we had cash and cash equivalents of approximately $77.9 and $10.7 million, respectively. Cash (used in) provided by operating activities for the six months ended June 30, 2011 and 2010 was approximately $(150.2) million and $42.7 million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

***Credit Facilities***

**Holdings Credit Facility** — The Loan and Security Agreement dated May 19, 2011 (the "Holdings Credit Facility") among NMF Holdings as the Borrower and Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 21, 2015. The maximum amount of revolving borrowings available under the Holdings Credit Facility is $160 million. Under the terms of the Holdings Credit Facility, the Company is permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien debt securities or non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, N.A. The credit facility 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 facility are capitalized on the Consolidated Statement of Assets, Liabilities, and Members' Capital and charged against income over the life of the facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. In addition, the Holdings Credit Facility requires the Company to maintain a minimum asset coverage ratio. However, the covenants are generally not tied to mark to market fluctuations in the prices of our investments, but rather to the performance of the underlying portfolio companies.

The Holdings Credit Facility bears interest at a rate of LIBOR plus 3.00% per annum and charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement). Interest expense and non-usage fees were $0.9 million and $0.4 million, respectively, for the six months ended June 30, 2011. Interest expense and non-usage fees were $1.0 million and $0.1 million, respectively, for the six months ended June 30, 2010. The weighted average interest rate for the

six months ended June 30, 2011 and June 30, 2010 was 3.2% and 3.3%, respectively. The average debt outstanding for the six months ended June 30, 2011 and June 30, 2010 was $53.9 million and $62.3 million, respectively. The outstanding balance of Holdings Credit Facility as of June 30, 2011 and December 31, 2010 was $34.3 million and $59.7 million, respectively. As of June 30, 2011 and December 31, 2010, the Company was in compliance with all financial and operational covenants required by the existing credit facilities.

**SLF Credit Facility** — The Loan and Security Agreement dated October 27, 2010 (the "SLF Credit Facility") among NMF SLF as the Borrower, NMF Holdings as the Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 27, 2015. A Second Amendment to the Loan and Security Agreement was executed on March 9, 2011. This amendment increased the maximum amount of revolving borrowings available under this credit facility from $100 million to $150 million. The loan is non-recourse to NMF Holdings and secured by all assets owned by the borrower on an investment by investment basis. All fees associated with the origination or upsizing of the facility are capitalized on the Consolidated Statement of Assets, Liabilities, and Members' Capital and charged against income over the life of the facility. The credit facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. The covenants are generally not tied to mark to market fluctuations in the prices of our investments, but rather to the performance of the underlying portfolio companies.

The SLF Credit Facility permits borrowings of up to 67.0% of the purchase price of pledged debt securities subject to approval by Wells Fargo Bank, N.A. and bears interest at a rate of LIBOR plus 2.25% per annum. A non-usage fee is paid, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement). Interest expense and non-usage fees were $1.3 million and $0.6 million, respectively, for the six months ended June 30, 2011. The weighted average interest rate for the six months ended June 30, 2011 for the facility was 2.5%. The average debt outstanding for the six months ended June 30, 2011 was $108.4 million. The SLF Credit Facility did not exist during the six months ended June 30, 2010. The outstanding balance as of June 30, 2011 and December 31, 2010 was $126.9 million and $56.9 million, respectively. As of June 30, 2011 and December 31, 2010, NMF SLF was in compliance with all financial and operational covenants required by the existing credit facilities.



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***Off-Balance Sheet Arrangements***

NMF Holdings 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, 2011 and December 31, 2010, NMF Holdings had outstanding commitments to third parties to fund investments totaling $22.2 million and $12.2 million, respectively, under various undrawn revolving credit and other credit facilities.

***Borrowings***

Borrowings of $34.3 million and $59.7 million were outstanding as of June 30, 2011 and December 31, 2010, respectively, under the Holdings Credit Facility. Borrowings of $126.9 million and $56.9 million were outstanding as of June 30, 2011 and December 31, 2010, respectively, under the SLF Credit Facility.

***Contractual Obligations***

A summary of our significant contractual payment obligations as of June 30, 2011 is as follows:

| | Contractual Obligations Payments Due by Period (in thousands) | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1 - 3 Years | 3 - 5 Years | More than 5 Years |
| Holdings Credit Facility (1) | $ 34,300 | $ — | $ — | $ 34,300 | $ — |
| SLF Credit Facility (2) | 126,917 | — | — | 126,917 | — |
| Total Contractual Obligations | $ 161,217 | $ — | $ — | 161,217 | $ — |

(1) Under the terms of the $160.0 million Holdings Credit Facility, all outstanding borrowings under that facility ($34.3 million as of June 30, 2011) were required to be repaid on or before October 21, 2015. As of June 30, 2011, there was approximately $125.7 million of possible capacity remaining under the Holdings Credit Facility.

(2) Under the terms of the $150.0 million SLF Credit Facility, all outstanding borrowings under that facility ($126.9 million as of June 30, 2011) must be repaid on or before October 27, 2015. As of June 30, 2011, there was approximately $23.1 million of possible capacity remaining under the SLF Credit Facility.

The Company has certain contracts under which it has material future commitments. The Company has $22.2 million of undrawn funding commitments as of June 30, 2011 related to its participation as a lender in revolving credit facilities of our portfolio companies.

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

The Company and New Mountain Finance have also entered into an Administration Agreement with the Administrator. Under the Administration Agreement, the Administrator has agreed to arrange office facilities for the Company and New Mountain Finance and provide office equipment and clerical, bookkeeping and record keeping services and other administrative services necessary to conduct their respective day-to-day operations.

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

***Distributions and Dividends***

On August 10, 2011, the Company's board of directors, and subsequently New Mountain Finance's board of directors, declared a second quarter 2011 distribution of $0.27 per unit/share payable on August 31, 2011 to holders of record as of August 22, 2011.

Additionally, on August 10, 2011, the Company's board of directors, and subsequently New Mountain Finance's board of directors, declared a third quarter 2011 distribution of $0.29 per unit/share payable on September 30, 2011 to holders of record as of September 15, 2011.



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Tax characteristics of all dividends paid by New Mountain Finance will be reported to stockholders on Form 1099 after the end of the calendar year. Future quarterly dividends, if any, for both the Company and New Mountain Finance will be determined by the respective board of directors.

Because New Mountain Finance is a holding company, distributions will be paid on its common stock from distributions received from NMF Holdings. NMF Holdings intends to make distributions to its members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC. New Mountain Finance intends to distribute approximately all of its portion of the Company's Adjusted Net Investment Income on a quarterly basis and substantially all of its portion of the Company's taxable income on an annual basis, except that it may retain certain net capital gains for reinvestment.

New Mountain Finance maintains an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then New Mountain Finance stockholders' cash dividends will be automatically reinvested in additional shares of New Mountain Finance's common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends. Cash dividends reinvested in additional shares of New Mountain Finance's common stock will be automatically reinvested by New Mountain Finance in the Company in exchange for additional units of NMF Holdings.

***Related Parties***

NMF Holdings has entered into a number of business relationships with affiliated or related parties, including the following:

- NMF Holdings has entered into an 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.
- NMF Holdings and New Mountain Finance have entered into an Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for New Mountain Finance and the Company and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. NMF Holdings reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to NMF Holdings and New Mountain Finance under the Administration Agreement, including rent, 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. During the first year of operations, the Company has capped its direct and indirect expenses at $3 million.
- Together, New Mountain Finance and AIV Holdings own all the outstanding units of the Company. As of June 30, 2011, New Mountain Finance and AIV Holdings own approximately 34.6% and 65.4%, respectively, of the units of NMF Holdings.
- The Company and New Mountain Finance have entered into a royalty-free license agreement with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant the Company and New Mountain Finance a non-exclusive, royalty-free license to use the name ''New Mountain''.

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with NMF Holdings's. The Investment Adviser and its affiliates may determine that an investment is appropriate for NMF Holdings 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.

In addition, New Mountain Finance and NMF Holdings have adopted a formal code of ethics that governs the conduct of their respective 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.



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**Item 3. Quantitative and Qualitative Disclosure about Market Risk**

We are subject to certain financial market risks, such as interest rate fluctuations. During the three months ended June 30, 2011, certain of the loans held in our portfolio had floating interest rates. Interest rates on the loans held within our portfolio of investments are typically based on floating LIBOR, with many of these assets also having a LIBOR floor. Additionally, our senior secured revolving credit facilities are also subject to floating interest rates and are currently paid based on 1-month floating LIBOR rates.

The following table estimates the potential changes in net cash flow generated from interest income and expenses, should interest rates increase by 100, 200 or 300 basis points, or decrease by 25 basis points. Interest income is calculated as revenue from interest generated from our portfolio of investments held on June 30, 2011. Interest expense is calculated based on the terms of our two outstanding revolving credit facilities. For our floating rate credit facilities we use the outstanding balance as of June 30, 2011. Interest expense on our floating rate credit facilities are calculated using the interest rate as of June 30, 2011, 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, 2011. These hypothetical calculations are based on a model of the investments in our portfolio, held as of June 30, 2011, and are only adjusted for assumed changes in the underlying base interest rates.

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

| Change in Interest Rates | Estimated Percentage Change in Interest Income Net of Interest Expense (unaudited) |
|---|---|
| -25 Basis Points | 0.70 % |
| Base Interest Rate | 0.00 % |
| +100 Basis Points | (2.55 )% |
| +200 Basis Points | 1.76 % |
| +300 Basis Points | 10.99 % |

**Item 4. Controls and Procedures**

***(a) Evaluation of Disclosure Controls and Procedures***

As of June 30, 2011 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Act of 1934, as amended). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic Securities and Exchange Commission ("SEC") filings is recorded, processed, summarized and reported within the time periods specified in the SEC'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 the Company's internal control over financial reporting that occurred during the second quarter of 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

This quarterly report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the SEC for newly reporting companies.



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## PART II. OTHER INFORMATION

**Item 1. Legal Proceedings**

We, New Mountain Finance Advisers BDC, L.L.C. and New Mountain Finance Administration, L.L.C., are not currently subject to any material pending legal proceedings threatened against us. 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**

*The recent downgrade of the U.S. credit rating could negatively impact our liquidity, financial condition and earnings.*Due to the current federal budget deficit concerns, Standard & Poor's ("S&P") downgraded the federal government's credit rating from AAA to AA+ for the first time in history on August 5, 2011. This downgrade could lead to subsequent downgrades by S&P, as well as to downgrades by the other two major credit rating agencies, Moody's and Fitch Ratings. These developments, and the government's credit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated with our debt portfolio and our ability to access the debt markets on favorable terms. In addition, a decreased credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our stock price and our financial performance.

Besides the risk mentioned above, there has been no material change in the information provided under the heading "Risk Factors" in our Registration Statement on Form N-2 dated May 16, 2011. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially affect our business, financial condition and/or operating results.

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

(a) Sales of Unregistered Securities

On May 25, 2011, New Mountain Finance closed the sale of 2,172,000 shares of its common stock, par value $0.01 per share in a private placement to persons affiliated with New Mountain Capital Group, L.L.C. for cash, resulting in aggregate net cash proceeds to New Mountain Finance of $29,865,000. No underwriting discounts or commissions were paid in respect of these shares. These securities were offered and sold in reliance upon an exemption from registration under Rule 506 of Regulation D of the Securities Act of 1933, as amended, or the Securities Act. New Mountain Finance paid the $29,865,000 in proceeds from the private placement to acquire 2,172,000 common membership units of NMF Holdings.

On May 19, 2011, NMF Holdings issued 20,221,938 common membership units to Guardian AIV and 1,252,964 common membership units to New Mountain Guardian Partners, L.P. in return for the respective operations, including all of the assets and liabilities related to such operations, of Guardian AIV and New Mountain Guardian Partners, L.P. Guardian AIV contributed its 20,221,938 common membership units in NMF Holdings to AIV Holdings in return for a 100% ownership interest in AIV Holdings. New Mountain Guardian Partners, L.P. contributed its 1,252,964 common membership units to New Mountain Finance in return for 1,252,964 shares of common stock of New Mountain Finance, par value $0.01 per share. Each of these transactions between NMF Holdings, New Mountain Finance, New Mountain Guardian AIV, L.P., New Mountain Guardian Partners, L.P. and AIV Holdings took place in reliance upon an exemption from registration under Section 4(2) of the Securities Act.

(b) Use of Proceeds from private placement and IPO

On May 25, 2011, New Mountain Finance closed its IPO pursuant to its Registration Statement on Form N-2 dated May 16, 2011 (Registration Nos. 333-168280 and 333-172503) which the SEC declared effective on May 19, 2011. Under the registration statement, New Mountain Finance registered the offering and sale of an aggregate of 9,527,948 shares of New Mountain Finance's common stock, including 1,242,776 shares that the underwriters had the option to purchase, and 9,527,948 common membership units in NMF Holdings. New Mountain Finance sold 7,272,727 shares of its common stock and 7,272,727 common membership units of NMF Holdings registered under the registration statement were sold at a price to the public of $13.75 per share, and New Mountain Finance used the proceeds of the offering to purchase 7,272,727 common membership units of NMF Holdings. Goldman, Sachs & Co., Wells Fargo Securities, LLC, and Morgan Stanley & Co. Incorporated acted as the joint-lead bookrunners for the underwriters in the IPO. Stifel, Nicolaus & Company, Incorporated and RBC Capital Markets, LLC were the co-lead managers and Robert W. Baird & Co. Incorported, BB&T Capital Markets, a division of Scott & Stringfellow, LLC and Janney Montgomery Scott LLC were the co-managers for the IPO.

As a result of the IPO, NMF Holdings raised a total of approximately $100.0 million in gross proceeds through New Mountain Finance, and approximately $88.6 million in net proceeds after deducting underwriting discounts and commissions of $7.0 million and estimated offering expenses of $4.4 million. As of June 30, 2011, NMF Holdings had used the net proceeds for repayment of indebtedness, investments in portfolio companies, or for other general corporate purposes as described in more detail in the "Use of Proceeds" section of New Mountain Finance's Registration Statement on Form N-2, filed with the SEC on May 16, 2011.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. (Removed and Reserved)**

**Item 5. Other Information**

None.

**Item 6. Exhibits**

(a) Exhibits *(The exhibits listed below are attached in NMF Holdings' Form 10-Q for the quarter ended June 30, 2011, dated August 11, 2011. These exhibits are not attached in New Mountain Finance's filing.)*

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

| Exhibit Number | Description |
|---|---|
| 2.1 | Merger Agreement, dated May 19, 2011 by and between New Mountain Finance Holdings, L.L.C. and New Mountain Guardian Debt Funding, L.L.C. |
| 2.2 | Merger Agreement, dated May 19, 2011 by and between New Mountain Guardian Partners Debt Funding, L.L.C. and New Mountain Guardian Partners (Leveraged), L.L.C. |
| 2.3 | Merger Agreement, dated May 19, 2011 by and between New Mountain Finance Holdings, L.L.C. and New Mountain Guardian Partners (Leveraged), L.L.C. |
| 3.1 | Certificate of Formation of New Mountain Guardian (Leveraged), L.L.C.* |
| 3.2 | Certificate of Amendment to Certificate of Formation of New Mountain Guardian (Leveraged), L.L.C. changing its name to New Mountain Finance Holdings, L.L.C. |
| 3.3 | Amended and Restated Limited Liability Company Agreement of New Mountain Finance Holdings, L.L.C. |
| 3.4 | First Joinder Agreement with Respect to the Amended and Restated Limited Liability Company Agreement of New Mountain Finance Holdings, L.L.C. |
| 3.5 | Second Joinder Agreement with Respect to the Amended and Restated Limited Liability Company Agreement of New Mountain Finance Holdings, L.L.C. |
| 10.1 | Letter Agreement relating to entry into Amended and Restated Loan and Security Agreement by and among New Mountain Finance Holdings, L.L.C., as Borrower and Collateral Administrator, each of the |





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|---|---|
| | lenders thereto, Wells Fargo Securities, LLC, as Administrative Agent and Wells Fargo Bank, N.A., as Collateral Custodian.* |
| 10.2 | Form of Variable Funding Note of New Mountain Finance Holdings, L.L.C., as the Borrower* |
| 10.3 | Form of Amended and Restated Account Control Agreement among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as Securities Intermediary* |
| 10.4 | Loan and Security Agreement by and among New Mountain Guardian (Leveraged), L.L.C., as Collateral Administrator, New Mountain Guardian SPV Funding, L.L.C., as Borrower, each of the lenders party thereto, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Collateral Custodian* |
| 10.5 | First Amendment to Loan and Security Agreement by and among New Mountain Guardian SPV Funding, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender* |
| 10.6 | Second Amendment to Loan and Security Agreement by and among New Mountain Guardian SPV Funding, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender* |
| 10.7 | Account Control Agreement by and between New Mountain Guardian SPV Funding, L.L.C., as Pledgor, Wells Fargo Securities, LLC, as Administrative Agent on behalf of the Secured Parties, and Wells Fargo Bank, N.A., as Securities Intermediary* |
| 10.8 | Variable Funding Note of New Mountain Guardian SPV Funding, L.L.C., as the Borrower* |
| 10.9 | Form of Investment Management Agreement* |
| 10.10 | Form of Safekeeping Agreement among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as Safekeeping Agent* |
| 10.11 | Form of Administration Agreement* |
| 10.12 | Form of Trademark License Agreement* |
| 10.13 | Form of Registration Rights Agreement* |
| 10.14 | Form of Indemnification Agreement by and between New Mountain Finance Holdings, L.L.C. and each director* |
| 10.15 | Form of Letter Agreement relating to Lock-Up Period by and among New Mountain Finance Holdings, L.L.C. and New Mountain Finance Advisers BDC, L.L.C.* |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14 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 |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 |

* Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Pre-Effective Amendment No. 3 (File Nos. 333-168280 and

333-172503) filed on May 9, 2011.



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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 11, 2011.

NEW MOUNTAIN FINANCE HOLDINGS, L.L.C.

By: /s/ Robert A. Hamwee

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

By: /s/ Adam B. Weinstein

**Adam B. Weinstein**
**Chief Financial Officer**
**(Principal Financial and Accounting Officer)**



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**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

We, the Operating, New Mountain Finance Advisers BDC, L.L.C., and New Mountain Finance Administration, L.L.C are not currently subject to any material pending legal proceedings threatened against us. 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**

*The recent downgrade of the U.S. credit rating could negatively impact our liquidity, financial condition and earnings*Due to the current federal budget deficit concerns, Standard & Poor's ("S&P") downgraded the federal government's credit rating from AAA to AA+ for the first time in history on August 5, 2011. This downgrade could lead to subsequent downgrades by S&P, as well as to downgrades by the other two major credit rating agencies, Moody's and Fitch Ratings. These developments, and the government's credit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated with our debt portfolio and our ability to access the debt markets on favorable terms. In addition, a decreased credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our stock price and our financial performance.

There has been no other material change in the information provided under the heading "Risk Factors" in our Registration Statement on Form N-2 dated May 16, 2011. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially affect our business, financial condition and/or operating results.

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

(a) Sales of Unregistered Securities

On May 25, 2011, New Mountain Finance closed the sale of 2,172,000 shares of its common stock, par value $0.01 per share in a private placement to persons affiliated with New Mountain Capital Group, L.L.C. for cash, resulting in aggregate net cash proceeds to New Mountain Finance of $29,865,000. No underwriting discounts or commissions were paid in respect of these shares. These securities were offered and sold in reliance upon an exemption from registration under Rule 506 of Regulation D of the Securities Act of 1933, as amended, or the Securities Act. New Mountain Finance paid the $29,865,000 in proceeds from the private placement to acquire 2,172,000 common membership units of NMF Holdings.

On May 19, 2011, NMF Holdings issued 20,221,938 common membership units to Guardian AIV and 1,252,964 common membership units to New Mountain Guardian Partners, L.P. in return for the respective operations, including all of the assets and liabilities related to such operations, of Guardian AIV and New Mountain Guardian Partners, L.P. Guardian AIV contributed its 20,221,938 common membership units in NMF Holdings to AIV Holdings in return for a 100% ownership interest in AIV Holdings. New Mountain Guardian Partners, L.P. contributed its 1,252,964 common membership units to New Mountain Finance in return for 1,252,964 shares of common stock of New Mountain Finance, par value $0.01 per share. Each of these transactions between NMF Holdings, New Mountain Finance, New Mountain Guardian AIV, L.P., New Mountain Guardian Partners, L.P. and AIV Holdings took place in reliance upon an exemption from registration under Section 4(2) of the Securities Act.

(b) Use of Proceeds from private placement and IPO

On May 25, 2011, we closed our IPO pursuant to our Registration Statement on Form N-2 dated May 16, 2011 (Registration Nos. 333-168280 and 333-172503) which the SEC declared effective on May 19, 2011. Under the registration statement, we registered the offering and sale of an aggregate of 9,527,948 shares of New Mountain Finance's common stock, including 1,242,776 shares that the underwriters had the option to purchase, and 9,527,948 common membership units in NMF Holdings. New Mountain Finance sold 7,272,727 shares of its common stock and 7,272,727 common membership units of NMF Holdings registered under the registration statement were sold at a price to the public of $13.75 per share, and New Mountain Finance used the proceeds of the offering to purchase 7,272,727 common membership units of NMF Holdings. Goldman, Sachs & Co., Wells Fargo Securities, LLC, and Morgan Stanley & Co. Incorporated acted as the joint-lead bookrunners for the underwriters in the IPO. Stifel, Nicolaus & Company, Incorporated and RBC Capital Markets, LLC were the co-lead managers and Robert W. Baird & Co. Incorported, BB&T Capital Markets, a division of Scott & Stringfellow, LLC and Janney Montgomery Scott LLC were the co-managers for the IPO.

As a result of the IPO, NMF Holdings raised a total of approximately $100.0 million in gross proceeds through New Mountain Finance, and approximately $88.6 million in net proceeds after deducting underwriting discounts and commissions of $7.0 million and estimated offering expenses of $4.4 million. As of June 30, 2011, NMF Holdings

had used the net proceeds for repayment of indebtedness, investments in portfolio companies, or for other general corporate purposes as described in more detail in the "Use of Proceeds" section of our Registration Statement on Form N-2, filed with the SEC on May 16, 2011.



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**Item 3.** **Defaults Upon Senior Securities**

None.

**Item 4.** **(Removed and Reserved)**

**Item 5.** **Other Information**

None.

**Item 6.** **Exhibits**

(a) Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

| Exhibit Number | Description |
|---|---|
| 2.1 | Merger Agreement dated May 19, 2011 by and between New Mountain Finance Holdings, L.L.C. and new Mountain Guardian Debt Funding, L.L.C. |
| 2.2 | Merger Agreement dated May 19, 2011 by and between New Mountain Guardian Partners Debt Funding, L.L.C. and New Mountain Guardian Partners (Leveraged), L.L.C. |
| 2.3 | Merger Agreement dated May 19, 2011 by and between New Mountain Finance Holdings, L.L.C. and New Mountain Guardian Partners (Leveraged), L.L.C. |
| 3.1 | Certificate of Incorporation of New Mountain Finance Corporation* |
| 3.2 | Certificate of Amendment to Certificate of Incorporation of New Mountain Guardian Corporation changing its name to New Mountain Finance Corporation** |
| 3.3 | Amended and Restated Certificate of Incorporation of New Mountain Finance Corporation |
| 3.4 | Bylaws of New Mountain Finance Corporation* |
| 3.5 | Amended and Restated Bylaws of New Mountain Finance Corporation |
| 4.1 | Form of Common Stock Certificate** |
| 10.1 | Letter Agreement relating to entry into Amended and Restated Loan and Security Agreement by and among New Mountain Finance Holdings, L.L.C., as Borrower and Collateral Administrator, each of the lenders thereto, Wells Fargo Securities, LLC, as Administrative Agent and Wells Fargo Bank, N.A., as Collateral Custodian* |
| 10.2 | Form of Variable Funding Note of New Mountain Finance Holdings, L.L.C., as the Borrower* |
| 10.3 | Form of Amended and Restated Account Control Agreement among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as Securities Intermediary* |
| 10.4 | Loan and Security Agreement by and among New Mountain Guardian (Leveraged), L.L.C., as Collateral Administrator, New Mountain Guardian SPV Funding, L.L.C., as Borrower, each of the lenders party thereto, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Collateral Custodian* |
| 10.5 | First Amendment to Loan and Security Agreement by and among New Mountain Guardian SPV Funding, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender* |
| 10.6 | Second Amendment to Loan and Security Agreement by and among New Mountain Guardian SPV Funding, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender* |



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|---|---|
| 10.7 | Account Control Agreement by and between New Mountain Guardian SPV Funding, L.L.C., as Pledgor, Wells Fargo Securities, LLC, as Administrative Agent on behalf of the Secured Parties, and Wells Fargo Bank, N.A., as Securities Intermediary* |
| 10.8 | Variable Funding Note of New Mountain Guardian SPV Funding, L.L.C., as the Borrower* |
| 10.9 | Form of Investment Management Agreement* |
| 10.10 | Form of Safekeeping Agreement among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as Safekeeping Agent* |
| 10.11 | Form of Administration Agreement* |

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|---|---|
| 10.12 | Form of Trademark License Agreement* |
| 10.13 | Form of Registration Rights Agreement* |
| 10.14 | Form of Indemnification Agreement by and between New Mountain Finance Holdings, L.L.C. and each executive officer and director* |
| 10.15 | Form of Letter Agreement relating to Lock-Up Period by and among New Mountain Finance Holdings, L.L.C. and New Mountain Finance Advisers BDC, L.L.C.* |
| 10.16 | Dividend Reinvestment Plan |
| 10.17 | Second Joinder Agreement with Respect to the Amended and Restated Limited Liability Company Agreement of New Mountain Finance Holdings, L.L.C. |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14 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 |
| 32.2 | Certificate of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 |

* Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 (File No. 333-168280) filed on July 22, 2010.

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



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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 11, 2011.

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ Robert A. Hamwee

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

By: /s/ Adam B. Weinstein

**Adam B. Weinstein**
**Chief Financial Officer**
**(Principal Financial and Accounting Officer)**

**AGREEMENT AND PLAN OF MERGER**

AGREEMENT AND PLAN OF MERGER, dated as of this 19th day of May, 2011 (this "Agreement"), between New Mountain Finance Holdings, L.L.C., a Delaware limited liability company (the "Operating Company"), and New Mountain Guardian Debt Funding, L.L.C., a Delaware limited liability company and wholly-owned direct subsidiary of the Operating Company ("Guardian Debt Funding"). The Operating Company and Guardian Debt Funding shall each be referred to herein as a "Party" and shall be referred to collectively as the "Parties".

**WITNESSETH:**

WHEREAS, Guardian Debt Funding desires to merge, effective as of the First Guardian Merger Effective Time (as defined herein), with and into the Operating Company, by means of a merger of Guardian Debt Funding with and into the Operating Company, with the Operating Company being the surviving entity (the "First Guardian Merger"), on the terms set forth in this Agreement;

WHEREAS, the Operating Company desires to acquire the assets, and to assume all of the liabilities and obligations, of Guardian Debt Funding by means of the First Guardian Merger on the terms set forth in this Agreement;

WHEREAS, New Mountain Guardian AIV, L.P., a Delaware limited partnership ("Guardian AIV"), is the sole member of the Operating Company and the Operating Company is the sole member of Guardian Debt Funding. The sole member of each Party shall be referred to herein as the "Member" of such Party;

WHEREAS, the Member of the Operating Company has, by written consent: (i) established a board of directors to manage the business and affairs of the Operating Company (the "Board"), (ii) appointed the initial directors of the Board, (iii) appointed a chairman of the Board and (iv) appointed officers of the Operating Company;

WHEREAS, Section 18-209 of the Delaware Limited Liability Company Act (the "Delaware Act") authorizes the merger of any business entity with or into a Delaware limited liability company; and

WHEREAS, the Board of the Operating Company has approved the First Guardian Merger and authorized the sole Member of the Operating Company to execute this Agreement, in accordance with the power delegated to it by the Member of the Operating Company under Section 5 of the Operating Company's limited liability company agreement, as amended, and the board of managers of Guardian Debt Funding has approved the First Guardian Merger and authorized the sole Member of Guardian Debt Funding to execute this Agreement, in accordance with Section 2.1 of Guardian Debt Funding's limited liability company agreement, as amended.

NOW, THEREFORE, the Parties hereby agree as follows:

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**ARTICLE I**

**THE MERGER**

SECTION 1.01. *The Merger.*

(a) Subject to the filing of a duly executed and verified certificate of merger (the "Certificate of Merger") with the Secretary of State of the State of Delaware pursuant to and in accordance with the Delaware Act, the First Guardian Merger shall be effective at 4:15 p.m. (New York City Time) on May 19, 2011 (the time the First Guardian Merger becomes effective in accordance herewith and applicable law being referred to herein as the "First Guardian Merger Effective Time").

(b) At the First Guardian Merger Effective Time, Guardian Debt Funding shall be merged with and into the Operating Company, whereupon the separate existence of Guardian Debt Funding shall cease, and the Operating Company shall be the surviving entity of the First Guardian Merger (the "Surviving Company") and will continue as a Delaware limited liability company in accordance with Section 18-209 of the Delaware Act.

(c) The First Guardian Merger shall have the effects set forth in this Agreement and Section 18-209 of the Delaware Act.

SECTION 1.02. *Conversion of Interests; Member; Directors and Officers.*

(a) At the First Guardian Merger Effective Time, each limited liability company interest in Guardian Debt Funding shall, by virtue of the First Guardian Merger, and without any action on the part of the Operating Company, Guardian Debt Funding or the holder thereof, be automatically canceled and extinguished without any payment of any consideration therefor and shall thereafter cease to exist.

(b) At the First Guardian Merger Effective Time, each limited liability company interest in the Operating Company shall, by virtue of the First Guardian Merger, and without any action on the part of the Operating Company, Guardian Debt Funding or holder thereof, remain outstanding and unchanged as a limited liability company interest in the Operating Company, as the Surviving Company, with such limited liability company interests having the terms and conditions as set forth from time to time in the Limited Liability Company Agreement of the Operating Company, dated as of October 29, 2008, as the same may be amended from time to time (the "Operating Company LLC Agreement"). Guardian AIV shall be the Member of the Surviving Company until such time that Guardian AIV ceases to be the Member of the Surviving Company.

(c) Following the First Guardian Merger Effective Time, (i) the members of the Board of the Operating Company immediately prior to the First Guardian Merger Effective Time shall be the members of Board of the Surviving Company, each to hold office until his respective successor is elected and qualified or until his earlier death, resignation, expulsion or removal and (ii) the officers of the Operating Company immediately prior to the First Guardian



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Merger Effective Time shall be the officers of the Surviving Company, each to hold office until such time as his or her respective successor is chosen and qualified or until his or her earlier death, resignation or removal.

**ARTICLE II**

**THE SURVIVING COMPANY**

SECTION 2.01. *Certificate of Merger.* Upon the terms and subject to the conditions of this Agreement, the Operating Company, as the Surviving Company, shall file the Certificate of Merger with the Secretary of State of the State of Delaware pursuant to and in accordance with the Delaware Act and shall make all other

filings or recordings as may be required under the Delaware Act and any other applicable law in order to effect the First Guardian Merger.

SECTION 2.02. *Limited Liability Company Agreement.* The Operating Company LLC Agreement shall be the limited liability company agreement of the Surviving Company unless and until amended in accordance with its terms and applicable law.

SECTION 2.03. *Name of Surviving Company.* The name of the Surviving Company shall be "New Mountain Finance Holdings, L.L.C."

**ARTICLE III**

**CONDITIONS**

Section 3.01. *Conditions to Closing.* The obligations of the Parties to consummate the First Guardian Merger shall be subject to the receipt of any necessary vote or consent of the respective members of the parties hereto in accordance with Delaware Act and the parties' respective operating agreements.

**ARTICLE IV**

**TERMINATION**

SECTION 4.01. *Termination*. This Agreement may be terminated and the First Guardian Merger may be abandoned at any time prior to the First Guardian Merger Effective Time by mutual written consent of the Parties.

**ARTICLE V**

**MISCELLANEOUS**

SECTION 5.01. *Authorization.* The Member of each Party (in such capacity, an "Authorized Person"), shall be authorized, at such time in its sole discretion as it deems



appropriate, to execute, acknowledge, verify, deliver, file and record, for and in the name of such Party, and, to the extent necessary, the members of such Party, any and all documents and instruments including, without limitation, the Certificate of Merger, and shall do and perform any and all acts, as they deem necessary or advisable in order to effectuate the First Guardian Merger.

SECTION 5.02. *Counterparts*. This Agreement may be executed in any number of counterparts, each of which shall be considered an original and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or any electronic imaging means shall be as effective as delivery of a hand-written executed counterpart of this Agreement.

SECTION 5.03. *Amendment*. This Agreement may be amended at any time prior to the First Guardian Merger Effective Time by mutual written consent of the Parties.

SECTION 5.04. *Further Assurances.* Each of the Parties shall take or cause to be taken all appropriate actions and do, or cause to be done, all things reasonably necessary or appropriate to consummate and make effective any of the provisions hereof.

SECTION 5.05. *Governing Law*. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without giving effect to principles of conflicts of law.

*[Remainder of Page Intentionally Left Blank]*



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized representatives as of the day and year first above written.

NEW MOUNTAIN FINANCE HOLDINGS, L.L.C.

By: NEW MOUNTAIN GUARDIAN AIV, L.P.,
its Managing Member

By: NEW MOUNTAIN INVESTMENTS III, L.L.C.,
its General Partner

By: /s/ Steven B. Klinsky
Name: Steven B. Klinsky
Title: Managing Member

NEW MOUNTAIN GUARDIAN DEBT FUNDING, L.L.C.

By: NEW MOUNTAIN GUARDIAN AIV, L.P.,
its Managing Member

By: NEW MOUNTAIN INVESTMENTS III, L.L.C.,
its General Partner

By: /s/ Steven B. Klinsky
Name: Steven B. Klinsky
Title: Managing Member

**AGREEMENT AND PLAN OF MERGER**

AGREEMENT AND PLAN OF MERGER, dated as of this 19th day of May, 2011 (this "Agreement"), between New Mountain Guardian Partners (Leveraged), L.L.C., a Delaware limited liability company ("Guardian Partners Leveraged"), and New Mountain Guardian Partners Debt Funding, L.L.C., a Delaware limited liability company and wholly-owned direct subsidiary of Guardian Partners Leveraged ("Guardian Partners Debt Funding"). Guardian Partners Leveraged and Guardian Partners Debt Funding shall each be referred to herein as a "Party" and shall be referred to collectively as the "Parties".

**WITNESSETH:**

WHEREAS, at 4:15 p.m. (New York City Time) on May 19, 2011 (the "First Guardian Merger Effective Time"), New Mountain Guardian AIV, L.P. ("Guardian AIV") caused New Mountain Guardian Debt Funding, L.L.C., a wholly-owned indirect subsidiary of Guardian AIV ("Guardian Debt Funding") to merge with and into New Mountain Finance Holdings, L.L.C., a wholly-owned direct subsidiary of Guardian AIV (the "Operating Company"), with the Operating Company as the surviving entity (the "First Guardian Merger");

WHEREAS, Guardian Partners Debt Funding desires to merge, concurrently with the First Guardian Merger Effective Time and effective as of the Second Guardian Merger Effective Time (as defined herein), with and into Guardian Partners Leveraged, by means of a merger of Guardian Partners Debt Funding with and into Guardian Partners Leveraged, with Guardian Partners Leveraged being the surviving entity (the "Second Guardian Merger"), on the terms set forth in this Agreement;

WHEREAS, Guardian Partners Leveraged desires to acquire the assets, and to assume all of the liabilities and obligations, of Guardian Partners Debt Funding by means of the Second Guardian Merger on the terms set forth in this Agreement;

WHEREAS, New Mountain Guardian Partners, L.P., a Delaware limited partnership ("Guardian Partners"), is the sole member of Guardian Partners Leveraged and Guardian Partners Leveraged is the sole member of Guardian Partners Debt Funding. The sole member of each Party shall be referred to herein as the "Member" of such Party;

WHEREAS, Section 18-209 of the Delaware Limited Liability Company Act (the "Delaware Act") authorizes the merger of any business entity with or into a Delaware limited liability company; and

WHEREAS, the board of managers of Guardian Partners Debt Funding has approved the Second Guardian Merger and authorized the sole Member of Guardian Partners Debt Funding to execute this Agreement, in accordance with Section 2.1 of Guardian Partners Debt Funding's limited liability company agreement, as amended, and the Member of Guardian Partners Leveraged has approved the Second Guardian Merger and authorized the sole Member

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of Guardian Partners Leveraged to execute this Agreement, in accordance with Section 5 of Guardian Partners Leveraged's limited liability company agreement, as amended.

NOW, THEREFORE, the Parties hereby agree as follows:

**ARTICLE I**

**THE MERGER**

SECTION 1.01. *The Merger.*

(a) Subject to the filing of a duly executed and verified certificate of merger (the "Certificate of Merger") with the Secretary of State of the State of Delaware pursuant to and in accordance with the Delaware Act, the Second Guardian Merger shall be effective at 4:15 p.m. (New York City Time) on May 19, 2011(the time the Second Guardian Merger becomes effective in accordance herewith and applicable law being referred to herein as the "Second Guardian Merger Effective Time").

(b) At the Second Guardian Merger Effective Time, Guardian Partners Debt Funding shall be merged with and into Guardian Partners Leveraged, whereupon the separate existence of Guardian Partners Debt Funding shall cease, and Guardian Partners Leveraged shall be the surviving entity of the Second Guardian Merger (the "Surviving Company") and will continue as a Delaware limited liability company in accordance with Section 18-209 of the Delaware Act.

(c) The Second Guardian Partners Merger shall have the effects set forth in this Agreement and Section 18-209 of the Delaware Act.

SECTION 1.02. *Conversion of Interests; Member.*

(a) At the Second Guardian Merger Effective Time, each limited liability company interest in Guardian Partners Debt Funding shall, by virtue of the Second Guardian Merger, and without any action on the part of Guardian Partners Leveraged, Guardian Partners Debt Funding or the holder thereof, be automatically canceled and extinguished without any payment of any consideration therefor and shall thereafter cease to exist.

(b) At the Second Guardian Merger Effective Time, each limited liability company interest in Guardian Partners Leveraged shall, by virtue of the Second Guardian Merger, and without any action on the part of Guardian Partners Leveraged, Guardian Partners Debt Funding or the holder thereof, remain outstanding and unchanged as a limited liability company interest in Guardian Partners Leveraged, as the Surviving Company, with such limited liability company interests having the terms and conditions as set forth from time to time in the Limited Liability Company Agreement of Guardian Partners Leveraged, dated as of November 10, 2009 (as the same may be amended from time to time, the "Guardian Partners Leveraged LLC Agreement"). Guardian Partners shall be the Member of the Surviving Company until such time that Guardian Partners ceases to be the Member of the Surviving Company.



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**ARTICLE II**

**THE SURVIVING COMPANY**

SECTION 2.01. *Certificate of Merger.* Upon the terms and subject to the conditions of this Agreement, Guardian Partners Leveraged, as the Surviving Company, shall file the Certificate of Merger with the Secretary of State of the State of Delaware pursuant to and in accordance with the Delaware Act and shall make all other filings or recordings as may be required under the Delaware Act and any other applicable law in order to effect the Second Guardian Merger.

SECTION 2.02. *Limited Liability Company Agreement.* The Guardian Partners Leveraged LLC Agreement shall be the limited liability company agreement of the Surviving Company unless and until amended in accordance with its terms and applicable law.

SECTION 2.03. *Name of Surviving Company.* The name of the Surviving Company shall be "New Mountain Guardian Partners (Leveraged), L.L.C."

**ARTICLE III**

**CONDITIONS**

SECTION 3.01. *Conditions to Closing.* The obligations of the Parties to consummate the Second Guardian Merger shall be subject to the receipt of the necessary vote or consent of the respective members of the parties hereto in accordance with Delaware Act and the parties' respective operating agreements.

**ARTICLE IV**

**TERMINATION**

SECTION 4.01. *Termination.* This Agreement may be terminated and the Second Guardian Merger may be abandoned at any time prior to the Second Guardian Merger Effective Time by mutual written consent of the Parties.

**ARTICLE V**

**MISCELLANEOUS**

SECTION 5.01. *Authorization.* The Member of each Party (in such capacity, an "Authorized Person"), shall be authorized, at such time in its sole discretion as it deems appropriate, to execute, acknowledge, verify, deliver, file and record, for and in the name of such Party, and, to the extent necessary, the members of such Party, any and all documents and instruments including, without limitation, the Certificate of Merger, and shall do and perform any



and all acts, as they deem necessary or advisable in order to effectuate the Second Guardian Merger.

SECTION 5.02. *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be considered an original and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or any electronic imaging means shall be as effective as delivery of a hand-written executed counterpart of this Agreement.

SECTION 5.03. *Amendment.* This Agreement may be amended at any time prior to the Second Guardian Merger Effective Time by mutual written consent of the Parties.

SECTION 5.04. *Further Assurances.* Each of the Parties shall take or cause to be taken all appropriate actions and do, or cause to be done, all things reasonably necessary or appropriate to consummate and make effective any of the provisions hereof.

SECTION 5.05. *Governing Law*. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without giving effect to principles of conflicts of law.

*[Remainder of Page Intentionally Left Blank]*



IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by their respective authorized representatives as of the day and year first above written.

NEW MOUNTAIN GUARDIAN PARTNERS (LEVERAGED), L.L.C.

By: NEW MOUNTAIN GUARDIAN PARTNERS, L.P.,
its Managing Member

By: NEW MOUNTAIN GUARDIAN GP, L.L.C.,
its General Partner

By: /s/ Steven B. Klinsky
Name: Steven B. Klinsky
Title: Managing Member

NEW MOUNTAIN GUARDIAN PARTNERS DEBT FUNDING, L.L.C.

By: NEW MOUNTAIN GUARDIAN PARTNERS (LEVERAGED), L.L.C.,
its Managing Member

By: NEW MOUNTAIN GUARDIAN PARTNERS, L.P.,
its Managing Member

By: NEW MOUNTAIN GUARDIAN GP, L.L.C.,
its General Partner

By: /s/ Steven B. Klinsky
Name: Steven B. Klinsky
Title: Managing Member

**AGREEMENT AND PLAN OF MERGER**

AGREEMENT AND PLAN OF MERGER, dated as of this 19th day of May, 2011 (this "Agreement"), among New Mountain Finance Holdings, L.L.C., a Delaware limited liability company (the "Operating Company"), New Mountain Guardian Partners (Leveraged), L.L.C., a Delaware limited liability company ("Guardian Partners Leveraged") and, with respect to Section 1.02 only, New Mountain Guardian Partners, L.P., a Delaware limited partnership ("Guardian Partners"). The Operating Company, Guardian Partners Leveraged and Guardian Partners shall each be referred to herein as a "Party" and shall be referred to collectively as the "Parties".

**WITNESSETH:**

WHEREAS, at 4:15 p.m. (New York City Time) on May 19, 2011 (the "First Guardian Merger Effective Time"), New Mountain Guardian AIV, L.P. ("Guardian AIV") caused New Mountain Guardian Debt Funding, L.L.C., a wholly-owned indirect subsidiary of Guardian AIV ("Guardian Debt Funding") to merge with and into the Operating Company, with the Operating Company as the surviving entity (the "First Guardian Merger");

WHEREAS, at 4:15 p.m. (New York City Time) on May 19, 2011 (the "Second Guardian Merger Effective Time"), Guardian Partners caused New Mountain Guardian Partners Debt Funding, L.L.C., a Delaware limited liability company and wholly-owned indirect subsidiary of Guardian Partners ("Guardian Partners Debt Funding") to merge with and into Guardian Partners Leveraged, with Guardian Partners Leveraged as the surviving entity (the "Second Guardian Merger");

WHEREAS, Guardian Partners Leveraged desires to merge, immediately following the Second Guardian Merger Effective Time and effective as of the Third Guardian Merger Effective Time (as defined herein), with and into the Operating Company, by means of a merger of Guardian Partners Leveraged with and into the Operating Company, with the Operating Company being the surviving entity (the "Third Guardian Merger"), on the terms set forth in this Agreement;

WHEREAS, the Operating Company desires to acquire the assets and to assume all of the liabilities and obligations of Guardian Partners Leveraged by means of the Third Guardian Merger on the terms set forth in this Agreement;

WHEREAS, the Operating Company desires to issue a 5.8346% limited liability company interest in the Operating Company to Guardian Partners in consideration of the transfer of the assets and assumption of all of the liabilities and obligations of Guardian Partners Leveraged in the Third Guardian Merger;

WHEREAS, New Mountain Guardian AIV, L.P., a Delaware limited partnership ("Guardian AIV"), is the sole member of the Operating Company, and Guardian Partners is the

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sole member of Guardian Partners Leveraged. The sole member of each Party shall be referred to herein as the "Member" of such Party;

WHEREAS, for federal income tax purposes, the Parties intend that the transactions contemplated herein be governed by the holding with respect to Situation 2 in IRS Revenue Ruling 99-5, 1999-1 C.B. 434;

WHEREAS, the Member of the Operating Company, has by written consent: (i) established a board of directors to manage the business and affairs of the Operating Company (the "Board"), (ii) appointed the initial directors of the Board, (iii) appointed a chairman of the Board and (iv) appointed officers of the Operating Company;

WHEREAS, Section 18-209 of the Delaware Limited Liability Company Act (the "Delaware Act") authorizes the merger of any business entity with or into a Delaware limited liability company; and

WHEREAS, the Board of the Operating Company has approved the Third Guardian Merger and authorized the sole Member of the Operating Company to execute this Agreement, in accordance with the power delegated to it by the Member of the Operating Company under Section 5 of the Operating Company's limited liability company agreement, as amended, and the Member of Guardian Partners Leveraged has approved the Third Guardian Merger and authorized the sole Member of Guardian Debt Leveraged to execute this Agreement, in accordance with Section 5 of Guardian Partners Leveraged's limited liability company agreement, as amended.

NOW, THEREFORE, the Parties hereby agree as follows:

**ARTICLE I**

**THE MERGER**

SECTION 1.01. *The Merger.*

(a) Subject to the filing of a duly executed and verified certificate of merger (the "Certificate of Merger") with the Secretary of State of the State of Delaware pursuant to and in accordance with the Delaware Act, the Third Guardian Merger shall be effective at 4:20 p.m. (New York City Time) on May 19, 2011 (the time the Third Guardian Merger becomes effective in accordance herewith and applicable law being referred to herein as the "Third Guardian Merger Effective Time").

(b) At the Third Guardian Merger Effective Time, Guardian Partners Leveraged shall be merged with and into the Operating Company, whereupon the separate existence of Guardian Partners Leveraged shall cease, and the Operating Company shall be the surviving entity of the Third Guardian Merger (the "Surviving Company") and will continue as a Delaware limited liability company in accordance with Section 18-209 of the Delaware Act.



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(c) The Third Guardian Merger shall have the effects set forth in this Agreement and Section 18-209 of the Delaware Act.

SECTION 1.02. Reserved.

SECTION 1.03. *Conversion of Interests; Member; Directors and Officers.*

(a) At the Third Guardian Merger Effective Time, each limited liability company interest in Guardian Partners Leveraged shall, by virtue of the Third Guardian Merger, and without any action on the part of the holder thereof, be converted into, and exchanged for a 5.8346% limited liability company interest in the Operating Company.

(b) At the Third Guardian Merger Effective Time, each limited liability company interest in the Operating Company shall, by virtue of the Third Guardian Merger, and without any action on the part of New Mountain Guardian SPV Funding, L.L.C., New Mountain Guardian Partners SPV Funding, L.L.C. or the holder

thereof, remain outstanding and unchanged as a limited liability company interest in the Operating Company, as the Surviving Company, with such limited liability company interests having the terms and conditions set forth in the Limited Liability Company Agreement of the Operating Company, dated as of October 29, 2008 as amended from time to time (the "Operating Company LLC Agreement"). Each of Guardian and Guardian Partners shall be a Member of the Surviving Company until such time that it ceases to be a member of the Surviving Company.

(c) Following the Third Guardian Merger Effective Time, (i) the members of the Board of the Operating Company immediately prior to the Third Guardian Merger Effective Time shall be the members of the Board of the Surviving Company, each to hold office until his respective successor is elected and qualified or until his earlier death, resignation, expulsion or removal, and (ii) the officers of the Operating Company immediately prior to the Third Guardian Merger Effective Time shall be the officers of the Surviving Company, each to hold office until such time as his or her respective successor is chosen and qualified or until his or her earlier death, resignation or removal.

**ARTICLE II**

**THE SURVIVING COMPANY**

SECTION 2.01. *Certificate of Merger.* Upon the terms and subject to the conditions of this Agreement, the Operating Company, as the Surviving Company, shall file the Certificate of Merger with the Secretary of State of the State of Delaware pursuant to and in accordance with the Delaware Act and shall make all other filings or recordings as may be required under the Delaware Act and any other applicable law in order to effect the Third Guardian Merger.

SECTION 2.02. *Limited Liability Company Agreement.* The Operating Company LLC Agreement shall be the limited liability company agreement of the Surviving Company unless and until amended in accordance with its terms and applicable law.



SECTION 2.03. *Name of Surviving Company.* The name of the Surviving Company shall be "New Mountain Finance Holdings, L.L.C."

**ARTICLE III**

**CONDITIONS**

SECTION 3.01. *Conditions to Closing.* The obligations of the Parties to consummate the Third Guardian Merger shall be subject to the consummation of the Second Guardian Merger and to the receipt of the necessary vote or consent of the respective members of the parties hereto in accordance with Delaware Act and the parties' respective operating agreements.

**ARTICLE IV**

**TERMINATION**

SECTION 4.01. *Termination*. This Agreement may be terminated and the Third Guardian Merger may be abandoned at any time prior to the Third Guardian Merger Effective Time by mutual written consent of the Parties.

**ARTICLE V**

**MISCELLANEOUS**

SECTION 5.01. *Authorization.* The Member of each Party (in such capacity, an "Authorized Person"), shall be authorized, at such time in its sole discretion as it deems appropriate, to execute, acknowledge, verify, deliver, file and record, for and in the name of each Party, as the case may be, and, to the extent necessary, the members of each Party, as the case may be, any and all documents and instruments including, without limitation, the Certificate of Merger, and shall do and perform any and all acts, as they deem necessary or advisable in order to effectuate the Third Guardian Merger and the other transactions contemplated hereby.

SECTION 5.02. *FIRPTA Certificate.* Prior to the Third Guardian Merger Effective Time, Guardian Partners shall provide Guardian AIV and the Operating Company with a FIRPTA certificate, in a form reasonably satisfactory to Guardian AIV and the Operating Company, certifying that Guardian Partners is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended.

SECTION 5.03. *Counterparts*. This Agreement may be executed in any number of counterparts, each of which shall be considered an original and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or any electronic imaging means shall be as effective as delivery of a hand-written executed counterpart of this Agreement.



SECTION 5.04. *Amendment*. This Agreement may be amended at any time prior to the Third Guardian Merger Effective Time by unanimous written consent of the Parties.

SECTION 5.05. *Further Assurances.* Each of the Parties shall take or cause to be taken all appropriate actions and do, or cause to be done, all things reasonably necessary or appropriate to consummate and make effective any of the provisions hereof.

SECTION 5.06. *Governing Law*. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without giving effect to principles of conflicts of law.

*[Remainder of Page Intentionally Left Blank]*



IN WITNESS WHEREOF, the Operating Company, Guardian Partners Leveraged and, with respect to Section 1.02 only, Guardian Partners have caused this Agreement to be duly executed by their respective authorized representatives as of the day and year first above written.

NEW MOUNTAIN FINANCE HOLDINGS, L.L.C.

By: NEW MOUNTAIN GUARDIAN AIV, L.P.,
its Managing Member

By: NEW MOUNTAIN INVESTMENTS III, L.L.C.,
its General Partner

By: /s/ Steven B. Klinsky
Name: Steven B. Klinsky
Title: Managing Member

NEW MOUNTAIN GUARDIAN PARTNERS (LEVERAGED), L.L.C.

By: NEW MOUNTAIN GUARDIAN PARTNERS, L.P.,
its Managing Member

By: NEW MOUNTAIN GUARDIAN PARTNERS GP, L.L.C.
its General Partner

By: /s/ Steven B. Klinsky
Name: Steven B. Klinsky
Title: Managing Member



NEW MOUNTAIN GUARDIAN PARTNERS, L.P.

By: NEW MOUNTAIN GUARDIAN PARTNERS GP, L.L.C.
its General Partner

By: /s/ Steven B. Klinsky
Name: Steven B. Klinsky
Title: Managing Member

**AMENDED AND RESTATED**
**CERTIFICATE OF INCORPORATION**
**OF**
**NEW MOUNTAIN FINANCE CORPORATION**

New Mountain Finance Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Company"), hereby certifies as follows:

(a) The name of the Company is New Mountain Finance Corporation. The Company filed its original Certificate of Incorporation with the Secretary of State of the State of Delaware pursuant to Section 102 of the Delaware General Corporation Law, as amended, (the "DGCL") on June 29, 2010, under the name New Mountain Guardian Corporation.

(b) This Amended and Restated Certificate of Incorporation, which amends and restates the original Certificate of Incorporation in its entirety, was duly adopted in accordance with Sections 242 and 245 of the DGCL.

(c) The Amended and Restated Certificate of Incorporation of the Company shall read in its entirety:

**ARTICLE I**
**NAME**

The name of the Company is New Mountain Finance Corporation.

**ARTICLE II**
**REGISTERED OFFICE AND AGENT**

The address of the Company's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808. The name of its registered agent at such address is Corporation Service Company.

**ARTICLE III**
**PURPOSE**

The purpose of the Company is to engage in any lawful act or activity for which corporations may be organized under the DGCL as now or hereafter in force, including without limitation or obligation, engaging in business as a business development company under the Investment Company Act, as amended, and the rules and regulations promulgated thereunder.

**ARTICLE IV**
**CAPITAL STOCK**

Section 4.1 AUTHORIZED SHARES. The total number of shares of all classes of capital stock which the Company shall have authority to issue is 102,000,000 shares, of which:

(a) 100,000,000 shares, par value $0.01 per share, shall be shares of common stock (the "Common Stock"); and

(b) 2,000,000 shares, par value $0.01 per share, shall be shares of preferred stock (the "Preferred Stock").

The number of authorized shares of Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the stock of the Company entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Common Stock or the Preferred Stock voting separately as a class shall be required therefor, unless a vote of any such holders as a class or series is required pursuant to the terms of any series of Preferred Stock.

Section 4.2 COMMON STOCK.

(a) VOTING RIGHTS. At every annual or special meeting of stockholders of the Company, each holder of Common Stock shall be entitled to cast one (1) vote for each share of Common Stock standing in such holder's name on the stock records of the Company on each matter properly submitted to stockholders of the Corporation for their approval; provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Amended and Restated Certificate of Incorporation (including, without limitation, to vote on any amendment to any certificate of designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Amended and Restated Certificate of Incorporation (including, without limitation, any certificate of designation relating to any series of Preferred Stock).

(b) RESERVATION OF SHARES ISSUABLE UPON EXCHANGE OF COMMON MEMBERSHIP UNITS The Company will at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of issuance upon any acquisition of Common Membership Units in accordance with Article IX of the LLC Agreement, such number of shares of Common Stock that shall be issuable upon the exchange of all outstanding Common Membership Units exchangeable in accordance with the LLC Agreement; provided that nothing contained herein shall preclude the Company from acquiring Common Membership Units in accordance with Article IX of the LLC Agreement by delivery of shares of Common Stock that are held in the treasury of the Company.

Section 4.3 PREFERRED STOCK. Subject to the rights of the holders of any series of Preferred Stock then outstanding, the Board of Directors is authorized, subject to limitations prescribed by law, to provide by resolution or resolutions for the issuance of shares of Preferred Stock in one or more series, and by filing a certificate pursuant to the applicable laws of the State of Delaware to establish from time to time the number of shares to be included in each such series, and to fix the voting powers (if any), designation, powers, preferences, and relative, participating, optional or other rights, if any, of the shares of each such series, and any qualifications, limitations or restrictions thereof.



**ARTICLE V**
**BOARD OF DIRECTORS**

Section 5.1 MANAGEMENT. The business and affairs of the Company shall be managed by or under the direction of the Board of Directors. The Board of Directors may exercise all such authority and powers of the Company and do all such lawful acts and things as are not by statute or this Amended and Restated Certificate of Incorporation directed or required to be exercised or done solely by the stockholders.

Section 5.2 NUMBER OF DIRECTORS AND MANNER OF ACTING. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors of the Company shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board; provided, however, that the number of directors shall not be less than three (3) nor more than fifteen (15). The term "Whole Board" at any time shall mean the total number of authorized directors fixed at the time whether or not there exist any vacancies in previously-authorized directorships. A majority of the Whole Board shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and, except as otherwise expressly required by law or by this Amended and Restated Certificate of Incorporation, the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors.

Section 5.3 CLASSIFICATION OF DIRECTORS. As of the IPO Date, the directors, other than those who may be elected by the holders of any series of Preferred Stock under specified conditions, shall be divided into three classes and designated Class I, Class II and Class III. The Board of Directors may assign members of the Board of Directors already in office immediately prior to the IPO Date to such classes. The initial term of the Class I directors shall expire at the first annual meeting of stockholders to be held after the IPO Date, the initial term of the Class II directors shall expire at the second annual meeting of stockholders to be held after the IPO Date, and the initial term of the Class III directors shall expire at the third annual meeting of stockholders to be held after the IPO Date. Members of each class shall hold office until their successors are duly elected and qualified or until such director's earlier death, resignation or removal. At each annual meeting of the stockholders of the Company following the IPO Date, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the third succeeding annual meeting of stockholders after their election. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 5.4 NEWLY-CREATED DIRECTORSHIPS AND VACANCIES. Subject to the applicable requirements of the Investment Company Act, including Section 16(b) thereunder, and subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, disqualification, removal from office or any other cause shall, unless otherwise required by law or provided by resolution of the Board of Directors, be filled only by majority vote of the directors then in office, even if less than a quorum is then in office, or by the sole remaining director, and shall not be filled by stockholders. Directors so chosen to fill a newly created directorship or other vacancies shall



serve for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been chosen expires and shall hold office until such director's successor has been duly elected and qualified or until his or her earlier death, resignation or removal as provided in this Amended and Restated Certificate of Incorporation.

Section 5.5 REMOVAL OF DIRECTORS. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director or the entire Board of Directors may be removed from office at any time, at a meeting called for that purpose, but only for cause and only by the affirmative vote of the holders of at least seventy-five percent of the voting power of the issued and outstanding shares of capital stock of the Company entitled to vote thereon, voting together as a single class.

Section 5.6 WRITTEN BALLOT NOT REQUIRED. Elections of directors need not be by written ballot unless the bylaws of the Company shall otherwise provide.

Section 5.7 BYLAWS. The Board of Directors is expressly authorized to adopt, amend or repeal the bylaws of the Company. Any adoption, amendment or repeal of the bylaws of the Company by the Board of Directors shall require the approval of a majority of the Whole Board. The stockholders shall also have power to adopt, amend or repeal the bylaws of the Company; provided, however, that, in addition to any vote of the holders of any class or classes or series or series of stock of the Company required by law, by this Amended and Restated Certificate of Incorporation or by the bylaws, the affirmative vote of the holders of at least two-thirds of the voting power of the issued and outstanding shares of capital stock of the Company entitled to vote thereon, voting together as a single class, shall be required to adopt, amend or repeal any provision of the bylaws of the Company.

**ARTICLE VI**
**LIMITATION OF LIABILITY**

A director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that the foregoing shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is hereafter amended to permit further elimination or limitation of the personal liability of directors, then the liability of a director of the Company shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended. Any repeal or modification of this Article VI shall not adversely affect any right or protection of a director of the Company existing at the time of such repeal or modification. The provisions of this Article VI shall not be deemed exclusive or in limitation of any other rights to which directors, officers, or others may be entitled under any bylaws, agreement, vote of stockholders or disinterested directors, or otherwise. Notwithstanding the foregoing or Article V of the Bylaws of the Company, for so long as the Company is registered as an investment company or regulated as a business development company under the Investment Company Act, neither this Amended and Restated Certificate of Incorporation nor the Amended and Restated Bylaws of the Company shall limit the liability of, or permit the indemnification of, any director or officer of



the Company for actions or matters for which such limitation or indemnification would be prohibited by the Investment Company Act or by any valid rule, regulation or order of the Securities and Exchange Commission thereunder.

**ARTICLE VII**
**AMENDMENT**

The Company reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or the bylaws of the Company, and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, this Amended and Restated Certificate of Incorporation, the bylaws of the Company or otherwise, but in addition to any affirmative vote of the holders of any particular class or classes or series or series of the capital stock required by law, this Amended and Restated Certificate of Incorporation, the bylaws of the Company or otherwise, the affirmative vote of the holders of at least two-thirds of the voting power of the issued and outstanding shares of capital stock of the Company entitled to vote thereon, voting together as a single class, shall be required to adopt any provision inconsistent with, or to amend or repeal any provision of, Articles V, VI, VII, VIII, IX or XI of this Amended and Restated Certificate of Incorporation.

**ARTICLE VIII**

**MEETINGS AND ACTION BY WRITTEN CONSENT**

An annual meeting of stockholders for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall fix.

Special meetings of stockholders may be called for any purpose only by (i) the affirmative vote of a majority of the Whole Board, (ii) its Chairperson, (iii) the Chief Executive Officer, or (iv) upon the request of the holders of at least fifty (50) percent of the voting power of all shares of capital stock of the Company entitled generally to vote on the election of directors then outstanding, subject to the requirements of the Investment Company Act and the requirements set forth in the bylaws.

Subject to the rights of the holders of any series of Preferred Stock, any action required or permitted to be taken at any annual or special meeting of stockholders of the Company may be effected only upon the vote of the stockholders at an annual or special meeting duly called and may not be effected by written consent of the stockholders.

Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Company shall be given in the manner provided in the bylaws of the Company.



**ARTICLE IX**
**SECTION 203 OF THE DGCL**

The Company shall not be governed by Section 203 of the DGCL.

**ARTICLE X**
**SEVERABILITY**

If any provision or provisions of this Amended and Restated Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each portion of any paragraph of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each such portion of any paragraph of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Company to protect its directors, officers, employees and agents from personal liability in respect of their good faith service to or for the benefit of the Company to the fullest extent permitted by law.

**ARTICLE XI**
**DEFINITIONS**

For purposes of this Amended and Restated Certificate of Incorporation, the following terms shall have the meaning set forth below.

"Common Membership Unit" means a common membership unit of the LLC.

"Investment Company Act" means the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

"IPO Date" means the closing date of the initial public offering of the Company's Common Stock.

"LLC" means New Mountain Finance Holdings, L.L.C., a Delaware limited liability company, or its successor.

"LLC Agreement" means the Amended and Restated Limited Liability Company Agreement of the LLC, as it may be amended, supplemented, or otherwise modified from time to time, and a copy of which will be available to any stockholder upon written request to the Company.

"Person" means any individual, corporation, limited liability company, partnership, trust, joint stock company, business trust, unincorporated association, joint venture, any United States federal, state or local or any foreign government, supranational, governmental, regulatory or



administrative authority, instrumentality, agency or commission, political subdivision, self-regulatory organization or any court, tribunal or judicial or arbitral body or other governmental authority, or other entity or organization of any nature whatsoever.

**ARTICLE XII**
**FORUM**

Unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Company shall be deemed to have notice of and consented to the provisions of this Article XII.



IN WITNESS WHEREOF, the undersigned has signed this Amended and Restated Certificate of Incorporation this 19th day of May, 2011.

New Mountain Finance Corporation

By: /s/ Paula A. Bosco

Name: Paula A. Bosco
Title: Secretary

# AMENDED AND RESTATED BYLAWS
# OF
# NEW MOUNTAIN FINANCE CORPORATION

## ARTICLE I

## Offices

SECTION 1. Registered Office. The registered office and/or registered agent of the Company may be changed from time to time by action of the Board of Directors.

SECTION 2. Other Offices. The Company may have an office or offices other than said registered office at such place or places, either within or without the State of Delaware, as the Board of Directors shall from time to time determine or the business of the Company may require.

## ARTICLE II

## Meetings of Stockholders

SECTION 1. Place of Meetings. All meetings of the stockholders for the election of directors or for any other purpose shall be held at any such place, either within or without the State of Delaware, or by means of remote communications, as shall be designated from time to time by the Board of Directors and stated in the notice of meeting.

SECTION 2. Annual Meeting. An annual meeting of stockholders shall be held each year. The date, time and place, if any, or means of remote communications, if any, of such meeting shall be determined by the Board of Directors of the Company. At such annual meeting the stockholders shall elect, subject to Article II, Section 9(b) of these Bylaws, members of the Board of Directors to succeed those whose terms expire and transact such other business as may properly be brought before the meeting.

SECTION 3. Special Meetings. (a) Special meetings of stockholders may be called for any purpose only by (i) the affirmative vote of a majority of the Whole Board (as defined herein), (ii) its Chairperson, (iii) the Chief Executive Officer, or (iv) by the Corporate Secretary, following his or her receipt of one or more written requests to call a special meeting of the stockholders in accordance with, and subject to, this Section 3 from stockholders of record who hold, in the aggregate, at least fifty (50) percent of the voting power (the "Required Percentage") of all shares of capital stock of the Company entitled generally to vote on the election of directors then outstanding who have delivered such request in accordance with these bylaws, subject to the requirements of the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the "Investment Company Act").

(b) A stockholder may not submit a written request to call a special meeting unless such stockholder is a holder of record of voting stock on the record date fixed to determine the stockholders entitled to request the call of a special meeting. Any stockholder seeking to call a special meeting to transact business shall, by written notice to the Secretary, request that the



Board of Directors fix a record date. A written request to fix a record date shall include all of the information that must be included in a written request to call a special meeting from a stockholder who is not a Solicited Stockholder, as set forth in the succeeding paragraph (c) of this Section 3. The Board of Directors may, within 10 days of the Secretary's receipt of a request to fix a record date, fix a record date to determine the stockholders entitled to request the call of a special meeting, which date shall not precede, and shall not be more than 10 days after, the date upon which the resolution fixing the record date is adopted. If a record date is not fixed by the Board of Directors, the record date shall be the date that the first written request to call a special meeting is received by the Secretary with respect to the proposed business to be conducted at a special meeting.

(c) Each written request for a special meeting shall include the following: (i) the signature of the stockholder of record signing such request and the date such request was signed, (ii) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, and (iii) for each written request submitted by a person or entity other than a Solicited Stockholder, as to the stockholder signing such request and the beneficial owner (if any) on whose behalf such request is made (each, a "party"): (1) the name and address of such party; (2) the class, series and number of shares of the Corporation that are owned beneficially and of record by such party (which information set forth in this clause shall be supplemented by such party not later than 10 days after the record date for determining the stockholders entitled to notice of the special meeting to disclose such ownership as of such record date); (3) any Derivative Instrument (as defined herein) directly or indirectly owned beneficially by each such party, and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Company; (4) any other information relating to each such party that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal in a contested election pursuant to Section 14 of the Exchange Act (as defined herein); (5) any material interest of such party in one or more of the items of business proposed to be transacted at the special meeting; and (6) a representation that the stockholder signing the request will be a record holder on the date of the special meeting and a representation whether or not any such party or any group of which such party is or will be a member will deliver a proxy statement and form of proxy to holders of at least the percentage of voting power of all of the shares of capital stock of the Corporation required under applicable law to carry the proposal (such representations, a "Special Meeting Solicitation Statement"). For purposes of this bylaw, "Solicited Stockholder" means any stockholder that has provided a request in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A.

(d) A stockholder may revoke a request to call a special meeting by written revocation delivered to the Secretary at any time prior to the special meeting*provided, however*, that if any such revocation(s) are received by the Secretary after the Secretary's receipt of written requests from the holders of the Required Percentage of voting stock, and as a result of such revocation(s), there no longer are unrevoked requests from the Required Percentage of voting stock to call a special meeting, the Board of Directors shall have the discretion to determine whether or not to proceed with the special meeting. A business proposal shall not be presented for stockholder action at any special meeting if (i) any stockholder or beneficial owner who has



provided a Special Meeting Solicitation Statement with respect to such proposal does not act in accordance with the representations set forth therein or (ii) the business proposal appeared in a written request submitted by a stockholder who did not provide the information required by the preceding clause (c)(2) of this bylaw in accordance with such clause.

(e) The Secretary shall not accept, and shall consider ineffective, a written request from a stockholder to call a special meeting (i) that does not comply with the preceding provisions of this bylaw, (ii) that relates to an item of business that is not a proper subject for stockholder action under applicable law, (iii) if such request is delivered between the time beginning on the 61st day after the earliest date of signature on a written request that has been delivered to the Secretary relating to an identical or substantially similar item (such item, a "Similar Item") and ending on the one-year anniversary of such earliest date, (iv) if a Similar Item will be submitted for stockholder approval at any stockholder meeting to be held on or before the 90th day after the Secretary receives such written request, or (v) if a Similar Item has been presented at the

most recent annual meeting or at any special meeting held within one year prior to receipt by the Secretary of such request to call a special meeting.

(f) Either the chairman of the meeting or the Board of Directors shall determine in good faith whether all other requirements set forth in this bylaw have been satisfied. Any determination made pursuant to this paragraph shall be binding on the Corporation and its stockholders.

(g) The Board of Directors shall determine the place, and fix the date and time, of any special meeting called at the request of one or more stockholders, and, with respect to all other special meetings, the date and time of a special meeting shall be determined by the person or body calling the meeting. The Board of Directors may submit its own proposal or proposals for consideration at any special meeting. The record date or record dates for a special meeting shall be fixed in accordance with Section 213 (or its successor provision) of the DGCL (as defined herein). Business transacted at any special meeting shall be limited to the purposes stated in the notice of such meeting.

SECTION 4. Notice of Meetings. Except as otherwise provided herein or expressly required by statute, notice of each annual and special meeting of stockholders stating the date, place, if any, and hour of the meeting, means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder of record entitled to vote thereat not less than ten (10) nor more than sixty (60) days before the date of the meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice. If mailed, notice to stockholders shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Company. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in, and to the extent permitted by, Section 232 of the Delaware General Corporation Law (the "DGCL"). When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof, and the means of remote communications, if any, by



which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; *provided, however*, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, notice of the place, if any, date, and time of the adjourned meeting and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting, shall be given in conformity herewith. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix a new record date for notice of such adjourned meeting, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and, except as otherwise required by law, shall not be more than 60 nor less than 10 days before the date of such adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

SECTION 5. List of Stockholders. The officer who has charge of the stock ledger of the Company shall prepare and make, at least ten (10) days before each meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, *provided, however*, if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the 10th day before the meeting date, arranged in alphabetical order and showing the address of each such stockholder and the number of shares registered in his or her name. Such list shall be open to the examination of any stockholder for a period of at least 10 days prior to the meeting in the manner provided by law. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten (10) days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Company. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to examine such stock list and to vote at the meeting and the number of shares held by each of them.

SECTION 6. Quorum; Adjournments. The holders of a majority of the voting power of the issued and outstanding stock of the Company entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of stockholders, except as otherwise required by express provision of law (including the rules and regulations of administrative agencies or a national securities exchange upon which the Company is listed), or by the Amended and Restated Certificate of Incorporation of the Company, as amended from time to time (the "Certificate of Incorporation"). Where a separate vote by a class or classes or series or series is required, a majority of the voting power of the shares of such class or classes or series or series entitled to vote, present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. If, however, such quorum shall not be present or represented by proxy at any meeting of stockholders, the chairperson of the meeting or the stockholders entitled to vote, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time,



without notice other than announcement at the meeting, until a quorum shall be present or represented by proxy.

SECTION 7. Organization. At each meeting of stockholders, the Chairperson of the Board of Directors, if one shall have been elected, or, in his or her absence or if one shall not have been elected, such person as the Board of Directors may have designated or, in his or her absence, the Chief Executive Officer, or in his or her absence, such person as may be chosen by the affirmative vote of the holders of a majority of the voting power of the outstanding shares of capital stock entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairperson of the meeting. The Corporate Secretary or, in his or her absence or inability to act, the person whom the chairperson of the meeting shall appoint secretary of the meeting shall act as secretary of the meeting and keep the minutes thereof.

SECTION 8. Order of Business. The order of business at all meetings of the stockholders shall be as determined by the chairperson of the meeting. The chairperson of the meeting shall have the power to adjourn the meeting to another place, if any, date and time. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

SECTION 9. (a) Voting. Each stockholder entitled to vote at any meeting of stockholders may authorize another person or persons to act for him, her, or it by a proxy which is in writing or transmitted as permitted by law, including, without limitation, electronically, via telegram, internet, interactive voice response system, or other means of reliable electronic transmission executed or authorized by such stockholder or his or her attorney-in-fact, but no proxy shall be voted after (3) three years from its date, unless the proxy provides for a longer period. Any such proxy shall be delivered to the secretary of the meeting at or prior to the time designated in the order of business for so delivering such proxies. Any proxy transmitted electronically shall set forth information from which it can be determined by the secretary of the meeting that such electronic transmission was authorized by the stockholder. When a quorum is present at any meeting, the affirmative vote of the holders of a majority of the voting power of the issued and outstanding stock of the Company present in person or represented by proxy and entitled to vote thereon shall decide any question brought before such meeting, unless the question is one upon which by express provision of law (including the Investment Company Act or any other statute and rules and regulations of administrative agencies or a national securities exchange upon which the Company is listed), or of the Certificate of Incorporation or of these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question. Where a separate vote by a class or classes or series or series is required, the affirmative vote of the majority of voting power of such class or classes or series or series present in person or represented by proxy at the meeting and entitled to vote thereon shall be the act of such class or classes or series or series, unless the question is one upon which by express provision of law (including the Investment Company Act or any other statute and rules and regulations of administrative agencies or a national securities exchange upon which the Company is listed) or of the Certificate of Incorporation or of these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question. Unless required by statute, or determined by the chairperson of the meeting to be advisable, the vote on any question need not be by ballot.

(b) A nominee for director shall be elected to the Board of Directors at a meeting if the votes cast for such nominee's election exceed the votes cast against such nominee's election; *provided, however,* that directors shall be elected by a plurality of the votes cast for nominees who are validly nominated and qualified at any meeting of stockholders for which (i) the Corporate Secretary of the Company receives a notice that a stockholder has nominated a person for election to the Board of Directors in compliance with the advance notice requirements for stockholder nominees for director set forth in Article II, Section 11 of the Bylaws and (ii) such nomination has not been withdrawn by such stockholder on or prior to the tenth day before the Company first mails its notice of meeting for such meeting to the stockholders. If directors are to be elected by a plurality of the votes cast, stockholders shall not be permitted to vote against a nominee.

SECTION 10. Inspectors. The Board of Directors may, and to the extent required by law, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. The Board of Directors may designate one or more alternate inspectors to replace any inspector who fails to act. If any of the inspectors so appointed or any alternate shall fail to appear or act, the chairperson of the meeting shall, or if inspectors shall not have been appointed, the chairperson of the meeting may, appoint one or more inspectors. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his or her ability. The inspectors shall determine the number of shares of capital stock of the Company outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, except as otherwise provided herein, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the results, and do such acts as are proper to conduct the election or vote. On request of the chairperson of the meeting, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. No director or candidate for the office of director shall act as an inspector of an election of directors. Inspectors need not be stockholders.

SECTION 11. Advance Notice Provisions for Election of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors as provided under Section 3 of this Article II, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of record of the Company (the "Record Stockholder") (i) who is a Record Stockholder on the date of the giving of the notice provided for in this Section 11 and on the record date for the determination of stockholders entitled to vote at such meeting, (ii) who is entitled to vote at such meeting, and (iii) who complies with the notice procedures set forth in this Section 11. For the avoidance of doubt, clause (b) above shall be the exclusive means for a stockholder to make nominations before an annual meeting or a special meeting of stockholders.

In addition to any other applicable requirements, for a nomination to be made by a Record Stockholder (i) such Record Stockholder must have given timely notice thereof in proper written form to the Corporate Secretary of the Company (ii) and the Record Stockholder and the



beneficial owner, if any, on whose behalf any such nomination is made, must have acted in accordance with the representations set forth in the Nomination Solicitation Statement required by these Bylaws.

To be timely, a Record Stockholder's notice to the Corporate Secretary must be received at the principal executive offices of the Company (a) in the case of an annual meeting, not more than one hundred twenty (120) days, nor less than ninety (90) days, prior to the date of the anniversary of the previous year's annual meeting *provided, however*, that, subject to the last sentence of this paragraph, in the event the annual meeting is convened on a date more than thirty (30) days prior to or delayed by more than sixty (60) days after such anniversary date, or if no annual meeting was held in the preceding year, notice by the Record Stockholder in order to be timely must be so received not earlier than the close of business one hundred twenty (120) days, nor later than the later of the close of business ninety (90) days prior to such annual meeting or the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not earlier than the close of business on the one hundred twentieth (120th) day, nor later than the close of business on the later of the ninetieth (90th) day prior to such special meeting, or the tenth (10th) following the day on which public disclosure is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. Notwithstanding anything in the preceding sentence to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public disclosure naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Company at least ten (10) days before the last day a Record Stockholder may deliver a notice of nomination in accordance with the preceding sentence, a Record Stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the Corporate Secretary at the principal executive offices of the Company not later than the close of business on the tenth (10th) day following the day on which such public disclosure is first made by the Company. In no event shall an adjournment or postponement of an annual or special meeting for which notice had been given commence a new time period for the giving of a Record Stockholder's notice.

To be in proper written form, a Record Stockholder's notice to the Corporate Secretary must set forth (a) as to each person whom the Record Stockholder proposes to nominate for election or reelection as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) whether such Record Stockholder believes any such person is, or is not, an "interested person" of the Company, as defined in the Investment Company Act and information regarding such individual that is sufficient, in the discretion of the Board of Directors or any committee thereof or any authorized officer of the Company, to make such determination, (iv)(A) the class or classes or series or series and number of shares of capital stock of the Company which are owned beneficially or of record by such person, (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Company or with a value derived in whole or in part from the value of any class or series of shares of the Company, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock



of the Company or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by each such person, and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Company, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such person has a right to vote any shares of any security of the Company, (D) any short interest in any security of the Company held by each such person (for purposes of this Section, a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (E) any rights to dividends on the shares of the Company owned beneficially by such person that are separated or separable from the underlying shares of the Company, (F) any proportionate interest in shares of the Company or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (G) any performance-related fees (other than an asset-based fee) that such person is entitled to based on any increase or decrease in the value of shares of the Company or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such person's immediate family sharing the same household (which information set forth in this paragraph shall be supplemented by such person, as the case may be, not later than ten (10) days after the record date for determining stockholders entitled to vote at the meeting to disclose such ownership as of the record date; provided, that if such date is after the date of the meeting, not later than the day prior to the meeting), (v) such person's written consent to serve as a director if elected, (vi) a statement whether such person, if elected, intends to tender, promptly following such person's election or re-election, an irrevocable resignation effective upon such person's failure to receive the required vote for re-election at the next meeting at which such person would face re-election and upon acceptance of such resignation by

the Board of Directors in accordance with the Board of Directors' policy and (vii) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder (such act and the rules and regulations promulgated thereunder, the "Exchange Act"), (b) as to the Record Stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made (each, a "party") (i) the name and record address of such Record Stockholder and the name and address of any other party, if any, (ii) (A) the class or classes or series or series and number of shares of capital stock of the Company which are owned beneficially or of record by such party, (B) any Derivative Instrument directly or indirectly owned beneficially by each such party, and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Company, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which either party has a right to vote any shares of any security of the Company, (D) any short interest in any security of the Company held by each such party (for purposes of this Section, a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (E) any rights to dividends on the shares of the Company owned beneficially by each such party that are separated or separable from the underlying shares of the Company, (F) any proportionate interest in shares of the



Company or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which either party is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (G) any performance-related fees (other than an asset-based fee) that each such party is entitled to based on any increase or decrease in the value of shares of the Company or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of each such party's immediate family sharing the same household (which information set forth in this paragraph shall be supplemented by such stockholder or such beneficial owner, as the case may be, not later than ten (10) days after the record date for determining stockholders entitled to vote at the meeting to disclose such ownership as of the record date; provided, that if such date is after the date of the meeting, not later than the day prior to the meeting), (iii) a description of all arrangements or understandings between any and each party and any and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such Record Stockholder, (iv) a representation that such Record Stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice, (v) any other information relating to such party that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and (vi) a statement whether or not each such party will deliver a proxy statement and form of proxy to holders of at least the percentage of voting power of all of the shares of capital stock of the Company reasonably believed by the Record Stockholder or beneficial holder, as the case may be, to be sufficient to elect the nominee or nominees proposed to be nominated by the Record Stockholder (such statement, a "Nomination Solicitation Statement").

No person shall be eligible for election as a director of the Company unless nominated in accordance with the procedures set forth in this Section 11; provided that nothing in this Section 11 shall be deemed to prohibit any stockholder from exercising any rights of stockholders pursuant to Rule 14a-11 under the Exchange Act. The chairperson of the meeting shall have the power and the duty to determine whether a nomination has been made in accordance with the procedures set forth in this Section 11 and, if the chairperson of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairperson shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

For purposes of this Section 11 and Section 12 of these Bylaws, "public disclosure" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Company with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act or pursuant to the Investment Company Act.

Notwithstanding the foregoing provisions of this Section 11, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 11.

SECTION 12. Advance Notice Provisions for Business to be Transacted at Annual Meeting No business may be transacted at an annual meeting of stockholders, other than business that is (a) included in the Company's proxy materials with respect to such meeting, (b)



properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) properly brought before the annual meeting by any Record Stockholder (i) who is a Record Stockholder on the date of the giving of the notice provided for in this Section 12 and on the record date for the determination of stockholders entitled to vote at such annual meeting, (ii) who is entitled to vote at such meeting, and (iii) who complies with the notice procedures set forth in this Section 12. For the avoidance of doubt, clause (c) shall be the exclusive means for a stockholder to propose business to be transacted (other than business included in the Company's proxy materials pursuant to Rule 14a-8 under the Exchange Act) before an annual meeting of stockholders.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a Record Stockholder, (i) such Record Stockholder must have given timely notice thereof in proper written form to the Corporate Secretary of the Company, (ii) any such business must be a proper matter for stockholder action under Delaware law, and (iii) the Record Stockholder and the beneficial owner, if any, on whose behalf any such proposal is made, must have acted in accordance with the representations set forth in the Business Solicitation Statement required by these Bylaws.

To be timely, a Record Stockholder's notice to the Corporate Secretary must be received at the principal executive offices of the Company not more than one hundred twenty (120) days, nor less than ninety (90) days, prior to the date of the anniversary of the previous year's annual meeting; *provided, however*, that, subject to the last sentence of this paragraph, in the event the annual meeting is convened on a date more than thirty (30) days prior to or delayed by more than sixty (60) days after such anniversary date, or if no annual meeting was held in the preceding year, notice by the Record Stockholder in order to be timely must be so received not earlier than the close of business one hundred twenty (120) days prior to, nor later than the later of the close of business ninety (90) days prior to such annual meeting or the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made. In no event shall an adjournment or postponement of an annual meeting commence a new time period for the giving of a Record Stockholder's notice.

To be in proper written form, a Record Stockholder's notice to the Corporate Secretary must set forth as to each matter such Record Stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting, and any material interest in such business of such Record Stockholder and the beneficial owner, if any, on whose behalf the proposal is made, (b) as to the Record Stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made (each, a "party"), (i) the name and record address of such stockholder, (ii) (A) the class or classes or series or series and number of shares of capital stock of the Company which are owned beneficially or of record by such party, (B) any Derivative Instrument directly or indirectly owned beneficially by each such party, and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Company, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which either party has a right to vote any shares of any security of the Company, (D) any short interest in any security of the Company held by each such party (for purposes of this Section, a person shall be deemed to have a short interest in a

security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (E) any rights to dividends on the shares of the Company owned beneficially by each such party that are separated or separable from the underlying shares of the Company, (F) any proportionate interest in shares of the Company or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which either party is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (G) any performance-related fees (other than an asset-based fee) that each such party is entitled to based on any increase or decrease in the value of shares of the Company or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of each such party's immediate family sharing the same household (which information set forth in this paragraph shall be supplemented by such stockholder or such beneficial owner, as the case may be, not later than ten (10) days after the record date for determining stockholders entitled to vote at the meeting to disclose such ownership as of the record date; provided, that if such date is after the date of the meeting, not later than the day prior to the meeting), (iii) a description of all arrangements or understandings between any and each party and any other person or persons (including their names) in connection with the proposal of such business by such Record Stockholder, (iv) a representation that such Record Stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting, (v) any other information relating to such party that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the transaction of business pursuant to Section 14 of the Exchange Act, and (vi) a statement whether or not each such party will deliver a proxy statement and form of proxy to holders of at least the percentage of voting power of all of the shares of capital stock of the Company required under applicable law to carry the proposal (such statement, a "Business Solicitation Statement").

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 12; *provided, however*, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 12 shall be deemed to preclude discussion by any stockholder of any such business. The chairperson of the meeting shall have the power and the duty to determine whether a proposal has been made in accordance with the procedures set forth in this Section 12 and, if the chairperson of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairperson shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Notwithstanding the foregoing provisions of this Section 12, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 12. Nothing in this Section 12 shall be deemed to affect any rights of stockholders to request inclusion of a proposal in the Company's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

SECTION 13. Action by Written Consent. Subject to the rights of the holders of any series of Preferred Stock, any action required or permitted to be taken by the stockholders of the



Company must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

SECTION 14. Fixing the Record Date. In order that the Company may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and for determining stockholders entitled to receive payment of any dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board of Directors may fix a new record date for the adjourned meeting;*provided, however*, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the foregoing provisions of this Section 14 at the adjourned meeting.

## ARTICLE III

## Board of Directors

SECTION 1. General Powers. The business and affairs of the Company shall be managed by or under the direction of the Board of Directors. The Board of Directors may exercise all such authority and powers of the Company and do all such lawful acts and things as are not by statute or the Certificate of Incorporation directed or required to be exercised or done by the stockholders.

SECTION 2. Number, Tenure and Election. The number of directors shall be determined in the manner provided in the Certificate of Incorporation. Except as otherwise provided in the Certificate of Incorporation, at each annual meeting of the stockholders of the Company, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the third succeeding annual meeting of the stockholders of the Company held after their election.



SECTION 3. Place of Meetings. Meetings of the Board of Directors shall be held at such place or places, within or without the State of Delaware, as the Board of Directors may from time to time determine or as shall be specified in the notice of any such meeting.

SECTION 4. Annual Meetings. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders, and to the extent practicable, on the same day and at the same place where such annual meeting shall be held. In the event such annual meeting of the stockholders is not so held, the annual meeting of the Board of Directors may be held at such other time or place (within or without the State of Delaware) as shall be specified in a notice thereof given as hereinafter provided in Section 7 of this Article III.

SECTION 5. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors may fix. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at the same hour on the next succeeding business day.

SECTION 6. Special Meetings. Special meetings of the Board of Directors may be called by the Chairperson of the Board of Directors, if one shall have been elected, or by a majority of the Whole Board of the Company or by the Chief Executive Officer.

SECTION 7. Notice of Meetings. Notice of regular meetings of the Board of Directors need not be given except as otherwise required by law or these Bylaws.

Notice of each special meeting of the Board of Directors, and of each regular and annual meeting of the Board of Directors for which notice shall be required, shall be given by the Corporate Secretary as hereinafter provided in this Section 7, in which notice shall be stated the time and place of the meeting. Notice of any special meeting, and of any regular or annual meeting for which notice is required, shall be given to each director at least (a) twenty-four (24) hours before the meeting if by telephone or by being personally delivered or sent by telex, telecopy, electronic transmission or similar means or (b) five (5) days before the meeting if delivered by mail to the director's residence or usual place of business. Such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage prepaid, or when transmitted if sent by telex, telecopy, electronic transmission or similar means. Except as otherwise required by these Bylaws, neither the business to be transacted at, nor the purpose of, any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting. Any director may waive notice of any meeting by a writing signed by the director entitled to the notice, or by electronic transmission by the director, and filed with the minutes or corporate records.

SECTION 8. Waiver of Notice and Presumption of Assent. Any member of the Board of Directors or any committee thereof who is present at a meeting shall be conclusively presumed to have waived notice of such meeting except when such member attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.



SECTION 9. Quorum and Manner of Acting. A majority of the Whole Board shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and, except as otherwise expressly required by law or the Certificate of Incorporation, the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. For purposes of these Bylaws, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships. In the absence of a quorum at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn such meeting to another time and place. Notice of the time and place of any such adjourned meeting shall be given to all of the directors unless such time and place were announced at the meeting at which the adjournment was taken, in which case such notice shall only be given to the directors who were not present thereat. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. The directors shall act only as a Board of Directors and, except to the extent designated as a committee of the Board of Directors pursuant to Section 13 of this Article III, the individual directors shall have no power as such.

SECTION 10. Organization. At each meeting of the Board of Directors, the Chairperson of the Board of Directors, if one shall have been elected, or, in the absence of the Chairperson of the Board of Directors or if one shall not have been elected, the Chief Executive Officer (or, in his or her absence, another director chosen by a majority of the directors present) shall act as chairperson of the meeting and preside thereat. The Corporate Secretary or, in his or her absence, any person appointed by the chairperson, shall act as secretary of the meeting and keep the minutes thereof.

SECTION 11. Resignations; Newly Created Directorships; Vacancies; and Removals. Any director of the Company may resign at any time by giving notice in writing or by electronic transmission of his or her resignation to the Company. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Newly created directorships resulting from any increase in the number of directors or any vacancies in the Board of Directors resulting from death, resignation, disqualification, removal or any other cause shall be filled as provided in the Certificate of Incorporation. Any director may be removed as provided in the Certificate of Incorporation.

SECTION 12. Compensation. The Board of Directors shall have authority to fix the compensation, including fees and reimbursement of expenses, of directors for services to the Company in any capacity.

SECTION 13. Committees. The Board of Directors may designate one or more committees, including an executive committee, each committee to consist of one or more of the directors of the Company. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Except to the extent restricted by statute or the Certificate of Incorporation, each such committee, to the extent provided in the resolution creating it, shall have and may exercise all the powers and authority of the Board of Directors (including, without limitation, the right to delegate authority to one or more subcommittees thereof) and may



authorize the seal of the Company to be affixed to all papers which require it. Each such committee shall serve at the pleasure of the Board of Directors and have such name as may be determined from time to time by resolution adopted by the Board of Directors. Each committee shall keep regular minutes of its meetings.

SECTION 14. Committee Rules. Each committee of the Board of Directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by a resolution of the Board of Directors designating such committee. Unless otherwise provided in such a resolution, the presence of at least a majority of the members of the committee shall be necessary to constitute a quorum. In the event that a member and that member's alternate, if alternates are designated by the Board of Directors as provided in Section 13 of this Article III, of such committee is or are absent or disqualified, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

SECTION 15. Action by Consent. Notwithstanding any other provision contained herein, unless restricted by the Certificate of Incorporation, any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of the Board of Directors or such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form. This Section 15 of this Article III does not apply to any action of the Board of Directors pursuant to the Investment Company Act that requires the votes of members of the Board of Directors to be cast in person at a meeting.

SECTION 16. Telephonic and Other Meetings. Unless restricted by the Certificate of Incorporation, any one or more members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at a meeting; *provided however,* that this Section 16 of this Article III does not apply to any action of the Board of Directors pursuant to the Investment Company Act that requires the votes of members of the Board of Directors to be cast in person at a meeting.

## ARTICLE IV

## Officers

SECTION 1. Number and Qualifications. The officers of the Company shall be elected by the Board of Directors and shall include the Chief Executive Officer, the Chief Financial Officer, the Chief Compliance Officer and the Corporate Secretary. The Company may also have, at the discretion of the Board of Directors, such other officers as are desired, including one or more Vice Presidents, Treasurer, one or more Assistant Treasurers, Controller, one or more Assistant Corporate Secretaries, and such other officers as may be necessary or desirable for the

business of the Company. In the event there are two or more Vice Presidents, then one or more may be designated as Executive Vice President, Senior Vice President, or other similar or dissimilar title. At the time of the election of officers, the directors may by resolution determine the order of their rank. Any number of offices may be held by the same person, and no officer need be a director. In its discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable.

SECTION 2. Election and Term of Office. The officers of the Company shall be elected annually by the Board of Directors at its first meeting held after each annual meeting of stockholders or as soon thereafter as is convenient. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified, or until his or her death, or until he shall have resigned or have been removed, as hereinafter provided in these Bylaws.

SECTION 3. Resignations. Any officer of the Company may resign at any time by giving written notice of his or her resignation to the Company. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon receipt. Unless otherwise specified therein, the acceptance of any such resignation shall not be necessary to make it effective.

SECTION 4. Removal. Any officer of the Company may be removed, either with or without cause, at any time, by the Board of Directors at any meeting thereof.

SECTION 5. Vacancies. Any vacancy occurring in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term by the Board of Directors.

SECTION 6. Compensation. An officer of the Company shall not be prevented from receiving compensation by reason of the fact that he is also a director of the Company.

SECTION 7. Officers' Bonds or Other Security. If required by the Board of Directors, any officer of the Company shall give a bond or other security for the faithful performance of his or her duties, in such amount and with such surety as the Board of Directors may require.

SECTION 8. Absence or Disability of Officers. In the case of the absence or disability of any officer of the Company and of any person hereby authorized to act in such officer's place during such officer's absence or disability, the Board of Directors may by resolution delegate the powers and duties of such officer to any other officer or to any director, or to any other person whom it may select.

SECTION 9. Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.



## ARTICLE V

## Indemnification

SECTION 1. Nature of Indemnity. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he is or was a director, officer or trustee of the Company or is or was serving at the request of the Company as a director or officer of another corporation or of a partnership, limited liability company, joint venture, trust or other enterprise, including, without limitation, service with respect to an employee benefit plan (hereinafter, an "Indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while so serving, shall be indemnified and held harmless by the Company to the full extent permitted by the DGCL and the Investment Company Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment), or by other applicable law as then in effect, against all expense, liability and loss (including, without limitation, attorneys' fees, costs and charges, judgments, fines, excise taxes or penalties under the Employee Retirement Income Security Act of 1974, as amended from time to time ("ERISA"), penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such Indemnitee in connection therewith; *provided, however*, that except as provided in Section 3 of this Article V with respect to proceedings to enforce rights to indemnification and advancement, the Company shall indemnify any such Indemnitee in connection with a proceeding (or part thereof) initiated by such Indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors. Notwithstanding anything to the contrary in this Section 1 of this Article V or any other provision of these Bylaws, for so long as the Company is subject to the Investment Company Act, the Company shall not indemnify an Indemnitee to the extent such indemnification would violate the Investment Company Act.

SECTION 2. Advances for Expenses. Expenses (including, without limitation, attorneys' fees, costs and charges) incurred by an Indemnitee in defending a proceeding shall be paid by the Company in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf an Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such Indemnitee is not entitled to be indemnified by the Company as authorized in this Article V; *provided, however*, that except as provided in Section 3 of this Article V with respect to proceedings to enforce rights to indemnification and advancement, the Company shall advance expenses of any such Indemnitee in connection with a proceeding (or part thereof) initiated by such Indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors. The Board of Directors may, upon approval of such Indemnitee, authorize the Company's counsel to represent such person in any proceeding, whether or not the Company is a party to such proceeding. Notwithstanding anything to the contrary in this Section 2 of this Article V or any other provision of these Bylaws, for so long as the Company is subject to the



Investment Company Act, the Company shall not advance an Indemnitee any expenses to the extent such advancement would violate the Investment Company Act.

SECTION 3. Procedure for Indemnification and Advancement. Any indemnification or advance of expenses (including, without limitation, attorney's fees, costs and charges) under this Article V shall be made promptly, and in any event within 60 days, or, in the case of a claim for an advancement of expenses, within 20 days, upon the written request of an Indemnitee (and, in the case of advance of expenses, receipt of a written undertaking by or on behalf of such Indemnitee to repay such amount if it shall ultimately be determined that such Indemnitee is not entitled to be indemnified therefor pursuant to the terms of this Article V). The right to indemnification or advances as granted by this Article V shall be enforceable by such Indemnitee in any court of competent jurisdiction, if the Company denies such request, in whole or in part, or if no disposition thereof is made within 60 days (or 20 days with respect to advancement of expenses). To the full extent permitted by law, such Indemnitee's costs and expenses incurred in connection with successfully establishing his or her right to indemnification or advancement, in whole or in part, in any such action shall also be indemnified by the Company. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of expenses (including, without limitation, attorney's fees, costs and charges) under this Article V where the required undertaking, if any, has been received by the Company) that the claimant has not met the standard of conduct set forth in the DGCL, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company

to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment), but the burden of proving such defense shall be on the Company. Neither the failure of the Company (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment), nor the fact that there has been an actual determination by the Company (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct. Notwithstanding anything to the contrary in this Section 3 of this Article V or any other provision of these Bylaws, for so long as the Company is subject to the Investment Company Act, any advancement of expenses pursuant to this Article V shall be subject to at least one of the following as a condition of the advancement: (a) the Indemnitee shall provide a security for his or her undertaking, (b) the Company shall be insured against losses arising by reason of any lawful advances or (c) (i) a majority of directors of the Company who are and were not a party to the proceeding in respect of which advancement or indemnification is being sought or (ii) Independent Counsel (as defined below), in a written opinion, shall determine based on a review of readily available facts (as opposed to a full-trial-type inquiry), that there is reason to believe that the Indemnitee ultimately will be found entitled to indemnification.



For purposes of the paragraph above, "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party, or (ii) any other party to or witness in the proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine such Indemnitee's rights hereunder.

SECTION 4. Other Rights; Continuation of Right to Indemnification. The indemnification and advancement of expenses provided by this Article V shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), bylaw, agreement, vote of stockholders or directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Company, and shall continue as to a person who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of such person. All rights to indemnification or advancement under this Article V shall be deemed to be a contract between the Company and each Indemnitee. Any repeal or modification of this Article V or any repeal or modification of relevant provisions of the DGCL or any other applicable laws shall not in any way diminish any rights to indemnification of such Indemnitee or the obligations of the Company arising hereunder with respect to any proceeding arising out of, or relating to, any actions, transactions or facts occurring prior to the final adoption of such repeal or modification.

SECTION 5. Insurance. The Company shall have power to purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the Company, or is or was serving at the request of the Company as a director or officer of another corporation, partnership, limited liability company, joint venture, trust or other enterprise (including, without limitation, with respect to an employee benefit plan), against any liability asserted against the person and incurred by the person or on the person's behalf in any such capacity, or arising out of the person's status as such, whether or not the Company would have the power to indemnify the person against such liability under the provisions of this Article V or the DGCL; *provided, however*, that such insurance is available on acceptable terms, which determination shall be made by a vote of the Board of Directors.

SECTION 6. Indemnification of Employees and Agents of the Company. The Company may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Company to the fullest extent permitted by law.

SECTION 7. Savings Clause. If this Article V or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless provide indemnification and advancement to each Indemnitee entitled to such indemnification and advancement pursuant to paragraphs 1 and 2 of this Article V to the full extent permitted by any applicable portion of this Article V that shall not have been invalidated and to the full extent permitted by applicable law.



## ARTICLE VI

### Stock Certificates and Their Transfer

SECTION 1. Stock Certificates. The Board of Directors may issue stock certificates, or may provide by resolution or resolutions that some or all of any or all classes or series of stock of the Company shall be uncertificated shares of stock. Every holder of stock represented by a certificate shall be entitled to have a certificate signed by, or in the name of the Company by, the Chairperson of the Board of Directors, President or Vice President of the Company and by the Treasurer or an Assistant Treasurer or the Corporate Secretary or an Assistant Corporate Secretary of the Company, certifying the number of shares owned by him or her in the Company. A certificate representing shares issued by the Company shall, if the Company is authorized to issue more than one class or series of stock, set forth upon the face or back of the certificate, or shall state that the Company will furnish to any stockholder upon request and without charge, a statement of the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights in the manner provided by law. The Company shall furnish to any holder of uncertificated shares, upon request and without charge, a statement of the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

SECTION 2. Facsimile Signatures. Any or all of the signatures on a certificate may be a facsimile, engraved or printed. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Company with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

SECTION 3. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificate or certificates, or his or her legal representative, to give the Company a bond in such sum as it may direct sufficient to indemnify it against any claim that may be made against the Company on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 4. Transfers of Stock. Upon surrender to the Company or the transfer agent of the Company of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Company to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its records; *provided, however*, that the Company shall be entitled to recognize and enforce any lawful restriction on transfer. Whenever any transfer of stock shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of transfer if, when the certificates are presented to the Company for transfer, both the transferor and the transferee request the Company to do so.

SECTION 5. Transfer Agents and Registrars. The Board of Directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars.

SECTION 6. Regulations. The Board of Directors may make such additional rules and regulations, not inconsistent with these Bylaws, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Company.

SECTION 7. Registered Stockholders. The Company shall be entitled to recognize the exclusive right of a person registered on its records as the owner of shares of stock to receive dividends and to vote as such owner and shall not be bound to recognize any equitable or other claim to or interest in such share or shares of stock on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

**ARTICLE VII**

**General Provisions**

SECTION 1. Dividends. Subject to the provisions of statutes and the Certificate of Incorporation, dividends upon the shares of capital stock of the Company may be declared by the Board of Directors at any regular or special meeting out of funds legally available therefore. Dividends may be paid in cash, in property or in shares of stock of the Company, unless otherwise provided by statute or the Certificate of Incorporation.

SECTION 2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the Company available for dividends such sum or sums as the Board of Directors may, from time to time, in its absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Company or for such other purpose as the Board of Directors may think conducive to the interests of the Company. The Board of Directors may modify or abolish any such reserves in the manner in which it was created.

SECTION 3. Seal. The seal of the Company shall be in such form as shall be approved by the Board of Directors, which form may be changed by resolution of the Board of Directors.

SECTION 4. Fiscal Year. The fiscal year of the Company shall end on December 31 of each fiscal year and may thereafter be changed by resolution of the Board of Directors.

SECTION 5. Checks, Notes, Drafts, Etc. All checks, notes, drafts or other orders for the payment of money of the Company shall be signed, endorsed or accepted in the name of the Company by such officer, officers, person or persons as from time to time may be designated by the Board of Directors or by an officer or officers authorized by the Board of Directors to make such designation.

SECTION 6. Execution of Contracts, Deeds, Etc. The Board of Directors may authorize any officer or officers, agent or agents, in the name and on behalf of the Company to enter into or execute and deliver any and all deeds, bonds, mortgages, contracts and other obligations or instruments, and such authority may be general or confined to specific instances.



SECTION 7. Loans. Subject to applicable law, the Company may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Company or of its subsidiary, including any officer or employee who is a director of the Company or its subsidiary. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Company. Nothing in this section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Company at common law or under any statute.

SECTION 8. Voting of Stock in Other Corporations. Unless otherwise provided by resolution of the Board of Directors, the Chairperson of the Board of Directors or the Chief Executive Officer, from time to time, may (or may appoint one or more attorneys or agents to) cast the votes which the Company may be entitled to cast as a shareholder or otherwise in any other corporation, any of whose shares or securities may be held by the Company, at meetings of the holders of the shares or other securities of such other corporation. In the event one or more attorneys or agents are appointed, the Chairperson of the Board of Directors or the Chief Executive Officer may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent. The Chairperson of the Board of Directors, or the Chief Executive Officer may, or may instruct the attorneys or agents so appointed to, execute or cause to be executed in the name and on behalf of the Company and under its seal or otherwise, such written proxies, consents, waivers or other instruments as may be necessary or proper in the circumstances.

SECTION 9. Inconsistent Provisions. In the event that any provision of these Bylaws is or becomes inconsistent with any provision of the Certificate of Incorporation, the DGCL or any other applicable law, the provision of these Bylaws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

SECTION 10. Waivers. A written waiver of any notice, signed by a stockholder or director, or waiver by electronic transmission by such person, whether given before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such person. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the express purpose of objecting at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened.

SECTION 11. Conflict with Investment Company Act. If and to the extent that any provision of the DGCL, the Certificate of Incorporation or any provision of these Bylaws conflicts with any provision of the Investment Company Act, the applicable provision of the Investment Company Act shall control.

**ARTICLE VIII**

**Amendments**

These Bylaws may be amended or repealed or new Bylaws adopted only in accordance with the Certificate of Incorporation.



**EXHIBIT 1**

**FORM OF RESIGNATION**

**[Date]**

Attention: Chairperson of the Board of Directors

Dear :

In accordance with the policy of the Board of Directors of New Mountain Finance Corporation (the "Company") regarding majority voting in director elections, I hereby tender my resignation as a director of the Board of Directors (the "Board"), provided that this resignation shall be effective upon, and only in the event that, (i) I fail to receive a sufficient number of votes for re-election at the next meeting of the stockholders of the Company at which my seat on the Board will be subject to election (the "Applicable Annual Meeting") and (ii) the Board accepts this resignation following my failure to be re-elected at the Applicable Annual Meeting.

If I am re-elected at the Applicable Annual Meeting, this resignation will be deemed withdrawn upon my re-election. However, if I am not re-elected at the Applicable Annual Meeting, this resignation will remain in effect following such meeting but will be deemed withdrawn if and when the Board decides not to accept this resignation. This resignation may not be withdrawn by me at any time other than as set forth in this paragraph.

Very truly yours,

_____

Director



**EXHIBIT 2**

**MAJORITY VOTING POLICY**

The Board of Directors has adopted the following policy:

In accordance with the Company's Bylaws, if none of our stockholders provides the Company notice in compliance with the advance notice requirements for stockholder nominees for director set forth in Article II, Section 11 of the Bylaws, of an intention to nominate one or more candidates to compete with the Board's nominees in a director election, or if our stockholders have withdrawn all such nominations by the tenth day before the Company mails its notice of meeting to our stockholders, a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. The Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for re-election. The Board shall nominate for election or re-election as director only a candidate who agrees to tender promptly following the annual meeting at which he or she is elected or re-elected as director, an irrevocable resignation that will be effective upon (i) the failure to receive the required vote at the next annual meeting at which he or she faces re-election and (ii) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by any other director in accordance with this Board policy.

If an incumbent director fails to receive the required vote for re-election, the Board of Directors will act on an expedited basis to determine whether or not to accept the Director's resignation. The Board expects that the director whose resignation is under consideration to abstain from participating in any decision regarding resignation. The Board of Directors may consider any factors it deems relevant in deciding whether or not to accept a director's resignation.

**Exhibit 10.16**

**Final Version**

**DIVIDEND REINVESTMENT PLAN**
**OF**
**NEW MOUNTAIN FINANCE CORPORATION**

New Mountain Finance Corporation, a Delaware corporation (the "Corporation"), hereby adopts the following plan (the "Plan") with respect to net investment income dividends and capital gains distributions declared by its Board of Directors on shares of its Common Stock, par value $0.01 per share (the "Common Stock");

1. Unless a stockholder specifically elects to receive cash as set forth below, all net investment income dividends and all capital gains distributions hereafter declared by the Board of Directors shall be payable in shares of the Common Stock of the Corporation, and no action shall be required on such stockholder's part to receive a distribution in stock.

2. Such net investment income dividends and capital gains distributions shall be payable on such date or dates as may be fixed from time to time by the Board of Directors to stockholders of record at the close of business on the record date(s) established by the Board of Directors for the net investment income dividend and/or capital gains distribution involved.

3. The Corporation shall use only newly-issued shares of its Common Stock to implement the Plan if the price at which newly-issued shares are to be credited is equal to or greater than 110% of the last determined net asset value of the shares. The number of shares to be issued to a stockholder shall be determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of the Corporation's Common Stock at the close of regular trading on the New York Stock Exchange on the valuation date fixed by the Board of Directors for such distribution. Market price per share on that date shall be the closing price for such shares as reported on the New York Stock Exchange or, if no sale is reported for such day, at the average of their electronically-reported bid and asked prices.

4. If the Corporation declares a distribution to stockholders, the Corporation may instruct the Plan Administrator, as defined below, not to credit accounts with newly-issued shares and instead to buy shares in the market if the price at which newly-issued shares are to be credited does not exceed 110% of the last determined net asset value of the shares. Shares purchased in open market transactions by the Plan Administrator shall be allocated to each Participant, as defined below, based upon the average purchase price, excluding any brokerage charges or other charges, of all shares of Common Stock purchased with respect to the applicable distribution.

5. A stockholder may elect from time to time to receive his or its net investment income dividends and capital gains distributions in cash. To exercise this option, such stockholder shall notify American Stock Transfer and Trust Company, LLC, the plan administrator and the Corporation's transfer agent and registrar (referred to as the "Plan Administrator"), in writing or through the internet at www.amstock.com or the toll free number (888) 333-0212 so that such notice is received by the Plan Administrator no later than three days prior to the payment date fixed by the Board of Directors for the net investment income dividend and/or capital gains distribution. If the request to terminate participation in the Plan is received less than three days prior to the payment date then that dividend will be reinvested, but all subsequent dividends on all balances will be paid out in cash. Such election shall remain in effect (without the

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requirement to confirm the election) until the stockholder shall notify the Plan Administrator in writing of such stockholder's withdrawal of the election, which notice shall be delivered to the Plan Administrator no later than three days prior to the payment date fixed by the Board of Directors for the next net investment income dividend and/or capital gains distribution by the Corporation.

6. The Plan Administrator will set up an account for shares acquired pursuant to the Plan for each stockholder who has not so elected to receive dividends and distributions in cash (each a "Participant"). The Plan Administrator will hold each Participant's shares, together with the shares of other Participants, in non-certificated form in the Plan Administrator's name or that of its nominee. Upon request by a Participant, received in writing or through the internet at www.amstock.com or the toll free number (888) 333-0212 at any time, the Plan Administrator will, instead of crediting shares to and/or carrying shares in a Participant's account, issue, to the Participant, a certificate registered in the Participant's name for the number of whole shares payable to the Participant and a check for any fractional share less a transaction fee of the lesser of (i) $15.00 and (ii) the price of the fractional share.

7. The Plan Administrator will confirm to each Participant each acquisition made pursuant to the Plan as soon as practicable but not later than 30 business days after the date thereof. Although each Participant may from time to time have an undivided fractional interest (computed to three decimal places) in a share of Common Stock of the Corporation, no certificates for a fractional share will be issued. However, dividends and distributions on fractional shares will be credited to each Participant's account. In the event of termination of a Participant's account under the Plan, the Plan Administrator will adjust for any such undivided fractional interest in cash at the market value of the Corporation's shares at the time of termination.

8. The Plan Administrator will forward to each Participant any Corporation related proxy solicitation materials and each Corporation report or other communication to stockholders, and will vote any shares held by it under the Plan in accordance with the instructions set forth on proxies returned by Participants to the Corporation or the Plan Administrator.

9. In the event that the Corporation makes available to its stockholders rights to purchase additional shares or other securities, the shares held by the Plan Administrator for each Participant under the Plan will be added to any other shares held by the Participant in certificated form in calculating the number of rights to be issued to the Participant.

10. The Plan Administrator's service fee, if any, and expenses for administering the Plan will be paid for by the Corporation for all purchases made.

11. Each Participant may terminate his or its account under the Plan by so notifying the Plan Administrator via its website at www.amstock.com, by filling out the transaction request form located at the bottom of his or its statement and sending it to the Plan Administrator at American Stock Transfer and Trust Company LLC, P.O. Box 922, Wall Street Station, New York, NY, 10269-0560, Attn: Plan Administration Department, or by calling the Plan Administrator at (888) 333-0212. Such termination will be effective immediately if the Participant's notice is received by the Plan Administrator more than three days prior to any

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dividend or distribution payment date. If notice to terminate the Participant's account is received less than three days prior to a payment date then that dividend or distribution will be reinvested, but all subsequent dividends and distributions will be paid out in cash on all balances. The Plan may be terminated by the Corporation upon notice in writing mailed to each Participant at least 30 days prior to any record date for the payment of any dividend or distribution by the Corporation. Upon any termination, the Plan Administrator will cause a certificate or certificates to be issued for the full shares held for the Participant under the Plan and a cash adjustment for any fractional share to be delivered to the Participant without charge to the Participant. If a Participant elects by his or its written or telephonic or internet notice to the Plan Administrator to have the Plan Administrator sell part or all of his or its shares and remit the proceeds to the Participant, the Plan Administrator is authorized to deduct a $15.00 transaction fee plus a $0.10 per share brokerage commission from the proceeds.

12. These terms and conditions may be amended or supplemented by the Corporation at any time but, except when necessary or appropriate to comply with

applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to each Participant appropriate written notice at least 30 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by each Participant unless, prior to the effective date thereof, the Plan Administrator receives written notice of the termination of the Participant's account under the Plan. Any such amendment may include an appointment by the Plan Administrator in its place and stead of a successor agent under these terms and conditions, with full power and authority to perform all or any of the acts to be performed by the Plan Administrator under these terms and conditions so long as such appointment is approved by the Corporation. Upon any such appointment of any agent for the purpose of receiving dividends and distributions, the Corporation will be authorized to pay to such successor agent, for each Participant's account, all dividends and distributions payable on shares of the Corporation held in the Participant's name or under the Plan for retention or application by such successor agent as provided in these terms and conditions.

13. Unless otherwise stated herein, all correspondence concerning the Plan shall be directed to the Plan Administrator by mail at American Stock Transfer and Trust Company LLC, P.O. Box 922, Wall Street Station, New York, NY 10269-0560, or by calling the Plan Administrator, telephonically at (888) 333-0212.

14. The Plan Administrator will at all times act in good faith and use its best efforts within reasonable limits to ensure its full and timely performance of all services to be performed by it under this Plan and to comply with applicable law, but assumes no responsibility and shall not be liable for loss or damage due to errors unless such error is caused by the Plan Administrator's negligence, bad faith, or willful misconduct or that of its employees or agents.

15. These terms and conditions shall be governed by the laws of the State of New York, without regard to the conflicts of law principles thereof, to the extent such principles would require or permit the application of the laws of another jurisdiction.

**JOINDER**

**May 19, 2011**

Reference is made to that certain Amended and Restated Limited Liability Company Agreement of New Mountain Finance Holdings, L.L.C., a Delaware limited liability company (the "Company"), dated as of 4:25 p.m. (New York City time) on May 19, 2011 (the "LLC Agreement"), by and among the members of the Company, attached hereto as Exhibit A.

By and upon execution of this joinder, effective as of 4:30 p.m. on May 19, 2011, the undersigned (a) shall be a party to the LLC Agreement, (b) accepts and agrees to be subject to all terms and conditions of the LLC Agreement, (c) shall be considered a "Member" and "New Mountain Finance" thereunder and (d) shall be entitled to the rights and benefits and subject to the duties and obligations of a Member and New Mountain Finance thereunder, in each case as fully as if the undersigned were an original signatory thereto in such capacity.

Unless otherwise specified in writing by the undersigned, the initial address for notices to the undersigned for purposes of the LLC Agreement is the address for the undersigned set forth on the signature page hereto. Pursuant to Section 3.1(c) of the LLC Agreement, the Company shall amend Schedule A to the LLC Agreement to reflect the admission of the undersigned as a Member and such other information of the undersigned as indicated in Schedule A to the LLC Agreement. This joinder shall not otherwise constitute an amendment or waiver of any provision of the LLC Agreement, which shall continue and remain in full force and effect in accordance with its terms.

* * *

IN WITNESS WHEREOF, the undersigned has executed this joinder as of the date first written above.

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ Paula Bosco
Name: Paula Bosco
Its: Secretary

Address for Notices: 787 7th Avenue, 48th Floor
New York, NY 10019
(212) 720-0300
Fax: ( ) -

The Company hereby agrees to be bound by, and abide by, all of the provisions set forth in this Agreement.

NEW MOUNTAIN FINANCE HOLDINGS, L.L.C.

By: /s/ Paula Bosco
Name: Paula Bosco
Its: Secretary



Exhibit A



**AMENDED AND RESTATED**
**LIMITED LIABILITY COMPANY AGREEMENT**
**OF**
**NEW MOUNTAIN FINANCE HOLDINGS, L.L.C.**

**Dated May 19, 2011**

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS (1) THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS AND (2) IF REQUESTED BY THE BOARD, THE TRANSFEROR DELIVERS TO THE COMPANY AN OPINION OF COUNSEL SATISFACTORY TO THE BOARD, IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, TO THAT EFFECT.



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**AMENDED AND RESTATED**
**LIMITED LIABILITY COMPANY AGREEMENT**
**OF**
**NEW MOUNTAIN FINANCE HOLDINGS, L.L.C.**

This Amended and Restated Limited Liability Company Agreement (this "**Agreement**") of New Mountain Finance Holdings, L.L.C., a Delaware limited liability company (the "**Company**"), is made and entered into as of 4:25 p.m. (New York City time) on May 19, 2011, by and between New Mountain Guardian AIV, L.P., a Delaware limited partnership ("**Guardian AIV**"), and New Mountain Guardian Partners, L.P., a Delaware limited partnership ("**Guardian Partners**"). Certain terms used in this Agreement are defined in Section 1.1.

**RECITALS**

WHEREAS, the Company was formed by Guardian AIV under the provisions of the LLC Act (as defined below) under the name "New Mountain Guardian (Leveraged) L.L.C." by the filing of a Certificate of Formation with the Secretary of State of the State of Delaware on October 29, 2008;

WHEREAS, simultaneously therewith Guardian AIV entered into the Limited Liability Company Agreement of New Mountain Guardian (Leveraged) L.L.C. dated as of October 29, 2008 (the "**Initial LLC Agreement**");

WHEREAS, on May 19, 2011 at 4:15 p.m. (New York City time), Guardian Partners caused New Mountain Guardian Partners Debt Funding, L.L.C. to merge with and into New Mountain Guardian Partners (Leveraged), L.L.C., with New Mountain Guardian Partners (Leveraged), L.L.C. as the surviving company;

WHEREAS, on May 19, 2011 at 4:20 p.m. (New York City time), Guardian Partners caused New Mountain Guardian Partners (Leveraged), L.L.C. to merge with and into the Company, with the Company as the surviving company (the "**Guardian Partners Merger**"), and Guardian Partners received membership units in the Company as consideration for the transfer of assets in the merger;

WHEREAS, Guardian AIV will contribute to New Mountain Guardian AIV Holdings Corporation, a Delaware corporation ("**AIV Holdings**") its Common Membership Units in exchange for common stock of AIV Holdings and AIV Holdings will be admitted as a Member of the Company pursuant to a joinder agreement to this Agreement, the form of which is set forth in Exhibit 1 hereto (the "**AIV Holdings Joinder Agreement**");

WHEREAS, Guardian Partners will contribute to New Mountain Finance Corporation, a Delaware corporation ("**New Mountain Finance**") its Common Membership Units in exchange for a number of shares of New Mountain Finance Common Stock equal to the number of Common Membership Units so contributed, and New Mountain Finance will be admitted as a Member of the Company pursuant to a joinder agreement to this Agreement, the form of which is set forth in Exhibit 2 hereto (the "**New Mountain Finance Joinder Agreement**");

WHEREAS, the Company will be renamed "New Mountain Finance Holdings, L.L.C." by filing a Certificate of Amendment with the Secretary of State of the State of Delaware;

WHEREAS, shares of New Mountain Finance Common Stock will be sold to the public in an underwritten offering (the "**Initial Public Offering**") and in a concurrent private placement to certain executives and employees of, and other individuals affiliated with, New Mountain Capital (the "**Concurrent Offering**");

WHEREAS, New Mountain Finance will contribute the gross proceeds of the Initial Public Offering and the Concurrent Offering to the Company in exchange for a number of Common Membership Units equal to the number of shares of New Mountain Finance Common Stock sold by New Mountain Finance in the Initial Public Offering and the Concurrent Offering; and

WHEREAS, the Members desire to amend and restate the Initial LLC Agreement to, among other things, (i) reclassify the membership units in the Company into Common Membership Units, (ii) set forth the rights and obligations of each Member with respect to the Company and (iii) set forth the terms and conditions for the operation of the Company.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth below, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

**ARTICLE 1**
**DEFINITIONS**

**1.1 Defined Terms**. The following terms shall have the following meanings in this Agreement:

"**Action**" means any suit, arbitration, inquiry, proceeding or investigation (whether civil, criminal, administrative, investigative, or informal) by or before any court, Governmental Authority or any arbitration tribunal asserted by a Person.

"**Administration Agreement**" means the Administration Agreement to be entered into among the Company, New Mountain Finance and New Mountain Finance Administration, L.L.C., as Administrator, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"**Adjustment Event**" has the meaning set forth in Section 3.3(d) of this Agreement.

"**Affiliate**" means, with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries, Controls, is Controlled by or is under common Control with such Person.

"**Agreement**" has the meaning set forth in the preamble of this Agreement, as the same may be amended, restated, supplemented, or otherwise modified from time to time.



"**AIV Holdings**" has the meaning set forth in the preamble of this Agreement.

"**AIV Holdings Joinder Agreement**" has the meaning set forth in the preamble of this Agreement.

"**AIV Holdings Member**" means AIV Holdings and any Permitted Transferees of AIV Holdings (so long as Section 8.2 has been satisfied with respect to such Permitted Transferee); provided that if AIV Holdings and all of its Permitted Transferees cease to own Common Membership Units, then AIV Holdings and its Permitted Transferees shall no longer be treated as the AIV Holdings Member under this Agreement.

"**Beneficial Owner**" (including, with correlative meaning, the term "**beneficially owns**") has the meaning attributed to it in Rules 13d-3 and 13d-5 under the Exchange Act, whether or not applicable. For purposes of this Agreement no Member shall be deemed to be the Beneficial Owner of New Mountain Finance Common Stock solely by reason of such Member's ownership of Common Membership Units that are exchangeable pursuant to Section 7.4 or Section 9.1.

"**Board**" has the meaning set forth in Section 4.1(a) of this Agreement.

"**Budget**" means an annual operating and capital budget of the Company, including, among other things, anticipated revenues, expenditures (capital and operating), and cash and capital requirements of the Company for the following year.

"**Business Day**" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"**Business Development Company**" has the meaning set forth under Section 2(a)(48) of the Investment Company Act.

"**Capital Account**" has the meaning set forth in Section 6.2(a) of this Agreement.

"**Capital Contribution**" means (i) the total amount of cash and the fair market value of assets contributed (or deemed contributed) by a Member to the Company determined (x) as of the Cutoff Date, in the case of cash and assets deemed contributed to the Company by Guardian Partners and Guardian AIV pursuant to the Guardian Partners Merger, subject to any reasonable adjustments as determined by the Board, and (y) at the date on which any other assets are contributed (or deemed contributed) to the Company by a Member, in each case as determined by the Board (net of all liabilities that the Company is considered to assume or take subject to) and (ii) in the case where the Investment Adviser receives payment of a portion of the incentive fee in Common Membership Units pursuant to the Investment Management Agreement, the total amount of cash that the Investment Adviser would have received if such portion of such incentive fee had been paid entirely in cash rather than in Common Membership Units.

"**Capital Stock**" means (i) with respect to any Person that is a corporation, any and all shares, interests in, participations in (or other equivalents), however designated, of corporate stock, including each class of common stock and preferred stock of such Person and



(2) with respect to any Person that is not a corporation, any and all partnership, limited liability company or other equity interests of such Person or any other interest that confers on a Person the right to receive a share of the profits and losses of, or distribution of assets, of the issuing Person.

"**Carrying Value**" means, with respect to any asset of the Company, the asset's adjusted basis for U.S. federal income tax purposes, except as follows:

(i) the Carrying Value of any asset contributed (or deemed contributed) by a Member to the Company will be the fair market value of the asset (x) as of the Cutoff Date in the case of any asset deemed contributed to the Company by Guardian Partners and Guardian AIV pursuant to the Guardian Partners Merger, subject to any reasonable adjustment as determined by the Board, and (y) at the date on which any other asset is contributed (or deemed contributed) to the Company, in each case as determined by the Board;

(ii) the Carrying Values of all assets of the Company shall be adjusted to equal their respective fair market values, in accordance with the rules, events, and times, set forth in Treasury Regulations Section 1.704-1(b)(2)(iv)(f) and otherwise provided for in the rules governing maintenance of Capital Accounts under Treasury Regulations; provided, however, that such adjustments shall be made only if the Board determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members;

(iii) any adjustments to the adjusted basis of any asset of the Company pursuant to Section 734 or Section 743 of the Code shall be taken into account in determining such asset's Carrying Value in a manner consistent with Treasury Regulations Section 1.704-1(b)(2)(iv)(m); provided, however, that the Carrying Value of any asset of the Company shall not be adjusted pursuant to this clause (iii) to the extent that an adjustment pursuant to clause (ii) is required in connection with a transaction that would otherwise result in an adjustment pursuant to this clause (iii);

(iv) in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(e), the Carrying Value of any asset of the Company distributed to any Member shall be adjusted immediately prior to such distribution to equal its fair market value as of the time such asset is distributed as determined by the Board; and

(v) if the Carrying Value of any asset of the Company has been determined pursuant to clause (i), (ii) or (iii) of this definition, to the extent permitted by the Treasury Regulations, such Carrying Value shall thereafter be adjusted in the same manner as would the asset's adjusted basis for U.S. federal income tax purposes in accordance with and subject to the requirements of Treasury Regulations Section 1.704-1(b)(2)(iv)(g).

"**Certificate**" has the meaning set forth in Section 2.1(a) of this Agreement.

"**Certificate of Amendment**" has the meaning set forth in Section 2.1(a) of this Agreement.

"**Claim**" means any Action, complaint, charge or investigation pending or, to the Person's knowledge, threatened against the Person or any of its Representatives.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute and the rules and regulations thereunder in effect from time to time. Any reference herein to a specific provision of the Code shall mean, where appropriate, the corresponding provision in any successor statute.

"**Commission**" means the United States Securities and Exchange Commission.

"**Common Membership Unit**" means a Unit representing, when outstanding, a fractional part of the Interests of all Members holding Common Membership Units, and having the rights and obligations specified with respect to Common Membership Units in this Agreement.

"**Company**" has the meaning set forth in the preamble of this Agreement.

"**Company Interests**" means, with respect to any New Mountain Finance Securities, the corresponding class of Units or Equity Interests, as applicable, with designations, preferences and other rights, terms and conditions (other than financial covenants applicable to New Mountain Finance or its Subsidiaries) that are substantially the same as the designations, preferences and other rights, terms and conditions of such other New Mountain Finance Securities.

"**Company Purposes**" has the meaning set forth in Section 2.6 of this Agreement.

"**Concurrent Offering**" has the meaning set forth in the preamble of this Agreement.

"**Confidential Information**" has the meaning set forth in Section 10.4(a) of this Agreement.

"**Control**" (including the terms "**Controlled by**" and "**under common Control with**"), with respect to the relationship between or among two or more Persons, means the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting Equity Interests, as trustee or executor, by contract or otherwise.

"**Credit Agreement**" means the Amended and Restated Loan and Security Agreement, dated as of May 19, 2011, among the Company, as the borower and the collateral administrator, each of the lenders from time to time party thereto, Wells Fargo Securities, LLC, as the administrative agent, and Wells Fargo Bank, National Association, as the collateral custodian, as may be amended, modified, waived, supplemented or restated from time to time.

"**Cutoff Date**" means March 31, 2011, the date as of which the Company will calculate net asset value per Unit.

"**Director**" has the meaning set forth in Section 4.1(a) of this Agreement.

"**Dissolution Exchange Date**" has the meaning set forth in Section 7.4(a) of this Agreement.



"**Dissolution Exchange Notice**" has the meaning set forth in Section 7.4(a) of this Agreement.

"**Dissolution Exchange Right**" has the meaning set forth in Section 7.4(a) of this Agreement.

"**Dissolution Exchanging Non-NMF Member**" has the meaning set forth in Section 7.4(a) of this Agreement.

"**Dividend Reinvestment Plan**" means the dividend reinvestment plan that New Mountain Finance has adopted pursuant to which its distributions will be reinvested in New Mountain Finance Common Stock on behalf of its stockholders.

"**Equity Interests**" means:

(i) with respect to the Company, any and all units, interests, participations or other equivalents (however designated, whether voting or non-voting) of limited liability company interests or equivalent ownership interests in, or issued by, the Company or interests, participations or other equivalents to share in the revenues or earnings of the Company, or securities convertible into, or exchangeable or exercisable for, such units, interests, participations or other equivalents and options, warrants or other rights to acquire such units, interests, participations or other equivalents (including, Indebtedness that is convertible into, or exchangeable for, units, interests, participations or other equivalents), but shall not include any other Indebtedness of the Company, and

(ii) with respect to any other Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of capital stock, partnership interests (whether general or limited), limited liability company interests or equivalent ownership interests in or issued by, or interests, participations or other equivalents to share in the revenues or earnings of including any form of beneficial interest in a trust, such Person or securities convertible into, or exchangeable or exercisable for, such shares, interests, participations or other equivalents and options, warrants or other rights to acquire such shares, interests, participations or other equivalents (including, Indebtedness that is convertible into, or exchangeable for, shares, interests, participations or other equivalents), but shall not include any other Indebtedness of such Person.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"**Excess Nonrecourse Liability**" has the meaning set forth Treasury Regulations Section 1.752-3(a)(3).

"**Exchange Act**" means the Securities and Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"**Exchange Date**" has the meaning set forth in Section 9.1(a) of this Agreement.



"**Exchange Notice**" has the meaning set forth in Section 9.1(a) of this Agreement.

"**Exchange Right**" has the meaning set forth in Section 9.1(a) of this Agreement.

"**Exchange Units**" has the meaning set forth in Section 9.1(a) of this Agreement.

"**Exchanging Member**" has the meaning set forth in Section 9.1(a) of this Agreement.

"**Fiscal Month**" means each fiscal month within the Company's Fiscal Year, as determined by the Board.

"**Fiscal Quarter**" means each fiscal quarter, which shall consist of three Fiscal Months.

"**Fiscal Year**" means the fiscal year of the Company ending on December 31 of each year.

"**GAAP**" means the generally accepted accounting principles in the United States, including those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

"**Governmental Authority**" means any United States federal, state or local or any foreign government, supranational, governmental, regulatory or administrative authority, instrumentality, agency or commission, political subdivision, securities self-regulatory organization or any court, tribunal or judicial or arbitral body or other governmental authority.

"**Group**" has the meaning set forth in Section 13(d)(3) and Rule 13d-5 of the Exchange Act.

"**Guardian AIV**" has the meaning set forth in the preamble of this Agreement.

"**Guardian Partners**" has the meaning set forth in the preamble of this Agreement.

"**Guardian Partners Merger**" has the meaning set forth in the preamble of this Agreement.

"**Indebtedness**" means, with respect to any Person, at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments issued by such Person, (iii) all obligations of such Person to pay the deferred purchase price for property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person evidenced by surety bonds or other similar instruments, (v) all reimbursement obligations of such Person in respect of letters of credit or other similar instruments, (vi) all Indebtedness of others secured by any lien, security interest or mortgage on any asset of such Person and (vii) all Indebtedness of others guaranteed (whether by virtue of partnership



arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain a minimum net worth, financial ratio or similar requirements, or otherwise) by such Person.

"**Indemnitee**" has the meaning set forth in Section 4.8(a) of this Agreement.

"**Independent Counsel**" has the meaning set forth in Section 4.8(c) of this Agreement.

"**Information**" means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, geological information, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memoranda and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

"**Initial LLC Agreement**" has the meaning set forth in the recitals of this Agreement.

"**Initial Public Offering**" has the meaning set forth in the preamble of this Agreement.

"**Interest**" means a Member's limited liability company interest in the Company as provided in this Agreement and under the LLC Act, and, in addition, any and all rights and benefits to which a Member is entitled under this Agreement and/or the LLC Act, together with all duties and obligations of such Person to comply with this Agreement and/or the LLC Act.

"**Investment Adviser**" means New Mountain Finance Advisers BDC, L.L.C., a Delaware limited liability company.

"**Investment Company Act**" means the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"**Investment Management Agreement**" means the Investment Management Agreement to be entered into between the Company and the Investment Adviser, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"**IPO Date**" means the closing date of the Initial Public Offering.

"**law**" means any law (statutory, common or otherwise), constitution, ordinance, code, rule, regulation, executive order or other similar authority enacted, adopted, promulgated or applied by any Governmental Authority, each as amended from time to time.

"**Liabilities**" means all damages, losses, liabilities or obligations, payments, amounts paid in settlement, fines, penalties, costs of burdens associated with performing



injunctive relief and other costs (including reasonable fees and expenses of outside attorneys, accountants and other professional advisors, and of expert witnesses and other costs of investigation, preparation and litigation in connection with any Action, appeal, petition, plea, charge, complaint, claim, suit, demand, litigation, arbitration, mediation, hearing, inquiry, investigation or similar matter or proceeding) of any kind or nature whatsoever, whether known or unknown, asserted or unasserted, absolute, contingent or vested, accrued or unaccrued, liquidated or unliquidated, or matured or unmatured.

"**License Agreement**" means the License Agreement to be entered into by and between the Company and New Mountain Finance, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"**Lien**" means, with respect to any asset, any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement and any lease in the nature thereof.

"**Liquidator**" has the meaning set forth in Section 7.2 of this Agreement.

"**LLC Act**" means the Delaware Limited Liability Company Act, 6 Del.C. §§18-101, et seq., as it may be amended from time to time, and any successor to such statute.

"**Member**" means each Person that is or becomes a member, as contemplated in the LLC Act, of the Company in accordance with the provisions of this Agreement and is listed on Schedule A to this Agreement (as such Schedule may be amended or modified from time to time) and has not ceased to be a Member as provided in Section 3.1(e) of this Agreement.

"**Member Information**" has the meaning set forth in Section 10.4(c) of this Agreement.

"**Net Income**" or "**Net Losses**," as appropriate, means, for any period, the taxable income or tax loss of the Company for such period for U.S. federal income tax purposes, as determined in accordance with the accounting method used by the Company for U.S. federal income tax purposes, with the following adjustments:

(i) there shall be taken into account any separately stated items under Section 702(a) of the Code;

(ii) any tax-exempt income received by the Company shall be deemed for these purposes only to be an item of gross income;

(iii) any expenditure of the Company described in Section 705(a)(2)(B) of the Code (or treated as described therein pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i)) shall be treated as a deductible expense;

(iv) if the Carrying Value of any asset of the Company is adjusted pursuant to clause (ii), (iii) or (iv) of the definition thereof, the amount of such adjustment shall be taken into account in the period of adjustment as gain or loss from the disposition or deemed disposition of



such asset for purposes of computing Net Income and Net Losses, but in the case of an adjustment pursuant to clause (ii) of the definition of Carrying Value only in the manner and subject to the limitations prescribed in Treasury Regulations Section 1.704-1(b)(iv)(m)(4);

(v) in the case of an asset of the Company described in clause (i) of the definition of Carrying Value or that is adjusted pursuant to clause (ii) of the definition of Carrying Value, Net Income and Net Losses of the Company (and the constituent items of income, gain, loss and deduction) realized with respect to such asset shall be computed in accordance with the principles of Treasury Regulations Section 1.704-1(b)(2)(iv)(g); and

(vi) any amounts paid to the Investment Adviser pursuant to the Investment Management Agreement shall be treated as payments to a non-Member under Section 707 of the Code.

"**New Mountain Capital**" means New Mountain Capital Group, L.L.C., a Delaware limited liability company.

"**New Mountain Finance**" has the meaning set forth in the preamble of this Agreement.

"**New Mountain Finance Common Stock**" means the common stock, par value $0.01, of New Mountain Finance.

"**New Mountain Finance Joinder Agreement**" has the meaning set forth in the preamble of this Agreement.

"**New Mountain Finance Securities**" means any Equity Interests of New Mountain Finance, or any rights, options, warrants or convertible or exchangeable securities having the right to convert into, exchange for, subscribe for or purchase any Equity Interests of New Mountain Finance.

"**New Mountain Finance Stock Offering**" means a primary offering by New Mountain Finance of its Common Stock, including, without limitation, the Initial Public Offering, the Concurrent Offering and any other offerings.

"**Non-NMF Member**" means, unless the context otherwise requires, Guardian AIV (for so long as Guardian AIV is a Member), Guardian Partners (for so long as Guardian Partners is a Member), the AIV Holdings Member and each additional Person, except for New Mountain Finance, but including the Investment Adviser and Permitted Transferees (so long as Section 8.2 has been satisfied with respect to such Permitted Transferees), that becomes a Member pursuant to the terms of this Agreement, in such Person's capacity as a member of the Company.

"**Nonrecourse Debt**" means any Company liability to the extent that no Member (or related person within the meaning of Treasury Regulations Section 1.752-4(b)) bears the economic risk of loss for such liability under Treasury Regulations Section 1.752-2.



"**Over-Allotment Option**" means the over-allotment option that may be exercised by the Underwriters of the Initial Public Offering pursuant to the Underwriting Agreement.

"**Party**" or "**Parties**" means the Company and each Member of the Company.

"**Percentage Interest**" means, with respect to any Member at any time holding Common Membership Units, the quotient, expressed as a percentage, obtained by dividing (i) the number of Common Membership Units held by such holder at the time of such calculation, by (ii) the total number of all Common Membership Units outstanding at the time of such calculation.

"**Permitted Transferee**" means in the case of any Member, an Affiliate of such Member, and in the case of the Investment Adviser, an officer, director, member, manager, equity holder, employee, agent or Affiliate of the Investment Adviser and any of their heirs, executors, successors and assigns.

"**Person**" means any individual, corporation, limited liability company, partnership, trust, joint stock company, business trust, unincorporated association, joint venture, Governmental Authority or other entity or organization of any nature whatsoever.

"**Private Resale**" has the meaning set forth in Section 9.1(a) of this Agreement.

"**Proceeding**" has the meaning set forth in Section 4.8(a) of this Agreement.

"**Prohibited Person**" means any Person with whom a Member would be restricted from doing business under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, H. R. 3162, Public Law 107 56, as amended, and Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001, and regulations promulgated pursuant thereto, including, without limitation, Persons named on the Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List, as such List may be amended from time to time.

"**Registration Rights Agreement**" means the Registration Rights Agreement to be entered into among the Company, New Mountain Finance, AIV Holdings, Guardian Partners and the Investment Adviser, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"**Regulated Investment Company**" has the meaning set forth in Section 2.6 of this Agreement.

"**Representative**" has the meaning set forth in Section 4.7(a) of this Agreement.

"**Retraction Notice**" has the meaning set forth in Section 9.1(b) of this Agreement.

"**Section 704(c) Property**" means any asset of the Company if the Carrying Value of such asset differs from its adjusted tax basis.



"**Subsidiary**" means, with respect to any Person, (i) a corporation a majority of whose Capital Stock with the general voting power under ordinary circumstances to vote in the election of directors of such corporation (irrespective of whether or not, at the time, any other class or classes of securities shall have, or might have, voting power by reason of the happening of any contingency) or a majority of the outstanding Equity Interests is at the date of determination beneficially owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation), including a joint venture, a general or limited partnership or a limited liability company, in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, beneficially owns (x) at least a majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Persons performing such functions), (y) at least a majority of the outstanding Equity Interests or (z) otherwise acts as the general partner or managing member of such other Person.

"**Tax Matters Member**" has the meaning set forth in Section 6.7(a) of this Agreement.

"**Termination Notice**" has the meaning set forth in Section 9.1(b) of this Agreement.

"**Transaction Documents**" means, collectively, the following agreements:

(i) this Agreement;
(ii) the Administration Agreement;
(iii) the Investment Management Agreement;
(iv) the License Agreement; and
(v) the Registration Rights Agreement.

"**Transfer**" (including the term "**Transferred**") means, directly or indirectly and by operation of law or otherwise, to sell, transfer, give, exchange, bequest, assign, pledge, grant a security interest in, encumber, hypothecate or otherwise dispose of, either voluntarily or involuntarily.

"**Transferring Member**" has the meaning set forth in Section 8.1(a) of this Agreement.

"**Treasury Regulations**" means the federal income tax regulations, including any temporary regulations, promulgated under the Code, as such Treasury Regulations may be amended from time to time. Any and all references herein to specific Treasury Regulations provisions shall be deemed to refer to any corresponding successor provisions.

"**Underwriters**" means the several underwriters of the Initial Public Offering named in the Underwriting Agreement.

"**Underwriting Agreement**" means the underwriting agreement entered into among New Mountain Finance and the Underwriters for the Initial Public Offering.



"**Underwritten Resale**" has the meaning set forth in Section 9.1(a) of this Agreement.

"**Unit**" has the meaning set forth in Section 3.3(a).

**1.2 Other Definitional Provisions; Interpretation**.

(a) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement will refer to this Agreement as a whole, including the schedules and exhibits attached hereto, and not to any particular provision of this Agreement. Article, section and subsection references are to this Agreement unless otherwise specified.

(b) The words "include" and "including" and words of similar import when used in this Agreement shall be deemed to be followed by the words "without limitation."

(c) The titles and headings in this Agreement are included for convenience of reference only and will not limit or otherwise affect the meaning or interpretation of this Agreement.

(d) The meanings given to capitalized terms defined herein will be equally applicable to both the singular and plural forms of such terms. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

(e) If and to the extent that any provision of the LLC Act, the Certificate, the Certificate of Amendment or any provision of this Agreement conflicts with any provision of the Investment Company Act or interpretation thereof by the U.S. Securities and Exchange Commission, the applicable provision of the Investment Company Act or applicable interpretation shall control.

**ARTICLE 2**
**FORMATION**

**2.1 Formation; Qualification**.

(a) A Certificate of Formation of the Company (the "**Certificate**") was filed with the Secretary of State of the State of Delaware on October 29, 2008 to form on such date the Company as a limited liability company pursuant to the LLC Act. A Certificate of Amendment was filed with the Secretary of State of the State of Delaware on May 11, 2011, renaming the Company "New Mountain Finance Holdings, L.L.C." (the "**Certificate of Amendment**"). The rights, duties and liabilities of the Members shall be as provided in the LLC Act, except as otherwise provided in this Agreement.

(b) The Company shall be qualified or registered under foreign limited liability company statutes or assumed or fictitious name statutes or similar laws in any jurisdiction in which the Company owns property or transacts business to the extent, in the judgment of the Board, such qualification or registration is necessary or advisable in order to protect the limited liability of the Members or to permit the Company lawfully to own property



or transact business. The Board shall, to the extent necessary in the judgment of the Board, maintain the Company's good standing in each such jurisdiction.

(c) Each Director shall be an "authorized person" within the meaning of § 18-204(a) of the LLC Act, and shall have the power and authority to execute, file and publish any certificates, notices, statements or other documents (and any amendments or restatements thereof) necessary to permit the Company to conduct business as a limited liability company in each jurisdiction where the Company elects to do business.

**2.2 Name**. The name of the limited liability company formed by the filing of the Certificate, as amended by the filing of the Certificate of Amendment is "New Mountain Finance Holdings, L.L.C." The business of the Company may be conducted under such other names as the Board may from time to time designate; provided that the Company complies with all applicable laws relating to the use of fictitious and assumed names.

**2.3 Term**. The term of the Company commenced as of the date of filing the Certificate and will continue in perpetuity;provided that the Company may be dissolved in accordance with the provisions of this Agreement or the LLC Act.

**2.4 Principal Executive Offices**. The Company's principal offices shall be located in 787 7th Avenue, 48th Floor, New York, NY 10019 or at such location as the Board determines from time to time in its sole discretion.

**2.5 Registered Agent and Office**. The address of the Company's registered office in the State of Delaware is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware 19808. The name of the Company's registered agent at such address is Corporation Service Company. The Board may at any time designate a replacement registered agent or registered office or both.

**2.6 Purpose**. The purpose of the Company is to engage in any lawful act or activity for which limited liability companies may be formed under the LLC Act (the "**Company Purposes**"); provided that the Company's business and operations shall be limited and conducted in such a manner that will (a) permit New Mountain Finance at all times to satisfy the requirements for qualification as a Business Development Company, unless New Mountain Finance voluntarily withdraws its election to be a Business Development Company in accordance with the requirements with respect thereto under the Investment Company Act, (b) permit New Mountain Finance at all times to satisfy the requirements for qualification as a regulated investment company under Subchapter M of the Code (a "**Regulated Investment Company**") unless New Mountain Finance ceases to qualify as a Regulated Investment Company for reasons other than the conduct of the business and operations of the Company or voluntarily revokes its election to be a Regulated Investment Company and (c) ensure that the Company will not be classified as a "publicly traded partnership" taxable as a corporation for purposes of Section 7704 of the Code except to the extent determined by the Board.

**2.7 Powers**. The Company shall have the power and authority to take any and all actions necessary, appropriate, desirable, advisable, incidental or convenient to, or for the furtherance of, the Company Purposes, alone or with other Persons; provided, however, that the Company shall not take any action that, or omit to take any action which omission, in the



judgment of the Board, (i) could adversely affect the ability of New Mountain Finance to qualify and to continue to qualify as a Business Development Company and a Regulated Investment Company or (ii) could subject New Mountain Finance to any additional taxes under Section 852 of the Code or Section 4982 of the Code or any other related or successor provision of the Code, unless any such action (or omission) under the foregoing clause (i) or (ii) shall have been specifically consented to by New Mountain Finance in writing. In connection with the foregoing, and without limiting New Mountain Finance's right to cease qualifying as a Business Development Company and/or a Regulated Investment Company, the Members acknowledge that New Mountain Finance's expected status as a Regulated Investment Company and the avoidance of income and excise taxes on New Mountain Finance inures to the benefit of all the Members and not solely New Mountain Finance. Notwithstanding the foregoing, the Non-NMF Members agree that New Mountain Finance may terminate its status as a Business Development Company and/or Regulated Investment Company at any time to the fullest extent permitted under applicable law.

**ARTICLE 3**
**MEMBERS AND INTERESTS**

**3.1 Members**.

(a) Each of Guardian Partners and Guardian AIV was previously admitted as a Member to the Company pursuant to the Initial LLC Agreement, as amended. Each Person named as a Member on Schedule A hereto on the date hereof shall be deemed to own the number of Common Membership Units specified in Schedule A.

(b) In addition to the information described in Section 3.1(a) hereof, Schedule A hereto contains the name and address of each Member as of the date hereof. The Company shall revise Schedule A (i) following the contribution by Guardian AIV to AIV Holdings of its Common Membership Units in exchange for common stock of AIV Holdings and the execution by AIV Holdings of the AIV Holdings Joinder Agreement, (ii) following the contribution by Guardian Partners to New Mountain Finance of its Common Membership Units in exchange for a number of shares of New Mountain Finance Common Stock equal to the number of Common Membership Units so contributed and the execution by New Mountain Finance of the New Mountain Finance Joinder Agreement, (iii) following the contribution by New Mountain Finance to the Company of the proceeds of the Initial Public Offering and the Concurrent Offering in exchange for Common Membership Units pursuant to Section 5.2(a), (iv) following the exercise by the Underwriters of the Over-Allotment Option, if any, to reflect the issuance of additional Common Membership Units to New Mountain Finance pursuant to Section 5.2(a), (v) from time to time to reflect the issuance or Transfer of Units in accordance with the terms of this Agreement and other modifications to or changes in the information set forth therein, (vi) in accordance with Sections 3.3, 3.4, 5.2, 7.4, 8.2 and 9.1 and (vii) from time to time to reflect the issuance of Units to the Investment Adviser pursuant to the Investment Management Agreement. Any amendment or revision to Schedule A or to the Company's records as contemplated by this Agreement to reflect

information regarding Members or under Section 3.3, 3.4, 5.2, 7.4, 8.2 or 9.1 and in accordance with such Sections shall be deemed to amend this Agreement, but shall not require the approval of any Member.



(c) Each of AIV Holdings and New Mountain Finance will be admitted as a Member of the Company only upon the execution and delivery of the AIV Holdings Joinder Agreement and the New Mountain Finance Joinder Agreement, respectively, and will not be considered to be a Member, and nothing in this Agreement, express or implied, is intended to confer upon either of AIV Holdings or New Mountain Finance any rights, remedies, duties or obligations of any nature whatsoever under or by reason of this Agreement, until such joinder agreement is executed by the Company. One or more additional Persons may be admitted as a Member of the Company only upon (i) an issuance of Units or other Company Interests pursuant to and in compliance with Sections 3.3 or 3.4 or a Transfer of Units pursuant to and in compliance with Article 8 and (ii) the execution and delivery by such Person of a counterpart to this Agreement or other written agreement, in a form reasonably satisfactory to the Board, to be bound by all the terms and conditions of this Agreement. Upon such execution, the Company shall amend Schedule A (which shall be deemed an amendment to this Agreement) to reflect the admission of such Person as a Member and such other information of such Person as indicated in Schedule A. Unless admitted to the Company as a Member as provided in this Section 3.1 or Section 8.2, no Person is, or will be considered to be, a Member.

(d) Notwithstanding the foregoing clause (c) of this Section 3.1, in no case will the Board admit any Member, issue any Equity Interests in the Company, consent to any Transfer or otherwise take any action if such admittance, issuance, Transfer or other action would cause the Company to be a partnership that has more than one hundred (100) partners within the meaning of Treasury Regulations Section 1.7704-1(h)(1)(ii).

(e) Subject to the other provisions of this Section 3.1 and Section 8.2, each Person that holds one or more Units in compliance with the terms of this Agreement shall be a Member. A Member will cease to be a Member when such Person ceases to own any Units in the Company, in which case Schedule A shall be amended by the Company to reflect that such Person is no longer a Member; provided that the failure to so amend Schedule A shall not affect such Person's status as a former Member.

(f) Except as provided in the LLC Act, this Agreement or as otherwise agreed by a Member, in no event shall any Member (or any former Member), by reason of its status as a Member (or former Member), have any liability or responsibility for (i) any Indebtedness, duties, Liabilities or any other obligations of the Company or any other Member (or any former Member) under this Agreement, (ii) the repayment of any Capital Contribution of any other Member or (iii) any act or omission of any other Member (or any former Member).

**3.2 Meeting of Members**.

(a) Annual Meeting. Subject to Section 3.2(h), an annual meeting of Members shall be held on such date and at such time as (i) shall be designated from time to time by the Board, but no less often than once during each calendar year starting with calendar year 2012, and (ii) stated in the notice of the meeting, at which meeting the Members entitled to vote shall transact such business as may properly be brought before the meeting. Subject to Section 3.2(h), the Company shall endeavor to have each such annual meeting of the Members occur concurrently with New Mountain Finance's annual meeting of stockholders (it being understood and agreed that New Mountain Finance's first annual meeting of stockholders will occur in 2012). At each annual meeting of the Members, the Members shall elect, subject to Section



3.2(g)(ii), Directors to succeed those whose terms expire and transact such other business as may properly be brought before the meeting.

(b) Special Meetings. A special meeting of Members, for any purpose or purposes, may be called by the Board upon giving written notice of the special meeting as set forth in clause (d) of this Section 3.2.

(c) Place and Conduct of Meetings. Meetings of the Members shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board and stated in the notice of the meeting or in a duly executed waiver of notice thereof. All meetings shall be conducted by such Person as the Board may appoint pursuant to such rules for the conduct of the meeting as the Board or such other Person deems appropriate. Such meetings may be held in person, by teleconference or by any other reasonable means, in each case in the sole discretion of the Board.

(d) Notice of Meetings. Written notice of an annual meeting or special meeting stating the place, if any, date and hour of the meeting, means of remote communications, if any, by which Members may be deemed to be present in person and vote at such meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by the Board no later than ten (10) calendar days nor more than ninety (90) days before the date of the meeting to each Member entitled to vote at such meeting, unless waived by each such Member. Business transacted at any special meeting of Members shall be limited to the purposes stated in the notice. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof, and the means of remote communications, if any, by which Members may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, notice of the place, if any, date, and time of the adjourned meeting and the means of remote communications, if any, by which Members may be deemed to be present in person and vote at such adjourned meeting, shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

(e) Waiver of Notice. No notice of any meeting of Members need be given to any Member who submits a signed waiver of notice, whether before or after the meeting. Neither the business to be transacted at, nor the purpose of, any meeting of the Members need be specified in a written waiver of notice. The attendance of any Member at a meeting of Members shall constitute a waiver of notice of such meeting, except when the Member attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened.

(f) Quorum. The presence of the holders of a majority of all the Common Membership Units then outstanding and entitled to vote thereat, whether in person or represented by a valid written proxy, shall constitute a quorum at all meetings of the Members for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the Members, the Person conducting the meeting or the Members entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from



time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented.

(g) Voting. (i) When a quorum is present at any meeting, the affirmative vote of the holders of a majority of the voting power of the issued and outstanding Common Membership Units present in person or represented by proxy and entitled to vote thereon shall decide any question brought before such meeting, unless the question is one upon which by express provision of law (including the Investment Company Act or any other statute and rules and regulations of administrative agencies), or as otherwise set forth herein, a different vote is required, in which case such express provision shall govern and control the decision of such question. Where a separate

vote by a class or classes or series or series of outstanding Units is required, the affirmative vote of the majority of voting power of such class or classes or series or series present in person or represented by proxy at the meeting and entitled to vote thereon shall be the act of such class or classes or series or series, unless the question is one upon which by express provision of law (including the Investment Company Act or any other statute and rules and regulations of administrative agencies) or as otherwise set forth herein, a different vote is required, in which case such express provision shall govern and control the decision of such question. Unless required by statute, or determined by the chairperson of the meeting to be advisable, the vote on any question need not be by ballot.

(ii) Subject to, and to the extent permitted by, the Investment Company Act, a nominee for Director shall be elected to the Board at a meeting if the votes cast for such nominee's election exceed the votes cast against such nominee's election; provided, however, that Directors shall be elected by a plurality of the votes cast for nominees who are validly nominated and qualified at any meeting of Members for which (i) a nominee for Director has also been nominated for election to the board of directors of New Mountain Finance by a stockholder of New Mountain Finance in compliance with the advance notice requirements for stockholder nominees for directors set forth in the bylaws of New Mountain Finance and (ii) such nomination has not been withdrawn as described in the bylaws of New Mountain Finance. If a Director is to be elected by a plurality of the votes cast, Members shall not be permitted to vote against a nominee.

(h) Action by Consent. Any consent required herein or action required to be taken at any meeting of Members, or any action which may be taken at any meeting of such Members, may be taken without a meeting, without a vote, without prior written notice and with a consent or consents in writing signed by Members who are holders of outstanding Common Membership Units having not less than the minimum number of votes, pursuant to clause (g) of this Section 3.2, that would be necessary to authorize or take such action at a meeting at which all Common Membership Units entitled to vote thereon were present and voted, other than any consent or action of Members pursuant to the Investment Company Act that requires the votes of Members to be cast in person at a meeting. Prompt notice of the taking of the action without a meeting by less than unanimous written consent shall be given to those Members who are holders of Common Membership Units and who have not consented in writing; provided that the failure to give any such notice shall not affect the validity of the action taken by such written consent.



**3.3 Membership Units**.

(a) Units. The Interests in the Company may, to the extent permissible under the Investment Company Act, be represented by one or more classes of units (each, a "**Unit**"). The aggregate number of authorized Units that the Company is authorized to issue is 100,000,000 Common Membership Units. The aggregate number of authorized Units shall not be changed, modified or adjusted from that set forth in the immediately preceding sentence; provided, that, in the event the total number of authorized shares of New Mountain Finance Common Stock under the certificate of incorporation of New Mountain Finance shall be increased or decreased after the date of this Agreement, then the total number of authorized Units shall be automatically correspondingly increased or decreased by the same number so that the number of the authorized Units equals the number of authorized shares of New Mountain Finance Common Stock. Any Units repurchased by, or otherwise transferred to, the Company or otherwise forfeited (but not cancelled by the Company) shall thereafter be deemed to be authorized but unissued and may be subsequently issued as Units for all purposes hereunder in accordance with this Agreement; provided, however, that such Units will be deemed to be cancelled and thus not be available or authorized to be subsequently issued by the Company to the extent necessary to maintain a one-to-one ratio between the number of Common Membership Units authorized for issuance by the Company and the number of shares of New Mountain Finance Common Stock authorized for issuance by New Mountain Finance. Any Units repurchased by, or otherwise transferred to, the Company and cancelled by the Company shall thereafter not be available or authorized to be subsequently issued by the Company. Subject to Section 10.2, in the event that the Company issues an additional class of Units other than Common Membership Units, the Board shall make such revisions to this Agreement (including, but not limited to, the revisions described in Section 5.6 and Section 6.5), as it deems necessary to reflect the issuance of such additional Units.

(b) Register. Schedule A shall be the register of ownership of all Interests in the Company (including any outstanding Units) as provided in this Section and shall be the definitive record of ownership of all Interests in the Company (including any outstanding Units) and all relevant information with respect to each Member. Units shall be uncertificated and recorded in the books and records of the Company.

(c) Common Membership Units. The Common Membership Units shall consist of equal units (and may be issued in fractional units). The Common Membership Units shall have the rights and obligations set forth herein including being entitled to share in distributions and allocations as provided in Sections 5.5, 6.2, 6.3, 6.4 and 7.3, and as otherwise provided in this Agreement.

(d) Splits, Distributions and Reclassifications. Effective as of the date of this Agreement, all of the authorized and issued Units held by Guardian AIV and Guardian Partners shall be deemed to be reclassified, converted into and exchanged for Common Membership Units as set forth on Schedule A hereto. Other than as set forth in the immediately preceding sentence, neither the Company nor New Mountain Finance shall in any manner divide (by any split, distribution, reclassification, recapitalization or otherwise) or combine (by reverse split, reclassification, recapitalization or otherwise) any class or series of the outstanding Units or New Mountain Finance Securities (including, but not limited to, New Mountain Finance Common Stock) (an "**Adjustment Event**") unless an identical Adjustment Event is occurring with respect



to the corresponding class or series of Units or New Mountain Finance Securities, in which event, the Company and New Mountain Finance shall cause such class or series of Units or New Mountain Finance Securities to be divided or combined concurrently with and in the same manner as the corresponding class or series of Units or New Mountain Finance Securities subject to such Adjustment Event. Any Adjustment Event pursuant to this Section 3.3(d) resulting in a distribution to holders of a class of New Mountain Finance Securities must include an economically equivalent distribution to holders of the corresponding class or series of Units. In the event of a partial reclassification or a series of multiple transactions (whether related or not) whereby holders of a class of New Mountain Finance Securities receive or are entitled to receive more than a single type of consideration (determined based upon any form of stockholder election as applicable), New Mountain Finance and the Company shall cause holders of the corresponding class or series of Units to have the right, in the holder's sole discretion, to elect the type of consideration (in the same manner, and at the same time, as any such form of election available to such holders of New Mountain Finance Securities). Notwithstanding the foregoing, nothing in this Section 3.3(d) shall modify, alter or supersede the provisions of Section 10.2 of this Agreement or any other provision of this Agreement requiring the consent or approval of any Member to authorize or approve any transaction or event described in this Section 3.3(d).

(e) Issuances of New Mountain Finance Securities; Mergers, Consolidation, Etc.

(i) At any time New Mountain Finance issues any New Mountain Finance Securities, other than pursuant toSections 7.4 and 9.1 of this Agreement, the Company shall issue to New Mountain Finance (x) in the case of an issuance of shares of New Mountain Finance Common Stock, including any New Mountain Finance Stock Offering and issuances of shares of New Mountain Finance Common Stock pursuant to the Dividend Reinvestment Plan, an equal number of Common Membership Units, registered in the name of New Mountain Finance or (y) in the case of an issuance of any other New Mountain Finance Securities of any other class, type or kind, an equal number of corresponding Company Interests with designations, preferences and other rights, terms and conditions (other than financial covenants applicable to New Mountain Finance or its Subsidiaries) that are substantially the same as the designations, preferences and other rights, terms and conditions of the corresponding New Mountain Finance Securities, registered in the name of New Mountain Finance. Distributions used by the plan administrator of the Dividend Reinvestment Plan to purchase New Mountain Finance Common Stock on the open market pursuant to the Dividend Reinvestment Plan shall not be considered to be received by New Mountain Finance for the purposes of this Section 3.3(e)(i) and, as a result, shall not require any additional issuance of Common Membership Units.

(ii) In the event of (A) any consolidation or merger or combination to which New Mountain Finance is a party (other than a merger in which

New Mountain Finance is the continuing corporation and which does not result in any reclassification of, or change (other than in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination) in the number of, outstanding shares of New Mountain Finance Common Stock) or (B) any sale, Transfer or other disposition of all or substantially all of the assets of New Mountain Finance, directly or indirectly, to any Person, as a result of which holders of New Mountain Finance Common Stock shall be entitled to receive either stock,



securities or other property or assets (including cash) as consideration with respect to or in exchange for New Mountain Finance Common Stock, then New Mountain Finance shall take all necessary action such that the Common Membership Units then outstanding and held by Non-NMF Members shall be exchangeable on a per-Common Membership Unit basis at any time or from time to time following such event at the option of each Non-NMF Member into the kind and amount of shares of stock and/or other securities and property (including cash) that would have been receivable by such Non-NMF Members upon such consolidation, merger, sale, Transfer or other disposition had the Non-NMF Members held an equivalent amount of New Mountain Finance Common Stock (equal to the number of Common Membership Units held by such Non-NMF Members) immediately prior to the record date for such reclassification, change, combination, consolidation, merger, sale, Transfer or other disposition. If the holders of New Mountain Finance Common Stock, upon the occurrence of any event set forth in (A) or (B) of this clause (ii), shall be entitled to receive more than a single type of consideration for such shares of New Mountain Finance Common Stock (including cash, stock or other securities), then New Mountain Finance shall take all necessary action such that Common Membership Units held by the Non-NMF Members shall be exchangeable at any time or from time to time following such event at the option of the Non-NMF Member on a per-Common Membership Unit basis (as prescribed in the foregoing sentence) into the types of consideration available to, and consistent with the per share exchange ratio applicable to, holders of New Mountain Finance Common Stock at the occurrence of such event; provided, that, if pursuant to such event, holders of New Mountain Finance Common Stock receive or are entitled to receive more than a single type of consideration determined based, in whole or in part, upon any form of stockholder election, the Non-NMF Members shall have the right to elect the type of security that such Non-NMF Member shall be entitled to receive under this clause (ii) in a manner substantially similar to, and at the same time of, the election available to such holders of New Mountain Finance Common Stock. If pursuant to the provision set forth in the foregoing sentence, holders of New Mountain Finance Common Stock are entitled to receive cash, in addition to other type(s) of consideration, the Non-NMF Member shall have the right, in its sole discretion to exchange all or any portion of such Non-NMF Member's Common Membership Units for cash only. In the event that following the occurrence of any event set forth in (A) or (B) of this clause (ii) there is any concentrative or dilutive action taken by the successor entity to New Mountain Finance (including, without limitation, any dividend paid by such successor entity without a commensurate distribution to the Non-NMF Members of the Company), the ratio by which Common Membership Units are exchangeable into stocks or securities pursuant to this Section 3.3(e)(ii) shall be appropriately adjusted to reflect consideration received by holders of such stock or securities and not received by the Non-NMF Members holding Common Membership Units which would have been received had such Common Membership Units been exchanged into such stock or securities immediately prior to the record date for such event.

(f) Cancellation of Securities and Units.

(i) New Mountain Finance shall not undertake any redemption, repurchase, acquisition, exchange, cancellation or termination of any share of New Mountain Finance Common Stock that is not accompanied by a substantially contemporaneous prior (including economically equivalent consideration paid) redemption, repurchase, acquisition, cancellation or termination of Common Membership Units registered in the name of New Mountain Finance in order to maintain a one-to-one ratio between the number of Common



Membership Units held by New Mountain Finance and the number of shares of New Mountain Finance Common Stock issued and outstanding and not held in treasury, unless such action is necessary to maintain at all times a one-to-one ratio between the number of Common Membership Units held by New Mountain Finance and the number of shares of New Mountain Finance Common Stock issued and outstanding and not held in treasury. Schedule A shall be revised by the Company to reflect any such redemption, repurchase, acquisition, cancellation or termination.

(ii) New Mountain Finance shall not undertake any redemption, repurchase, acquisition, incurrence, repayment, exchange, cancellation or termination of any New Mountain Finance Securities (other than shares of New Mountain Finance Common Stock that are subject to subsection (f)(i) above), that is not accompanied by a substantially contemporaneous prior (including economically equivalent consideration paid) redemption, repurchase, acquisition, incurrence, repayment, exchange, cancellation or termination of the corresponding Company Interest in order to maintain a one-to-one ratio between the number of applicable Company Interests and the number of corresponding New Mountain Finance Securities, unless such action is necessary to maintain at all times a one-to-one ratio between the number of Company Interests and the number of corresponding New Mountain Finance Securities. Schedule A shall be revised by the Company to reflect any such redemption, repurchase, acquisition, incurrence, repayment, exchange, cancellation or termination.

(g) One-to-One Ratio of Units/Interests held by New Mountain Finance and New Mountain Finance Securities. The intent of this Agreement, including this Section 3.3, Section 3.4 and Section 5.2, is to ensure, among other things, that a one-to-one ratio is at all times maintained between (A) the number of Common Membership Units held by New Mountain Finance and the number of shares of New Mountain Finance Common Stock outstanding and (B) the number of Company Interests held by New Mountain Finance of each type or kind issued and the number of corresponding New Mountain Finance Securities (of such type or kind issued) outstanding, and such provisions shall be interpreted consistently with such intent. The Company and New Mountain Finance must take all necessary action in order to maintain the one-to-one ratio if in the future New Mountain Finance determines to issue options or other types of equity compensation to individuals that provide services to the Company, to the extent it is permitted to do so under the Investment Company Act.

(h) Notice. New Mountain Finance shall give written notice thereof to all holders of Units (based on the ledger of ownership of the Company) at least twenty (20) days prior to (i) the date on which New Mountain Finance sets a record date for determining rights in connection with a (x) merger, tender offer, reorganization, recapitalization, reclassification or other change in the capital structure of New Mountain Finance (y) any transaction identified in Section 3.3(e) or (z) any Adjustment Event pursuant to this Section 3.3(d) and (ii) if no such record date is set, the date of such foregoing event.

(i) Transfer. Upon any Transfer permitted under this Agreement, Schedule A shall be revised by the Company to reflect (i) the number, type and kind of Units being Transferred by the Transferring Member, (ii) the number, type and kind of Units Transferred to the transferee and (iii) the remaining number, type and kind of Units held by the Transferring Member.



**3.4 Authorization and Issuance of Additional Units**. The Company shall only be permitted to issue additional Units or other Equity Interests in the Company to the Persons and on the terms and conditions provided for in Section 3.3, this Section 3.4 and Section 5.2. Except as otherwise provided in this Agreement or as otherwise required by the Investment Company Act, the Board may cause the Company to issue additional Units authorized under this Agreement at such times and upon such terms as the Board shall determine. This Agreement shall be amended as necessary in connection with (a) the issuance of additional Units and Company Interests and (b) the admission of additional Members under this Agreement, each in accordance with the requirements of Section 10.2 of this Agreement.

**ARTICLE 4**

**4.1 Board**.

(a) Generally. The business and affairs of the Company shall be managed by or under the direction of a Board of Directors (the "**Board**") consisting of such number of natural persons (each a "**Director**") as shall be determined from time to time by resolution adopted by affirmative vote of a majority of the entire Board; provided, however, that the number of Directors shall not be less than three (3) nor more than fifteen (15). Nominations of persons for election to the Board shall be made by or at the direction of the Board (or any duly authorized committee thereof); provided that the Board shall endeavor to nominate the same slate of director nominees for election by Members as New Mountain Finance nominates for election as directors of New Mountain Finance. Directors need not be Members. Subject to the other provisions of this Article IV, the Board shall have sole discretion to manage and control the business and affairs of the Company, including to delegate to agents, officers and employees of the Company, and to make all decisions affecting the business and affairs of the Company and to take all such actions as it deems necessary or appropriate to accomplish the purposes of the Company as set forth herein, including, without limitation, to exercise all of the powers of the Company set forth in Section 2.7 of this Agreement. Each person named as a Director herein or subsequently appointed as a Director is hereby designated as a "manager" (within the meaning of the LLC Act) of the Company. Except as otherwise provided in Section 2.1(c) and notwithstanding the last sentence of Section 18-402 of the LLC Act, no single Director may bind the Company, and the Board shall have the power to act only collectively in accordance with the provisions and in the manner specified herein. Each Director shall hold office until the annual meeting for the year in which such Director's term expires and until a successor is appointed in accordance with this Section 4.1 or until the earlier of such Director's death, resignation or removal in accordance with the provisions hereof. Notwithstanding any other provisions of this Agreement or the LLC Act, any action by the Board or the Company or any decision of the Board or the Company to refrain from acting, undertaken in the good faith belief that any such action or omission is necessary or advisable in order to (i) protect the ability of New Mountain Finance to continue to qualify as a Business Development Company and/or a Regulated Investment Company or (ii) prevent New Mountain Finance from incurring any taxes under Section 852, 4982 or any other provision of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Members.

(b) Classified Board. As of the IPO Date, the Directors shall be divided into three classes and designated Class I, Class II, and Class III. The Board may assign Directors



already in office immediately prior to the IPO Date to such classes. The initial term of the Class I Directors shall expire at the first annual meeting of Members to be held after the IPO Date, the initial term of the Class II Directors shall expire at the second annual meeting of Members to be held after the IPO Date, and the initial term of the Class III Directors shall expire at the third annual meeting of Members to be held after the IPO Date. Directors of each class shall hold office until their successors are duly elected and qualified or until such Director's earlier death, resignation or removal. At each annual meeting of Members following the IPO Date, the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the third succeeding annual meeting of Members after their election. No decrease in the number of Directors constituting the Board shall shorten the term of any incumbent Director.

(c) Current Directors. Subject to the right to increase or decrease the authorized number of Directors pursuant to the first sentence of Section 4.1(a), the Board shall consist of 5 Directors. The Class I Directors shall be Alfred F. Hurley, Jr., the Class II Directors shall be Robert Hamwee and David Ogens and the Class III Directors shall be Steven B. Klinsky and Kurt J. Wolfgruber.

(d) Meetings of the Board. The Board shall meet at such time as determined by a majority of the votes held by all Directors to discuss the business of the Company. The Board may hold meetings either within or without the State of Delaware. The Company and the Board shall give all Directors at least one day's notice of all meetings of the Board.

(e) Quorum and Acts of the Board. At all meetings of the Board, a quorum shall consist of not less than a number of Directors holding a majority of the votes held by all Directors. Except as otherwise expressly required by law or by this Agreement, the act of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board. Each Director shall be entitled to one vote on each matter that comes before the Board. Any action that may be taken at a meeting of the Board or any committee thereof may also be taken by written consent of Directors holding a majority of the votes held by all Directors or members of the committee holding a majority of the votes held by all members of the committee in lieu of a meeting, other than any action of the Board pursuant to the Investment Company Act that requires the votes of members of the Board to be cast in person at a meeting.

(f) Electronic Communications. Directors, or members of any committee designated by the Board, may participate in a meeting of the Board, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting; provided, however, that this Section 4.1(f) does not apply to any action of the Board pursuant to the Investment Company Act that requires the votes of members of the Board to be cast in person at a meeting.

(g) Committees of Directors. The Board may, by resolution passed by a majority of the votes held by all Directors, designate one or more committees. Such resolution shall specify the duties, quorum requirements, number of votes and qualifications of each of the members of such committees, each such committee to consist of such number of Directors as the Board may fix from time to time; provided that the Board shall endeavor to comprise each of its respective committees with the same members as New Mountain Finance's respective



committees. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board. Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

(h) Expenses. The Company shall pay the reasonable out-of-pocket expenses incurred by each Director in connection with performing his duties as a Director, including, without limitation, the reasonable out-of-pocket expenses incurred by such person for attending meetings of the Board or meetings of any board of directors or other similar managing body of any Subsidiary.

(i) Resignation. Any Director may resign at any time by giving written notice to the Company. The resignation of any Director shall take effect upon receipt of such notice or at such later time as shall be specified in the notice; and, unless otherwise specified in the notice, the acceptance of the resignation by the Company, the Members or the remaining Directors shall not be necessary to make it effective. Upon the effectiveness of any such resignation, such Director shall cease to be a "manager" (within the meaning of the LLC Act).

(j) Removal of Directors. Any Director may be removed from office at any time, at a meeting called for that purpose, but only for cause (as such term is used in Section 141(k) of the Delaware General Corporation Law) and only by the affirmative vote of the holders of at least seventy-five percent of the voting power of the Common Membership Units. Upon the taking of such action, the Director shall cease to be a "manager" (within the meaning of the LLC Act). Any vacancy caused by

any such removal shall be filled in accordance with Section 4.1(k).

(k) Vacancies. Subject to the applicable requirements of the Investment Company Act, including Section 16 thereof, newly created directorships resulting from any increase in the authorized number of Directors or any vacancies in the Board resulting from death, resignation, disqualification, removal from office or any other cause shall, unless otherwise required by law or provided by resolution of the Board, be filled only by majority vote of the Directors then in office, even if less than a quorum is then in office, or by the sole remaining Director, and shall not be filled by the Members. Directors so chosen to fill a newly created directorship or other vacancies shall serve for a term expiring at the annual meeting of Members at which the term of office of the class to which they have been chosen expires and shall hold office until such Director's successor has been duly elected and qualified or until his or her earlier death, resignation or removal as provided in this Agreement. If any vacancies shall occur in the Board, by reason of death, resignation, disqualification, removal from office or any other cause, the Directors then in office shall continue to act, and actions that would otherwise be required to be taken by a majority of the Directors may be taken by a majority of the Directors



then in office, even if less than a quorum and shall be fully as effective as if taken by a majority of the Directors.

**4.2 Information Relating to the Company**.

(a) In addition to any information required to be provided pursuant toSection 6.7 or Section 6.10, the Company shall supply to a Member as soon as reasonably practicable after written request therefor any information required to be available to the Members under the LLC Act and any other information reasonably requested by such Member regarding the Company or its activities (including copies of all books and accounts, documents and other information in order to enable such Member to monitor its investment in the Company, exercise its rights under this Agreement and such other information as may be reasonably required to enable such Member to account for its investment in the Company and otherwise comply with the requirements of applicable laws, GAAP, the generally accepted accounting principles or other accounting requirements of any Member and the requirements of any Government Authority), provided that obtaining the information requested is not unduly burdensome to the Company (it being understood that any information necessary for a Member to account for its investment in the Company under the generally accepted accounting principles or other accounting requirements applicable to such Member shall not be deemed unduly burdensome).

(b) During ordinary business hours, each Member and its authorized representative shall have access to all books, records and materials in the Company's offices regarding the Company or its activities.

(c) The Company shall notify a Member if the Company considers any information received pursuant to this Section 4.2 to be Confidential Information. Any such Confidential Information will be subject to the provisions of Section 10.4 of this Agreement.

**4.3 Insurance**. The Company shall maintain or cause to be maintained in force at all times, for the protection of the Company and the Members to the extent of their insurable interests, such insurance as the Board believes is warranted for the operations being conducted.

**4.4 Officers**.

(a) The Board may, from time to time, designate one or more Persons to fill one or more officer positions of the Company pursuant to the Administration Agreement or otherwise. Any officers so designated shall have such titles and authority and perform such duties as the Board may, from time to time, delegate to them. If the title given to a particular officer is one commonly used for officers of a business corporation, the assignment of such title shall constitute the delegation to such officer of the authority and duties that are normally associated with that office, subject to any specific delegation of authority and duties made to such officer, or restrictions placed thereon, by the Board. Each officer shall hold office until his or her successor is duly designated, until his or her death or until he or she resigns or is removed in the manner hereinafter provided. Any number of offices may be held by the same Person. The salaries or other compensation, if any, of the officers of the Company shall be fixed from time to time by the Board.



(b) Any officer of the Company may resign at any time by giving written notice thereof to the Board. Any officer may be removed, either with or without cause, by the Board whenever in its judgment the best interests of the Company will be served thereby; provided, however, that such removal shall be without prejudice to the contract rights, if any, of the Person so removed. Designation of an officer shall not, by itself, create contract rights.

**4.5 Certain Costs, Fees and Expenses**. The Company shall pay, or cause to be paid, costs, fees, operating expenses and other expenses of the Company and New Mountain Finance (including, but not limited to, the costs, fees and expenses of attorneys, accountants or other professionals and the compensation of personnel providing services to the Company or New Mountain Finance, any underwriter's discount or other expenses paid or incurred in connection with the issuance of New Mountain Finance Securities and any claims for indemnification or advancement) incurred in pursuing and conducting, or otherwise related to, the business and activities, including intended business and activities, of the Company and New Mountain Finance, including (i) for any acquisitions, financing transactions or any other transactions, whether or not consummated, (ii) pursuant to the Administration Agreement and the Investment Management Agreement and (iii) pursuant to any indemnification agreements that the Company or New Mountain Finance may enter into from time to time.

**4.6 Certain Duties and Obligations of the Members**. To the fullest extent permitted by law, under no circumstance shall the Members constitute fiduciaries of any other Member or the Company, or owe any fiduciary or other duties or obligations to any other Member or the Company, whether express, implied or otherwise existing (but for this provision) by operation of law or application of legal or equitable principles, and any and all such duties and obligations, and any and all Claims and causes of action which may be based thereon, are hereby expressly waived and relinquished by the Members. Except as otherwise provided in this Agreement, no Member shall have any authority to act for, bind, commit or assume any obligation or responsibility on behalf of the Company, its properties or any other Member.

**4.7 Limitation of Liability; Exculpation**.

(a) No (i) Director or Member of the Company, nor any of their respective Subsidiaries or Affiliates nor (ii) any of their respective direct or indirect officers, directors, trustees, members, managers, partners, equity holders, employees or agents (each, a "**Representative**"), nor (iii) any of their heirs, executors, successors and assigns, shall be liable to the Company or any Member for any act or omission by such individual or entity in connection with the conduct of affairs of the Company or otherwise incurred in connection with the Company or this Agreement or the matters contemplated herein, in each case unless such act or omission was the result of gross negligence or willful misconduct or constitutes a breach of, or a failure to comply with this Agreement. Except as provided in the LLC Act, the Investment Company Act, this Agreement or as otherwise expressly agreed, in no event shall the Directors (or any former Director), by reason of his or her status as Director (or former Director), have any liability or responsibility for (i) any Indebtedness, duties, Liabilities or any other obligations of the Company, any other Member or former Member or any other Director or former Director, (ii) the repayment of any Capital Contribution of any Member (other than himself) or (iii) any act or omission of any other Member (or former Member) or any other Director (or former Director). To the extent any portion of this Section 4.7 directly conflicts with any of the Transaction

Documents, other than this Agreement, such other Transaction Document shall control with respect to the matters set forth therein.

(b) Notwithstanding any other provision of this Agreement or other applicable provision of law or equity, whenever in this Agreement a Member, Director or officer of the Company is permitted or required to make a decision (i) in its "sole discretion," or under a grant of similar authority or latitude, such Member, Director or officer shall be entitled to consider only such interests and factors as it desires and shall, to the fullest extent permitted by applicable law, have no duty or obligation to give any consideration to any interest of or factors affecting the Company or the Members, or (ii) in its "good faith" or under another expressed standard, such Member, Director or officer shall act under such express standard and shall not be subject to any other or different standards.

(c) Any Member, Liquidator, Director or officer of the Company may consult with legal counsel and accountants selected by it at its expense or with legal counsel and accountants for the Company at the Company's expense. Each Member, Liquidator, Director and officer of the Company shall be fully protected in relying in good faith upon the records of the Company and upon information, opinions, reports, or statements presented by another Member, Liquidator, Director or officer, or employee of the Company, or committees of the Board, Liquidator or the Company, or by any other Person (including, without limitation, legal counsel and public accountants) as to matters that the Member, Liquidator, Director or officer reasonably believes are within such other Person's professional or expert competence, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, Net Income or Net Losses of the Company, or the value and amount of assets or reserves or contracts, agreements or other undertakings that would be sufficient to pay claims and obligations of the Company or to make reasonable provision to pay such claims and obligations, or any other facts pertinent to the existence and amount of assets from which distributions to Members or creditors might properly be paid.

**4.8 Indemnification**.

(a) Indemnification Rights. Each Person who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "**proceeding**"), by reason of the fact that he is or was a Director or officer of the Company or is or was serving at the request of the Company as a director or officer of another corporation or of a partnership, limited liability company, joint venture, trust or other enterprise, including, without limitation, service with respect to an employee benefit plan (hereinafter, an "**Indemnitee**"), whether the basis of such proceeding is alleged action in an official capacity as a Director or officer or in any other capacity while so serving, shall be indemnified and held harmless by the Company to the full extent permitted by the LLC Act and the Investment Company Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment), or by other applicable law as then in effect, against all expense, liability and loss (including, without limitation, attorneys' fees, costs and charges, judgments, fines, excise taxes or penalties under ERISA, penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such Indemnitee in



connection therewith; *provided, however*, that except as provided in Section 4.8(c) with respect to proceedings to enforce rights to indemnification and advancement, the Company shall indemnify any such Indemnitee in connection with a proceeding (or part thereof) initiated by such Indemnitee only if such proceeding (or part thereof) was authorized by the Board. Notwithstanding anything to the contrary in this Section 4.8(a) or any other provision of this Agreement, for so long as the Company is subject to the Investment Company Act, the Company shall not indemnify an Indemnitee to the extent such indemnification would violate the Investment Company Act.

(b) Advances for Expenses. Expenses (including, without limitation, attorneys' fees, costs and charges) incurred by an Indemnitee in defending a proceeding shall be paid by the Company in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of an Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such Indemnitee is not entitled to be indemnified by the Company as authorized in this Section 4.8; *provided, however*, that except as provided in Section 4.8(c) with respect to proceedings to enforce rights to indemnification and advancement, the Company shall advance expenses of any such Indemnitee in connection with a proceeding (or part thereof) initiated by such Indemnitee only if such proceeding (or part thereof) was authorized by the Board. The Board may, upon approval of such Indemnitee, authorize the Company's counsel to represent such person in any proceeding, whether or not the Company is a party to such proceeding. Notwithstanding anything to the contrary in this Section 4.8(b) or any other provision of this Agreement, for so long as the Company is subject to the Investment Company Act, the Company shall not advance an Indemnitee any expenses to the extent such advancement would violate the Investment Company Act.

(c) Procedure for Indemnification and Advancement. Any indemnification or advance of expenses (including, without limitation, attorney's fees, costs and charges) under this Section 4.8 shall be made promptly, and in any event within sixty (60) days, or, in the case of a claim for an advancement of expenses, within twenty (20) days, upon the written request of an Indemnitee (and, in the case of advance of expenses, receipt of a written undertaking by or on behalf of such Indemnitee to repay such amount if it shall ultimately be determined that such Indemnitee is not entitled to be indemnified therefor pursuant to the terms of this Section 4.8). The right to indemnification or advances as granted by this Section 4.8 shall be enforceable by such Indemnitee in any court of competent jurisdiction, if the Company denies such request, in whole or in part, or if no disposition thereof is made within sixty (60) days (or twenty (20) days with respect to advancement of expenses). To the full extent permitted by law, such Indemnitee's costs and expenses incurred in connection with successfully establishing his or her right to indemnification or advancement, in whole or in part, in any such action shall also be indemnified by the Company. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of expenses (including, without limitation, attorney's fees, costs and charges) under this Section 4.8 where the required undertaking, if any, has been received by the Company) that the claimant has not met the standard of conduct set forth in the LLC Act, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment), but the burden of proving such defense shall be on the Company. Neither the



failure of the Company (including its Directors who are not parties to such action, a committee of such Directors, independent legal counsel or the Members) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the LLC Act, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment), nor the fact that there has been an actual determination by the Company (including its Directors who are not parties to such action, a committee of such Directors, independent legal counsel or the Members) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct. Notwithstanding anything to the contrary in this Section 4.8(c) or any other provision of this Agreement, for so long as the Company is subject to the Investment Company Act, any advancement of expenses pursuant to this Section 4.8 shall be subject to at least one of the following as a condition of the advancement: (a) the Indemnitee shall provide a security for his or her undertaking, (b) the Company shall be insured against losses arising by reason of any lawful advances or (c) (i) a majority of Directors of the Company who are and were not a party to the proceeding in respect of which advancement or indemnification is being sought or (ii) Independent Counsel (as defined below), in a written opinion, shall determine based on a review of readily available facts (as opposed to a full-trial-type inquiry), that there is reason to believe that the Indemnitee ultimately will be found entitled to indemnification.

For purposes of the paragraph above, "**Independent Counsel**" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party, or (ii) any other party to

or witness in the proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine such Indemnitee's rights hereunder.

(d) Other Rights; Continuation of Right to Indemnification. The indemnification and advancement of expenses provided by this Section 4.8 shall not be deemed exclusive of any other rights to which a Person seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement, vote of Members or Directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Company, and shall continue as to a person who has ceased to be a Director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of such person. All rights to indemnification or advancement under this Section 4.8 shall be deemed to be a contract between the Company and each Indemnitee. Any repeal or modification of this Section 4.8 or any repeal or modification of relevant provisions of the LLC Act or any other applicable laws shall not in any way diminish any rights to indemnification of such Indemnitee or the obligations of the Company arising hereunder with respect to any proceeding arising out of, or relating to, any actions, transactions or facts occurring prior to the final adoption of such repeal or modification.



(e) Assets of the Company. Any indemnification under this Section 4.8 shall be satisfied solely out of the assets of the Company, and no Member shall be subject to personal liability or required to fund or cause to be funded any obligation by reason of these indemnification provisions.

(f) Insurance. The Company shall have power to purchase and maintain insurance on behalf of any Person who is or was or has agreed to become a Director or officer of the Company, or is or was serving at the request of the Company as a director or officer of another corporation, partnership, limited liability company, joint venture, trust or other enterprise (including, without limitation, with respect to an employee benefit plan), against any liability asserted against the Person and incurred by the Person or on the Person's behalf in any such capacity, or arising out of the Person's status as such, whether or not the Company would have the power to indemnify the Person against such liability under the provisions of this Section 4.8 or the LLC Act; *provided, however*, that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the Board.

(g) Indemnification of Employees and Agents of the Company. The Company may, to the extent authorized from time to time by the Board, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Company to the full extent of the provisions of this Section 4.8 with respect to the indemnification and advancement of expenses of Directors and officers of the Company.

(h) Savings Clause. If this Section 4.8 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless provide indemnification and advancement to each Indemnitee entitled to such indemnification and advancement pursuant to Sections 4.8(a) and (b) to the full extent permitted by any applicable portion of this Section 4.8 that shall not have been invalidated and to the full extent permitted by applicable law.

**4.9 Title to Assets; Liens**. Unless specifically licensed or leased to the Company, title to the assets of the Company, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Company as an entity, and no Members, individually or collectively, shall have any ownership interest in such assets or any portion thereof or any right of partition. The Company shall be permitted to create, incur, assume or permit to exist Liens on any assets (including Equity Interests or other securities of any Person, including any Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof.

**4.10 New Mountain Finance Conduct of Business Only Through the Company**. Except as provided in this Agreement, or as may be otherwise provided in any written agreement by and among the Members, New Mountain Finance shall not directly or indirectly engage in or conduct any business or venture (whether or not operated through a separate legal entity or as part of a larger corporation or other entity), other than (i) any business or venture that is held in, or conducted through, the Company or (ii) any business or venture entered into in connection with (x) the acquisition, ownership or disposition of its Common Membership Units, (y) New Mountain Finance's operation as a public reporting company with a class of securities registered under the Exchange Act and (z) such other activities that are incidental to the foregoing. The



requirements of this Section 4.10 shall apply to New Mountain Finance so long as New Mountain Finance, including any successor, is a Member of the Company.

**4.11 Credit Agreement Covenants**. (a) So long as the Credit Agreement shall remain in effect, the Company shall comply with the covenants listed on Schedule B hereto; provided, however, if compliance with any of the covenants, representations or warranties in the Credit Agreement are waived pursuant to the terms of the Credit Agreement, compliance with the analogous covenant listed on Schedule B shall likewise be waived as specified in the Credit Agreement waiver.

(b) In the event the Credit Agreement is terminated or expires by its terms, the provisions of this Section 4.12 shall be deemed deleted and shall have no further force or effect, and the Company shall no longer be required to comply therewith.

(c) The Board may amend Schedule B from time to time by resolution adopted by affirmative vote of a majority of the entire Board solely to conform in substance the provisions of Schedule B to the Credit Agreement.

## ARTICLE 5
## CAPITAL CONTRIBUTIONS; DISTRIBUTIONS

**5.1 Capital Contributions**.

(a) Except as set forth in this Agreement or any other Transaction Document, no Member shall be required or permitted to make any other capital contribution to, or provide credit support for, the Company.

(b) No Member shall be entitled to withdraw, or demand the return of, any part of its Capital Contributions or Capital Account. No Member shall be entitled to interest on or with respect to any Capital Contribution or Capital Account.

(c) Except as otherwise provided in this Agreement, no Person shall have any preemptive, preferential or similar right to subscribe for or to acquire any Units.

**5.2 Contribution of Proceeds of Issuance of Securities by New Mountain Finance**.

(a) (i) On the date of the completion of the Initial Public Offering and the Concurrent Offering, New Mountain Finance shall contribute to the Company the gross proceeds of the Initial Public Offering and the Concurrent Offering in exchange for Common Membership Units equal to the number of shares of New Mountain Finance Common Stock sold by New Mountain Finance in the Initial Public Offering and the Concurrent Offering; (ii) in the event the Underwriters of the Initial Public Offering exercise the Over-Allotment Option, New Mountain Finance shall contribute to the Company the gross proceeds received upon the exercise of the Over-Allotment Option in exchange for Common Membership Units equal to the number of shares of New Mountain Finance Common Stock sold by New Mountain Finance

pursuant to the Over-Allotment Option; and (iii) in connection with any other New Mountain Finance Stock Offering, New Mountain Finance shall contribute to the Company any gross proceeds raised in



connection with such issuance in exchange for Common Membership Units or Company Interests pursuant to Section 3.3(e)(i).

(b) If the Company issues Common Membership Units or other Company Interests to New Mountain Finance pursuant to Section 3.3(e)(i) other than in connection with a New Mountain Finance Stock Offering, New Mountain Finance shall contribute to the Company (i) the proceeds, if any and as determined in the reasonable judgment of the Board, whether in cash or other property, received by New Mountain Finance with respect to the issuance of New Mountain Finance Securities no later than the close of business on the Business Day following the receipt of any such proceeds by New Mountain Finance and (ii) any reinvested distributions, if any and as determined in the reasonable judgment of the Board, whether in cash or other property, received by New Mountain Finance pursuant to the Dividend Reinvestment Plan no later than the close of business on the Business Day following the dividend payment date associated with such distributions by New Mountain Finance.

**5.3 Loans from Members**. Loans by Members to the Company shall not be considered contributions to the capital of the Company hereunder. If any Member shall advance funds to the Company in excess of the amounts required to be contributed to the capital of the Company, the making of such advances shall not result in any increase in the amount of the Capital Account of such Member and shall be payable or collectible in accordance with the terms and conditions upon which advances are made; provided that the terms of any such loan shall not be less favorable to the Company, taken as a whole, than would be available to the Company from unrelated lenders and such loan shall be approved by the Board.

**5.4 Loans from Third Parties**. The Company and its Subsidiaries may incur Indebtedness, or enter into other similar credit, guarantee, surety, financing or refinancing arrangements for any purpose with any Person upon such terms as the Board determines appropriate, including to guarantee or provide other credit support arrangements for the benefit of its Subsidiaries or New Mountain Finance; provided that neither the Company nor any of its Subsidiaries shall incur any Indebtedness that is recourse to any Member, except to the extent otherwise agreed to in writing by the applicable Member in its sole discretion.

**5.5 Distributions**. All distributions made by the Company shall be made in accordance with this Section 5.5.

(a) Distributions of cash from the Company shall be made by the Board, in its sole discretion, at such times as the Board shall determine from time to time, to the Members holding Common Membership Units, pro rata in accordance with their Percentage Interests. It is intended that distributions made by the Company will be made in such amounts as shall enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a Regulated Investment Company. The Board shall make such reasonable efforts, as determined by it in its sole discretion and consistent with New Mountain Finance's qualification as a Regulated Investment Company, to cause the Company to distribute sufficient amounts to enable New Mountain Finance, for so long as New Mountain Finance has determined to qualify as a Regulated Investment Company, to pay stockholder dividends that will allow New Mountain Finance to (a) satisfy the requirements for New Mountain Finance's qualification as a Regulated Investment Company under the Code and Regulations and (b) except to the extent



otherwise consented to in writing by New Mountain Finance, avoid any federal income or excise tax imposed on New Mountain Finance under the Code.

(b) Liquidating Distributions. All distributions to the Members made in connection with the sale, exchange or other disposition of all or substantially all of the Company's assets, or with respect to the winding up and liquidation of the Company, shall be made among the Members holding Common Membership Units pro rata in accordance with their respective positive Capital Account balances. Any in-kind distribution of assets of the Company in connection with a winding up and liquidation of the Company or a deemed liquidation of the Company by reason of a termination of the Company pursuant to Section 708(b)(1)(A) of the Code will be made among the Members holding Common Membership Units pro rata on a gross basis with respect to each such asset in accordance with the Members' respective positive Capital Account balances.

(c) Limitations on Distributions. Notwithstanding anything in this Agreement to the contrary, no distribution shall be made in violation of the LLC Act.

(d) Exculpation. The Members hereby consent and agree that, to the fullest extent permitted by applicable law, (i) no Member shall have any obligation to return amounts distributed to such Member by the Company notwithstanding the fact that such amounts were distributed in violation of Section 18-607 or Section 18-804 of the LLC Act or other applicable law and (ii) the provisions of this Section 5.5(d) are intended to be a compromise under Section 18-502(b) of the LLC Act.

**5.6 Revisions to Reflect Issuance of Additional Units**. Subject to Section 10.2, in the event that the Company issues an additional class of Units other than Common Membership Units pursuant to Article 3 of this Agreement, the Board shall make such revisions to this Agreement, including this Article 5, as it reasonably deems necessary to reflect the issuance of such additional Units.

## ARTICLE 6
## BOOKS AND RECORDS; TAX; CAPITAL ACCOUNTS; ALLOCATIONS

**6.1 General Accounting Matters**.

(a) The Board shall keep, or cause to be kept, books and records pertaining to the Company's business showing all of its assets and liabilities, receipts and disbursements, Net Income and Net Losses, Members' Capital Accounts and all transactions entered into by the Company. Such books and records of the Company shall be kept at the office of the Company or at the office of a party authorized by an officer of the Company to keep such books and records, and, subject to the confidentiality provisions of this Agreement, the Members and their representatives shall at all reasonable times have free access thereto for the purpose of inspecting or copying the same.

(b) The Company's books of account shall be kept on an accrual basis in accordance with GAAP or as otherwise provided by the Board, except that for U.S. federal, state and local income tax purposes such books shall be kept in accordance with applicable tax accounting principles.



**6.2 Capital Accounts**.

(a) The Company shall maintain for each Member on the books of the Company a capital account (a "**Capital Account**"). Each Member's Capital Account shall be maintained in accordance with the provisions of Treasury Regulations Section 1.704-1(b)(2)(iv) and the provisions of this Agreement.

(b) (i) The Capital Account of each Member shall be credited with the amount of all Capital Contributions by such Member to the Company. The Capital Account of each Member shall be increased by (1) the amount of any Net Income (or items of gross income or gain) allocated to such Member pursuant to this Article 6 and (2) the amount of any liabilities of the Company that are assumed by such Member (except for liabilities described in Section 6.2(b)(ii)(3) that are assumed by such Member) for purposes of Treasury Regulations section 1.704-1(b)(2)(iv)(c).

(ii) The Capital Account of each Member shall be decreased by (1) the amount of any Net Losses (or items of loss or deduction) allocated to such Member pursuant to this Article 6, (2) the amount of any cash distributed to such Member, (3) the fair market value of any asset distributed in kind to such Member (net of all liabilities that such Member is considered to assume or take the asset subject to) and (4) the amount of any liabilities of such Member that are assumed by the Company (except for liabilities described in the definition of Capital Contribution that are assumed by the Company) for purposes of Treasury regulations section 1.704-1(b)(2)(iv)(c).

(iii) The Capital Account of each Member also shall be adjusted appropriately to reflect any other adjustment required pursuant to Treasury Regulations Section 1.704-1 or 1.704-2.

(c) Allocations of Net Income or Net Losses to the Capital Accounts pursuant to Section 6.2(b) shall be made at the end of each Fiscal Quarter, at such times as the Carrying Value of Company assets is adjusted pursuant to the definition thereof and at such other times as required by this Agreement. Net Income and Net Losses shall be allocated to the Members pro-rata in accordance with their respective Percentage Interests. An allocation to a Member of a share of Net Profit or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Profit or Net Loss. It is the intent of the Members that the allocations of Net Income or Net Losses under this Agreement have substantial economic effect (or be consistent with the Members' interests in the Company) within the meaning of Section 704(b) of the Code as interpreted by the Treasury regulations promulgated thereto. Article 6 and other relevant provisions of this Agreement shall be interpreted in a manner consistent with such intent.

(d) In the event that any Unit or Interest in the Company is Transferred, including the Transfer of Common Membership Units from Guardian Partners to New Mountain Finance, the Transfer of Common Membership Units from Guardian AIV to AIV Holdings and the Transfer of Common Membership Units from AIV Holdings to New Mountain Finance pursuant to Section 7.4 or Article 9 hereof, (i) the transferee of such Unit or Interest shall succeed to the pro rata portion of the transferor's Capital Account attributable to such Unit or Interest, and (ii) Net Income or Net Losses allocable among the Members during the fiscal year



of the Company in which such Transfer occurs shall be allocated between the transferor and the transferee Member either (x) as if the Company's fiscal year had ended on the date of the transfer, or (y) based on the number of days of such fiscal year that each was a Member without regard to the results of Company activities in the respective portions of such fiscal year in which the transferor and the transferee were Members, as determined by the Board.

**6.3 Allocations of Net Income and Net Losses for U.S. Federal Income Tax Purposes**

(a) Except as otherwise provided in Section 6.3(b), for U.S. federal income tax purposes, each item of income, gain, loss, deduction and credit of the Company for each taxable year of the Company shall be allocated among the Members in the same manner as its corresponding item of "book" income, gain, loss, deduction and credit is allocated pursuant to Section 6.2(c).

(b) In accordance with Sections 704(b) and 704(c) of the Code and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any Company asset contributed (or deemed contributed) to the capital of the Company shall, solely for U.S. federal income tax purposes, be allocated among the Members so as to take into account any variation between the adjusted basis of such Company asset for U.S. federal income tax purposes and its Carrying Value upon its contribution (or deemed contribution). If the Carrying Value of any Company asset is adjusted, subsequent allocations of taxable income, gain, loss and deduction with respect to such Company asset shall take account of any variation between the adjusted basis of such Company asset for U.S. federal income tax purposes and the Carrying Value of such Company asset in the manner prescribed under Sections 704(b) and 704(c) of the Code and the Treasury Regulations thereunder. The Board shall select the manner by which variations between Carrying Value and adjusted basis of the Company's assets are taken into account in accordance with Code Sections 704(b) and 704(c) and the Treasury Regulations thereunder.

**6.4 Excess Nonrecourse Liabilities**. If the built-in gain in Company assets subject to Nonrecourse Debts exceeds the gain described in Treasury Regulations Section 1.752-3(a)(2), the Excess Nonrecourse Liabilities shall be allocated (i) first, to AIV Holdings up to the amount of built-in gain that is allocable to AIV Holdings on Section 704(c) Property, (ii) second, among the Members other than AIV Holdings up to the amount of built-in gain that is allocable to such other Members on Section 704(c) Property and (iii) last, any remaining Excess Nonrecourse Liabilities shall be allocated among the Members pro rata in accordance with their relative Percentage Interests.

**6.5 Revisions to Allocations to Reflect Issuance**. In the event that the Company issues additional classes of Units to the Members pursuant to Article 3 of this Agreement, the Board shall, subject to Section 10.2, make such revisions to this Article 6 as it reasonably deems necessary to reflect the terms of the issuance of such additional class of Units, including making preferential allocations to classes of Units that are entitled thereto.

**6.6 Payments of Certain Expenses**. If and to the extent that payments of certain expenses by the Company constitute gross income of New Mountain Finance by reason of being treated as payments of expenses of New Mountain Finance, such amounts will constitute



guaranteed payments within the meaning of Section 707(c) of the Code, will be treated consistently therewith by the Company and all Members, and will not be treated as distributions for purposes of computing the Members' Capital Accounts.

**6.7 Certain Tax Matters**.

(a) The "tax matters partner" for purposes of Section 6231(a)(7) of the Code shall be New Mountain Finance (the "**Tax Matters Member**"). The Tax Matters Member shall have all the rights, duties, powers and obligations provided for in Sections 6221 through 6232 of the Code with respect to the Company. The Tax Matters Member shall inform each other Member of all significant matters that may come to its attention in its capacity as such by giving notice thereof within ten (10) days after becoming aware thereof and, within such time, shall forward to each other Member copies of all significant written communications it may receive in such capacity. This provision is not intended to authorize the Tax Matters Member to take any action left to the determination of an individual Member under Sections 6222 through 6231 of the Code.

(b) The Tax Matters Member shall not initiate any action or proceeding in any court, extend any statute of limitations, or take any other action in its capacity as Tax Matters Member, which it knows, has reason to know, or would reasonably be expected to know, would or would reasonably be expected to have a significant adverse effect on AIV Holdings, as a Member of the Company, Guardian AIV or Guardian AIV's partners, without approval of the AIV Holdings Member, which approval may not be unreasonably withheld; provided, however, that, for this purpose, it shall not be unreasonable for the AIV Holdings Member to withhold such approval if the action proposed to be taken could significantly adversely effect such Member, Guardian AIV or Guardian AIV's partners. The AIV Holdings Member may alert the Tax Matters Member as to any actions that would have a significant adverse effect on AIV Holdings, Guardian AIV or Guardian AIV's partners.

(c) The Board shall timely cause to be prepared all U.S. federal, state, local and foreign tax returns and reports (including amended returns) of the Company and its Subsidiaries for each year or period that such returns or reports are required to be filed and, subject to the remainder of this subsection, shall cause such tax returns to be timely filed. No later than thirty (30) days prior to filing of all income and franchise tax returns of the Company, the Board shall have provided copies of all such tax returns to the other Members for review. The AIV Holdings Members shall be entitled to provide reasonable comments on such returns to the Board no later than fifteen (15) days after receiving copies of such returns, and the Board shall consider in good faith all such comments. If the Board does not incorporate any comment made by any AIV Holdings Member in accordance with the foregoing sentence, at the request of such AIV Holdings Member the Board shall provide any information necessary for such AIV Holdings Member to properly file its U.S. federal, state, local, and foreign tax returns and reports (including amended returns and information returns) and any disclosure required in connection with the filing of such returns or reports in a manner consistent with such comment.

(d) Within ninety (90) days after the end of each Fiscal Year, or as soon as reasonably practical thereafter, the Board shall prepare and send, or cause to be prepared and sent, to each Person who was a Member at any time during such Fiscal Year copies of such information as may be required for U.S. federal, state, local and foreign income tax reporting



purposes, including copies of Form 1065 and Schedule K-1 or any successor form or schedule, for such Person. At any time after such information has been provided, upon at least five (5) business days' notice from a Member, the Board shall also provide each Member with a reasonable opportunity during ordinary business hours to review and make copies of all workpapers related to such information or to any return prepared under paragraph (c) above. As soon as practicable following the end of each quarter (and in any event not later than thirty (30) days after the end of such quarter), the Board shall also cause to be provided to each Member an estimate of each Member's share of all items of income, gain, loss, deduction and credit of the Company for the quarter just completed and for the Fiscal Year to date for federal income tax purposes.

(e) The Company intends to be treated as a partnership for U.S. federal, state and local income tax purposes for so long as the Company has more than one Member and intends to be treated as a disregarded entity for such purposes for so long as the Company has a single Member, and the Company shall not take any action or make any election so as to cause the Company to fail to be treated as a partnership or a disregarded entity (as applicable) for U.S. federal, state and local income tax purposes unless such action or election shall have been approved by the Board.

(f) The Company shall elect, pursuant to Section 754 of the Code, to adjust the basis of the Company's property, with respect to its U.S. federal income tax return for the taxable year in which the Guardian Partners Merger occurs and any taxable year following a termination of the Company pursuant to Section 708(b)(1)(B) of the Code, and the Company shall cause such election to remain or be in effect for every taxable year of the Company thereafter during which the Company is treated as a partnership for U.S. federal income tax purposes. The Company shall make such election with respect to all Subsidiaries of the Company that are treated as partnerships for U.S. federal income tax purposes in the same year the Company makes such election and if any Subsidiary of the Company is treated as a partnership for U.S. federal income tax purposes in a subsequent taxable year, the Company shall cause such election to be made in such year.

(g) Except as otherwise provided herein, all other elections required or permitted to be made by the Company under the Code (or applicable foreign, state or local law), including elections with respect to any subsidiary of the Company, shall be made as may be determined by the Board and all decisions and positions taken with respect to the Company's or any Subsidiary's taxable income or tax loss (or items thereof) under the Code or other applicable tax law shall be made in such manner as may be reasonably determined by the Board. Notwithstanding the foregoing, the Board shall not make any other election for U.S. federal, state or local income tax purposes or for franchise tax purposes and shall not make any decision or take any position with respect to allocations of taxable income, if the Board knows or has reason to know, or would reasonably be expected to know that such election, decision, or position would, or would reasonably be expected to adversely affect New Mountain Finance's status as a Regulated Investment Company or have a significant adverse effect on AIV Holdings, Guardian AIV or its partners and a greater negative impact proportionally on the amount of taxable inclusions incurred by AIV Holdings with respect to income allocated to it by the Company than if such election, decision, or position had not been made or taken. The AIV Holdings Member



may alert the Board as to any election, decision, or position that would have a significant adverse effect on AIV Holdings, Guardian AIV or its partners.

**6.8** **Tax Year**. The taxable year of the Company shall be the same as its Fiscal Year.

**6.9** **Withholding Requirements**. Notwithstanding any provision herein to the contrary, the Board is authorized to take any and all actions that it determines to be necessary or appropriate to ensure that the Company satisfies any and all withholding and tax payment obligations under Sections 1441, 1445, 1446 or any other provision of the Code or other applicable law. Without limiting the generality of the foregoing, the Board may withhold from distributions the amount that it determines is required to be withheld from the amount otherwise distributable to any Member pursuant to Article 5; provided, however, that such amount shall be deemed to have been distributed to such Member for purposes of applying Article 5 and this Article 6. The Board will not withhold any amounts from cash or other property distributable to any Member to satisfy any withholding and tax payment obligations to the extent that such Member demonstrates to the Board's satisfaction that such Member is not subject to such withholding and tax payment obligation. In the event that the Board withholds or incurred tax in respect of any Member for any period in excess of the amount of cash or other property otherwise distributable to such Member for such period (or there is a determination by any taxing authority that the Company should have withheld or incurred any tax for any period in excess of the tax, if any, that it actually withheld or paid for such period), such excess amount (or such additional amount) shall be treated as a recourse loan to such Member that shall bear interest at the rate of 10% per annum and be payable on demand.

**6.10** **Reports to Members**.

(a) The books of account and records of the Company shall be audited as of the end of each Fiscal Year by the Company's independent public accountants.

(b) Within one (1) calendar day after the applicable due date for the filing of New Mountain Finance's quarterly reports for the end of each Fiscal Quarter of New Mountain Finance with the Commission (or the next Business Day if the first calendar day is not a Business Day), the Company shall send to each Person who was a Member during such period an unaudited report setting forth the following as of the end of such Fiscal Quarter, but the Company shall only be required to provide such information to such Members as make a request for it in writing:

(i) unless such Fiscal Quarter is the last Fiscal Quarter of the Fiscal Year, an unaudited balance sheet as of the end of such period;

(ii) unless such Fiscal Quarter is the last Fiscal Quarter of the Fiscal Year, an unaudited income statement of the Company for such period;

(iii) unless such Fiscal Quarter is the last Fiscal Quarter of the Fiscal Year, an unaudited cash flow statement of the Company for such period; and

(iv) a statement of each Member's Capital Account.

(c) Within one (1) calendar day after the applicable due date for the filing of New Mountain Finance's annual report for the end of each Fiscal Year of New Mountain Finance with the Commission (or the next Business Day if the first calendar day is not a Business Day), the Company shall send to each Person who was a Member during such period an audited report setting forth the following as of the end of such Fiscal Year, but the Company shall only be required to provide such information to such Members as make a request for it in writing:

(i) an audited balance sheet as of the end of such Fiscal Year;

(ii) an audited income statement of the Company for such Fiscal Year;

(iii) an audited cash flow statement of the Company for such Fiscal Year; and

(iv) a statement of each Member's Capital Account.

(d) The Company shall provide each Member with monthly "flash reports."

(e) The Company shall provide each Member annually with a copy of the Budget.

(f) With reasonable promptness, the Board will deliver such other information available to the Board, including financial statements and computations, as any Member may from time to time reasonably request in order to comply with regulatory requirements, including reporting requirements, to which such Member is subject.

(g) The Board shall not be deemed to be in breach of this Section 6.10 for failure to deliver the reports and other information under clause (b) or (c) of this Section 6.10, if the Board delivers such information to each Member on the earlier of (i) the date such information is provided to the lenders or the holders of any indebtedness of the Company or filed with the Commission and (ii) a date that is within thirty (30) calendar days of the due date set forth in clause (b) or (c) above.

**6.11** **Auditors**. The independent registered public accountant of the Company shall be determined by the Board, in its sole discretion.

## ARTICLE 7
## DISSOLUTION

**7.1** **Dissolution**.

(a) The Company shall be dissolved and subsequently terminated upon the occurrence of the first of the following events:

(i) the act of the Board to dissolve the Company;

(ii) the entry of a decree of judicial dissolution of the Company pursuant to § 18-802 of the LLC Act; or



(iii) the termination of the legal existence of the last remaining Member or the occurrence of any other event that causes the last remaining Member to cease to be a Member of the Company, unless the Company is continued without dissolution pursuant to Section 7.1(b).

(b) Upon the occurrence of any event that causes the last remaining Member of the Company to cease to be a Member of the Company (other than upon continuation of the Company without dissolution upon an assignment by the Member of all of its Interest in the Company and the admission of the transferee as a Member pursuant to Section 8.2), to the fullest extent permitted by law, the personal representative of such Member is hereby authorized to, within ninety (90) days after the occurrence of the event that terminated the continued membership of such Member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute Member of the Company, effective as of the occurrence of the event that terminated the continued membership of such Member in the Company.

(c) Notwithstanding any other provision of this Agreement, the bankruptcy (as defined in §§ 18-101(1) and 18-304 of the LLC Act) of a Member shall not cause the Member to cease to be a Member of the Company and, upon the occurrence of such an event, the Company shall continue without dissolution.

**7.2** **Winding-Up**. When the Company is dissolved, the business and property of the Company shall be wound up in an orderly manner by the Board or by a liquidating trustee as may be appointed by the Board (the Board or such liquidating trustee, as the case may be, the "**Liquidator**"). In the event of dissolution, the Company shall not take any action that is inconsistent with, or not necessary to or appropriate for, the winding-up of the Company's business and affairs.

**7.3** **Final Distribution**.

(a) As soon as reasonable following the event that caused the dissolution of the Company, the assets of the Company shall be applied in the following manner and order:

(i) to pay the expenses of the winding-up, liquidation and dissolution of the Company, and all creditors of the Company, including Members who are creditors of the Company, either by actual payment or by making a reasonable provision therefor, in the manner, and in the order of priority, set forth in § 18-804 of the LLC Act;

(ii) to distribute the remaining assets of the Company to the Members in accordance with Section 5.5(b).

(b) If any Member has a deficit balance in its Capital Account in excess of any unpaid Capital Contributions (if any), such Member shall have no obligation to make any Capital Contribution to the Company with respect to such deficit, and such deficit shall not be considered a debt owed to the Company or to any other Person for any purpose whatsoever.



(c) Each Member shall look solely to the assets of the Company for the amounts distributable to it hereunder and shall have no right or power to

demand or receive property therefor from any Director or any other Member.

(d) The Company shall terminate when (i) all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company, shall have been distributed to the Members in the manner provided for in this Agreement and (ii) the Certificate shall have been canceled in the manner required by the LLC Act.

**7.4 Exchange Right Upon Dissolution**.

(a) Upon the occurrence of an event described in Section 7.1(a), if (i) New Mountain Finance is not the sole Member at the time of such event and (ii) prior to or concurrent with the occurrence of such event, New Mountain Finance has adopted a plan relating to the liquidation or dissolution of New Mountain Finance, then New Mountain Finance shall have the right to acquire from any Non-NMF Member all (but not less than all) of the Common Membership Units held by such Non-NMF Member in exchange for shares of New Mountain Finance Common Stock on a one-for-one basis (the "**Dissolution Exchange Right**"). If New Mountain Finance desires to exercise its Dissolution Exchange Right with respect to a Non-NMF Member, it shall exercise such right by giving written notice (the "**Dissolution Exchange Notice**") to such Non-NMF Member (the "**Dissolution Exchanging Non-NMF Member**") with a copy to the Company. The Dissolution Exchange Notice shall specify a date, which is to be as soon as reasonable following the occurrence of the event triggering the Dissolution Exchange Right, but in any event shall be prior to commencement of application of the assets of the Company pursuant to Section 7.3(a)(ii), on which the exercise of the Dissolution Exchange Right shall be completed (the '**Dissolution Exchange Date**").

(b) On the Dissolution Exchange Date:

(1) the Dissolution Exchanging Non-NMF Member shall (A) transfer and surrender to New Mountain Finance all of its Common Membership Units, (B) represent and warrant to New Mountain Finance that such Common Membership Units are owned by such Member free and clear of all liens and encumbrances and (C) deliver to New Mountain Finance all transfer tax stamps or funds therefor, if required pursuant to Section 9.1(e);

(2) the Company shall revise Schedule A to reflect the Transfer of the Common Membership Units pursuant to thisSection 7.4 and number of Common Membership Units held by New Mountain Finance following the Dissolution Exchange Date and to remove such Dissolution Exchanging Non-NMF Member; and

(3) New Mountain Finance shall issue the number of shares of New Mountain Finance Common Stock equal to the number of Common Membership Units being exchanged by such Dissolution Exchanging Non-NMF Member pursuant to the Dissolution Exchange Right and shall represent and warrant to such Dissolution Exchanging Non-NMF Member that such shares are validly issued, fully paid and non-assessable; and, if the New Mountain Finance Common Stock is certificated, New Mountain Finance shall deliver or cause to be delivered at the office of New Mountain Finance's transfer agent a certificate or certificates



representing such number of shares of New Mountain Finance Common Stock issued in the name of such Dissolution Exchanging Non-NMF Member.

An exchange pursuant to this Section 7.4 shall be deemed to have been effected immediately prior to the close of business on the Dissolution Exchange Date. The Person or Persons in whose name or names the shares of New Mountain Finance Common Stock are to be recorded shall be treated for all purposes as having become the record holder or holders of such shares of New Mountain Finance Common Stock immediately prior to the close of business on the Dissolution Exchange Date, and may sell such shares of New Mountain Finance Common Stock as permitted under applicable law.

Each Dissolution Exchanging Non-NMF Member, the Company and New Mountain Finance shall, for U.S. federal, state and local income tax purposes, treat the exchange as a taxable sale of such Dissolution Exchanging Non-NMF Member's Common Membership Units to New Mountain Finance, except as otherwise required pursuant to a "determination" within the meaning of Section 1313 of the Code. Each Dissolution Exchanging Non-NMF Member agrees to execute such instruments of transfer, officer's or other certificates or cross receipts to the extent necessary to evidence the exchange of its Common Membership Units and as New Mountain Finance may reasonably require in connection with the issuance of shares of New Mountain Finance Common Stock in exchange for such Member's Common Membership Units.

## ARTICLE 8
## TRANSFER; SUBSTITUTION; ADJUSTMENTS

**8.1 Restrictions on Transfer**.

(a) No Member may Transfer all or any portion of its Units or other Company Interests except with the written consent of the Board in its sole discretion; provided, however, that subject to Section 8.1(b), a Member may, without the consent of the Board, at any time Transfer any of such Member's Units or other Equity Interests to a Permitted Transferee of such Member. It is a condition to any Transfer by a Member (the "**Transferring Member**") otherwise permitted hereunder that the transferee (i) agrees to become a party to, and be bound by the terms of, this Agreement to the same extent as the Transferring Member and (ii) assumes by operation of law or express agreement all of the obligations of the Transferring Member under this Agreement or any other agreement to which such Transferring Member is a party with respect to such Transferred Units or other Company Interests. Any transferee, whether or not admitted as a Member, shall take subject to the obligations of the transferor hereunder.

(b) In addition to any other restrictions on Transfer herein contained, including, without limitation, the provisions of thisArticle 8, any purported Transfer or assignment of a Unit or other Company Interests by any Member in the following circumstances shall be void *ab initio* (unless in the case of clause (v) below only, the consent of the Board is obtained):



(i) to any Person who lacks the legal right, power or capacity to own Units or other Company Interests;

(ii) if such Transfer would cause the Company to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in Section 3(14) of ERISA) or a "disqualified person" (as defined in Section 4975(c) of the Code);

(iii) if such Transfer would, in the opinion of counsel to the Company, cause any portion of the assets of the Company to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.3-101;

(iv) if such Transfer requires the registration of such Units or other Company Interests pursuant to any applicable federal, state or foreign securities laws or regulations or would otherwise materially violate any federal, state or foreign securities laws or regulations applicable to the Company, the Units or such Company Interests;

(v) if such Transfer (in and by itself) subjects the Company to be regulated under the Investment Company Act, the Investment Advisers Act of 1940 or ERISA, each as amended;

(vi) if such Transfer would cause the Company to fail the limitation set forth in Section 3.1(d) or would otherwise result in a risk that the Company would be treated as a "publicly traded partnership," as such term is defined in Section 469(k)(2) or 7704(b) of the Code;

(vii) if such Transfer violates any applicable laws in any material respect;

(viii) if the Company does not receive written instruments (including, without limitation, copies of any instruments of Transfer and such assignee's agreement to be bound by this Agreement as an assignee and Member) that are in a form satisfactory to the Board (in its sole discretion); or

(ix) to any Prohibited Person.

**8.2 Substituted Members**.

(a) No Member shall have the right to substitute a transferee as a Member in his or her place with respect to any Units or other Equity Interests in the Company so Transferred (including any transferee permitted by Section 8.1) unless (i) such Transfer is made in compliance with the terms of this Agreement and any other agreements with the Company to which such transferor Member is a party and (ii) such transferee assumes and agrees to be bound, by written instrument satisfactory to the Board pursuant to Section 8.l(b)(viii), all the rights, powers, restrictions, duties and liabilities that were applicable to the transferor by virtue of the transferor's ownership of the Units or other Equity Interests in the Company being Transferred.

(b) Except as provided in Section 8.2(c) and otherwise in this Agreement, a transferee who has been admitted as a Member in accordance with Section 8.2(a) shall have all



the rights and powers and be subject to all the restrictions, duties and liabilities of a Member under this Agreement holding the same Units or other Equity Interests in the Company. The admission of any transferee as a Member shall be subject to the provisions of Section 3.1.

**8.3 Effect of Void Transfers**. No Transfer of any Units or other Equity Interests owned by a Member in violation hereof shall be made or recorded on the books of the Company, and any such purported Transfer shall be void and of no effect.

## ARTICLE 9
## EXCHANGE RIGHT OF NON-NMF MEMBERS

**9.1 Exchange Right of Non-NMF Members**.

(a) Exchange Right. Any Non-NMF Member shall be entitled at any time and from time to time to require that New Mountain Finance acquire all or any portion of the Common Membership Units held by such Non-NMF Member in exchange for shares of New Mountain Finance Common Stock on a one-for-one basis (the "**Exchange Right**"). Any Non-NMF Member desiring to exercise its Exchange Right (the "**Exchanging Member**") shall exercise such right by giving written notice (the "**Exchange Notice**") to New Mountain Finance with a copy to the Company. The Exchange Notice shall specify the number of Common Membership Units (the "**Exchange Units**") that the Exchanging Member intends to have New Mountain Finance acquire, whether such Exchanging Member intends to sell the shares of New Mountain Finance Common Stock to be received for the Exchange Units in an underwritten public offering (an "**Underwritten Resale**") or a private sale (a "**Private Resale**"), and a date, which is not more than sixty (60) Business Days after delivery of the Exchange Notice or as otherwise agreed among New Mountain Finance and such Exchanging Member, on which the exercise of the Exchange Right shall be completed (the "**Exchange Date**") unless the Exchanging Member has timely delivered a Retraction Notice or a Termination Notice as provided in Section 9.1(b). In the event that the Exchanging Member intends to sell the shares of New Mountain Finance Common Stock to be received for its Exchange Units in an Underwritten Resale or Private Resale, such Exchanging Member shall not deliver an Exchange Notice to New Mountain Finance with respect to such Exchange Units until such Exchanging Member has entered into a binding firm commitment underwriting agreement to sell such shares (subject to customary conditions) in such Underwritten Resale or a binding agreement to sell such shares (subject to customary conditions) in such Private Resale.

(b) Retraction Notice. At any time after delivery of the Exchange Notice and no later than the Business Day prior to the Exchange Date or as otherwise agreed between New Mountain Finance and such Exchanging Member, the Exchanging Member may retract its Exchange Notice by giving written notice (the "**Retraction Notice**") to New Mountain Finance (with a copy to the Company). The timely delivery of a Retraction Notice shall terminate all of the Exchanging Member's, Company's and New Mountain Finance's rights and obligations under this Section 9.1 arising from such Exchange Notice. If the Exchanging Member has advised New Mountain Finance that it intends to sell the related shares of New Mountain Finance Common Stock in an Underwritten Resale, and either the Exchanging Member reasonably determines that market conditions with respect to New Mountain Finance Common Stock make it inadvisable to proceed with the Underwritten Resale or the managing underwriter for the Underwritten Resale advises the Exchanging Member and New Mountain Finance that



the managing underwriter does not intend to close the sale of such shares in the Underwritten Resale, the Exchanging Member may terminate the Exchange Notice (the "**Termination Notice**") at any time prior to the Exchange Date by giving notice to New Mountain Finance (with a copy to the Company) prior to the Exchange Date. All of New Mountain Finance's and the Company's rights and obligations arising from the Exchange Notice shall terminate if the Exchanging Member timely delivers a Retraction Notice or a Termination Notice as provided in this Section 9.1(b).

(c) Exchange Mechanics. Unless a timely Retraction Notice or Termination Notice has been delivered to New Mountain Finance (with a copy to the Company) prior to the Exchange Date as set forth in Section 9.1(b), on the Exchange Date (to be effective immediately prior to the close of business on the Exchange Date or, in the case of an Underwritten Resale or Private Resale, immediately prior to the closing of the Underwritten Resale or Private Resale, respectively):

(1) the Exchanging Member shall (A) transfer and surrender to New Mountain Finance the Exchange Units, (B) represent and warrant to New Mountain Finance that the Exchange Units are owned by such Exchanging Member free and clear of all liens and encumbrances and (C) deliver to New Mountain Finance all transfer tax stamps or funds therefor, if required pursuant to Section 9.1(e);

(2) in the event that the shares of New Mountain Finance Common Stock to be issued in exchange for the Exchanging Member's Exchange Units are to be sold in an Underwritten Resale or Private Resale, the Exchanging Member shall direct New Mountain Finance to deliver directly to underwriter(s) with respect to an Underwritten Resale or to the buyer(s) with respect to a Private Resale, as the case may be, such shares of New Mountain Finance Common Stock;

(3) the Company shall revise Schedule A to reflect the Transfer of the Exchange Units pursuant to this Section 9.1(c) and number of Common Membership Units held by New Mountain Finance and the Exchanging Member following the Exchange Date; and

(4) New Mountain Finance shall issue the number of shares of New Mountain Finance Common Stock equal to the number of Exchange Units being exchanged pursuant to the Exchange Notice and shall represent and warrant to the Exchanging Member that such shares are validly issued, fully paid and non-assessable; in the event that such shares of New Mountain Finance Common Stock are to be sold in an Underwritten Resale or Private Resale, such shares shall be issued in

such name or names as the Exchanging Member shall have directed, or otherwise such shares shall be issued in the name of such Exchanging Member; and, if the New Mountain Finance Common Stock is certificated, New Mountain Finance shall deliver or cause to be delivered at the office of New Mountain Finance's transfer agent a certificate or certificates representing such number of shares of New Mountain Finance Common Stock issued in the name of the Exchanging Member or, if such shares are to be sold in an Underwritten Resale or Private Resale, in such other name or names as the Exchanging Member shall have directed.

An exchange pursuant to this Section 9.1 shall be deemed to have been effected immediately prior to the close of business on the Exchange Date or, in the case of an



Underwritten Resale or Private Resale, immediately prior to the closing of the Underwritten Resale or Private Resale, as the case may be. The Person or Persons in whose name or names the shares of New Mountain Finance Common Stock are to be recorded shall be treated for all purposes as having become the record holder or holders of such shares of New Mountain Finance Common Stock immediately prior to the close of business on the Exchange Date or, in the case of an Underwritten Resale or Private Resale, immediately prior to the closing of the Underwritten Resale or Private Resale, as the case may be, and may sell such shares of New Mountain Finance Common Stock as permitted under applicable law.

If New Mountain Finance fully performs its obligations in connection pursuant to this Section 9.1(a), its obligations with respect to such Exchanging Member's exercise of the Exchange Right shall be fully satisfied and discharged. Each of the Exchanging Member, the Company and New Mountain Finance shall, for U.S. federal, state and local income tax purposes, treat the exchange as a taxable sale of the Exchanging Member's Common Membership Units to New Mountain Finance, except as otherwise required pursuant to a "determination" within the meaning of Section 1313 of the Code. Each Exchanging Member agrees to execute such instruments of transfer, officer's or other certificates or cross receipts to the extent necessary to evidence the exchange of the Exchange Units and as New Mountain Finance may reasonably require in connection with the issuance of shares of New Mountain Finance Common Stock in exchange for such Member's Exchange Units.

(d) Underwritten Resale or Private Resale. If the Exchanging Member specified an Underwritten Resale or Private Resale in the Exchange Notice, it shall, when available, attach to the Exchange Notice a copy of a fully executed underwriting agreement with respect to such Underwritten Resale (subject to customary conditions) or a binding agreement to sell the related shares of New Mountain Finance Common Stock (subject to customary conditions) with respect to such Private Resale, and such Exchanging Member shall provide in the Exchange Notice an Exchange Date that is the same date as the closing date specified in such underwriting agreement or sales agreement; provided that, in such a case, the Exchange Date shall not be less than three (3) Business Days after delivery of the Exchange Notice unless otherwise agreed. If the Exchanging Member specified an Underwritten Resale in the Exchange Notice, and desires to exchange Common Membership Units in connection with an underwriter's over-allotment option with respect to such Underwritten Resale, it shall deliver a subsequent Exchange Notice specifying a number of Common Membership Units that it intends to exchange (which exchange shall be settled in the same manner as the prior Exchange Units) and an Exchange Date that is the same date as the closing date specified by the managing underwriter with respect to such Underwritten Resale upon the exercise of said option.

(e) Stamp or Similar Taxes. The Person or Persons requesting the issuance of certificates, if such certificates are issued, representing shares of New Mountain Finance Common Stock upon exchange of Common Membership Units shall pay to New Mountain Finance the amount of any stamp or other similar tax in respect of such issuance that may be payable by New Mountain Finance in respect of any transfer involved in such issuance or shall establish to the satisfaction of the Company that such tax has been paid or is not payable.

**9.2 Effect of Exercise of Exchange Right**. This Agreement shall continue notwithstanding the exercise of an Exchanging Member's Exchange Right and all governance or other rights set forth herein in accordance with their terms and subject to their conditions shall be



exercised by the remaining Members and the Exchanging Member (to the extent of such Exchanging Member's remaining Interest in the Company). No exercise of an Exchanging Member's Exchange Right shall relieve such Exchanging Member of any prior breach of this Agreement.

**9.3 Reservation of New Mountain Finance Common Stock**. New Mountain Finance shall at all times reserve and keep available out of its authorized but unissued New Mountain Finance Common Stock, solely for the purpose of issuance upon exchange of Common Membership Units, such number of New Mountain Finance Common Stock that may be issuable pursuant to the Section 9.1; provided, that nothing contained herein shall be construed to preclude New Mountain Finance from fulfilling its obligations to issue New Mountain Finance Common Stock pursuant to Section 9.1 by delivering New Mountain Finance Common Stock that is held in the treasury of New Mountain Finance. New Mountain Finance covenants that all New Mountain Finance Common Stock that shall be issued pursuant to Section 9.1 will, upon issue, be validly issued, fully paid and non-assessable.

## ARTICLE 10
## MISCELLANEOUS

**10.1 Further Assurances**. The Board and each Member of the Company shall, or shall cause their respective Affiliates or Representatives, as appropriate, to, take such actions and execute and deliver such other agreements, instruments and documents as may be necessary or desirable in order to carry out the purposes of this Agreement.

**10.2 Amendments**. Except as otherwise expressly provided in this Agreement or as required by law, this Agreement may be amended by the written consent of the holders of Common Membership Units representing a majority of all the Common Membership Units then outstanding; provided, however, that no amendment may adversely affect the rights of any holder of Common Membership Units without the consent of such holder if such amendment adversely affects the rights of such holder other than on a pro rata basis with other holders of Common Membership Units; provided, further, that any amendment to Schedule B pursuant to Section 4.12(c) will not be deemed to adversely affect the rights of any holder of Common Membership Units.

**10.3 Pass-Through Voting**. In accordance with the requirements of the Investment Company Act, each of New Mountain Finance and AIV Holdings, to the extent so required by the Investment Company Act, and any other Member that is an investment company relying on Section 12(d)(1)(E) of the Investment Company Act shall seek instructions from its security holders with regard to matters submitted to the vote of the Members, and each such Member shall vote only in accordance with such instructions.

**10.4 Restrictions on Disclosure of Information**. For a period of three (3) years after the earlier of (x) the dissolution of the Company or (y) the date upon which such Member ceases to be a Member of the Company:

(a) Each Member shall, and shall cause its Affiliates and its and its Affiliates' directors, officers, employees, agents and Representatives to, hold in confidence, in accordance with no less than the standards of confidentiality that it uses with respect to its own Confidential

Information (as defined below), and in no event less than a reasonable standard of care, all documents and Information concerning any other party hereto furnished it by such other party or its representatives in connection with the transactions contemplated by this Agreement which the Board notifies such Member that it in good faith believes it is not in the best interest of the Company to disclose or could damage the Company or its business or which the Company is required by law or by agreement with a third party to keep confidential (the "**Confidential Information**"). Notwithstanding the foregoing, each Member and each of its Affiliates may disclose such Confidential Information to the extent that such Confidential Information is required, in such Member's sole discretion, in connection with the preparation of any financial, reserve or other information as needed or appropriate to be included in the public filings of such Member or is required to be disclosed to lenders of Indebtedness, provided such lenders are under an obligation to keep such Confidential Information confidential, or such Member or Affiliate can demonstrate that such Confidential Information is or was (i) generally available to the public other than by the breach of this Agreement, or (ii) lawfully acquired from a third Person on a non-confidential basis or independently developed by, or on behalf of, such Person. Notwithstanding the foregoing, each Member and its Affiliates may disclose such Confidential Information to the extent that such Person reasonably believes it is legally compelled to disclose such Confidential Information by judicial or administrative process or to any tribunal, agency, Governmental Authority, including, but not limited to, the New York Stock Exchange, or else stand liable for contempt or suffer other censure or financial penalty or is otherwise required by law to disclose such Confidential Information. Each Member shall maintain, and shall cause its Affiliates to maintain, policies and procedures, and develop such further policies and procedures as shall from time to time become necessary or appropriate, to ensure compliance with this Section 10.4(a). Nothing contained in this Section 10.4 shall be deemed to limit the disclosure by a Member of its own Confidential Information.

(b) Each Member shall (i) not, directly or indirectly, use the Confidential Information of the Company, except (x) as necessary in the ordinary course of the Company's or such Member's business or (y) as otherwise agreed between the Company and any Member, or disclose the Confidential Information of the Company to any third party and (ii) inform all of its employees to whom the Confidential Information of the Company is entrusted or exposed of the requirements of this Section and of their obligations relating thereto. Notwithstanding the foregoing, in connection with a potential merger, acquisition, disposition, financing or other transaction or any potential Transfer of Units or New Mountain Finance Common Stock by a Member, such Member may disclose Confidential Information of the Company to third parties if the Member requires the recipients of such Confidential Information to sign an agreement of confidentiality and nondisclosure reasonably satisfactory to such Member.

(c) The Company shall preserve the confidentiality of all Confidential Information supplied by the Members and their Affiliates ("**Member Information**") to the same extent that a Member must preserve the confidentiality of Confidential Information pursuant toSections 10.4(a) and (b).

(d) Member Information shall not be supplied by the Company or its Subsidiaries to any Person, including any other Member, who is not an employee of the Company or the Investment Adviser, including any employee of a Member who is not an employee of the Company or the Investment Adviser. Notwithstanding the foregoing, Member



Information may be disclosed to the Member's Representatives and to authorized third-party contractors of the Company if the Company determines that such disclosure is reasonably necessary to further the business of the Company, and if such contractor executes a non-disclosure agreement preventing such contractor from disclosing such Member Information for the benefit of each provider of Member Information in a form reasonably acceptable to the Members providing such Member's Information. Member Information disclosed by any Member to the Company or the Investment Adviser shall not be shared with any other Member that is not the Investment Adviser without the disclosing Member's written consent.

**10.5 Injunctive Relief**. The Company and each Member acknowledge and agree that any breach or violation of any of the terms of, or a default under, this Agreement will cause the other Members and the Company, as the case may be, irreparable injury for which an adequate remedy at law is not available. Accordingly, it is agreed that each of the Members and the Company will be entitled to an injunction or restraining order restraining such breach, violation or default or threatened breach, violation or default and to any other equitable relief, including, without limitation, specific performance of the terms and provisions of this Agreement, in addition to any other remedy to which they may be entitled, at law or equity. The Company and each Member further agree that, in the event of any action for an injunction or other equitable remedy in respect of such breach or enforcement of specific performance, it will not assert the defense that a remedy at law would be adequate. Nothing stated herein shall limit any other remedies provided under this Agreement or available to the parties at law or equity.

**10.6 No Third-Party Beneficiaries**. This Agreement shall inure to the benefit of, and be binding upon, the Parties hereto and their respective legal representatives, successors and permitted assigns and transferees. Except as otherwise provided in this Agreement, nothing in this Agreement, express or implied, is intended to confer upon any other Person, including, but not limited to, any Person named in this Agreement that is not a Party, any rights, remedies, duties or obligations of any nature whatsoever under or by reason of this Agreement unless and until such Person becomes a Party.

**10.7 Notices**. Any notice, instruction, direction, demand or other communication required under the terms of this Agreement shall be in writing and shall be delivered by hand, facsimile transmission, electronic mail or nationally recognized overnight delivery service (with postage prepaid) and shall be deemed given when received if delivered on a Business Day during normal business hours of the recipient or, if not so delivered, on the next Business Day following receipt. Notices to the Company or any Member shall be delivered to the Company or such Member as set forth in Schedule A, as it may be revised from time to time.

**10.8 Severability**. If any term or other provision of this Agreement shall be determined by a court, administrative agency or arbitrator to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not render the entire Agreement invalid. Rather, this Agreement shall be construed as if not containing the particular invalid, illegal or unenforceable provision, and all other provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either the Company or the Members. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Company and the Members shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Members as closely as possible in a reasonably acceptable manner to the



end that the transactions contemplated hereby are fulfilled to the fullest extent permitted under applicable law.

**10.9 Counterparts and Signature**. This Agreement may be executed in separate counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument. This Agreement may be executed by electronic transmission, including by facsimile or electronic mail, by each party hereto of a signed signature page hereof to the other party.

**10.10 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial**

(a) This Agreement is to be construed in accordance with and governed by the internal laws of the State of Delaware without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Delaware to the rights and duties of the Parties.

(b) Each Party hereby expressly and irrevocably consents and submits to the jurisdiction of each state and federal court located in the City and County of New York, Borough of Manhattan (and each appellate court wherever located with jurisdiction over appeals from such court) for any action or other proceeding arising out

of or relating to this Agreement, or the negotiation, validity or performance of this Agreement, or the transactions contemplated thereby (and agrees not to commence any action or other proceeding relating thereto except in such courts, including to enforce any settlement, order or award). Each Party hereto:

(i) consents to service of process in any such action or proceeding in any manner permitted by the laws of the State of New York, and also agrees that service of process by registered or certified mail, return receipt requested, at its address specified pursuant to Section 10.7 is sufficient and reasonably calculated to give actual notice;

(ii) agrees that each state and federal court located in the City and County of New York, Borough of Manhattan shall be deemed to be a convenient forum; and

(iii) waives and agrees not to assert (by way of motion, as a defense or otherwise), in any such action or proceeding commenced in any state or federal court located in the City and County of New York, Borough of Manhattan, any claim that such party is not subject personally to the jurisdiction of such court, that such legal proceeding has been brought in an inconvenient forum, that the venue of such proceeding is improper or that this Agreement or the subject matter hereof or thereof may not be enforced in or by such court.

(c) In the event of any action or other proceeding relating to this Agreement or the enforcement of any provision of this Agreement, the prevailing party (as determined by the court) shall be entitled to payment by the non-prevailing party of all costs and expenses (including reasonable attorneys' fees) incurred by the prevailing party, including any costs and expenses incurred in connection with any challenge to the jurisdiction or the convenience or propriety of venue of proceedings before any state or federal court located in the City and County of New York, Borough of Manhattan.



(d) **Each of the Parties hereto hereby waives to the fullest extent permitted by applicable law any right it may have to a trial by jury with respect to any legal action or other legal proceeding directly or indirectly arising out of, under or in connection with this Agreement or the transactions contemplated hereby.** Each of the Parties hereto (a) certifies that no Representative, agent or attorney of any other Party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce that foregoing waiver and (b) acknowledges that it and the other Parties hereto have been induced to enter into this Agreement and the transactions contemplated by this Agreement, as applicable, by, among other things, the mutual waivers set forth in this Section 10.10(d).

(signature page follows)



IN WITNESS WHEREOF, each of the undersigned has executed this Agreement or caused this Agreement to be executed on its behalf as of the date first written above.

**NEW MOUNTAIN GUARDIAN AIV, L.P.**

By: **NEW MOUNTAIN INVESTMENTS III, L.L.C., its general partner**

By: _____
Name: Steven B. Klinsky
Title: Managing Member

**NEW MOUNTAIN GUARDIAN PARTNERS, L.P.**

By: **NEW MOUNTAIN GUARDIAN GP, L.L.C., its general partner**

By: _____
Name: Steven B. Klinsky
Title: Managing Member

The Company hereby agrees to be bound by, and abide by, all of the provisions set forth in this Agreement.

**NEW MOUNTAIN FINANCE HOLDINGS, L.L.C.**

By: _____
Name: Paula Bosco
Title: Secretary

*[Signature page for Amended and Restated Limited Liability Company Agreement of New Mountain Finance Holdings, L.L.C.]*



**Schedule A**
**Members and Units**

| Names and Addresses | Member Interest includes Common Membership Units | Percentage Interest |
|---|---|---|

| | | |
|---|---|---|
| **New Mountain Guardian AIV, L.P.:** | 20,221,938 | 94.1654% |
| 787 7th Avenue, 48th Floor<br>New York, NY 10019<br>(212) 720-0300<br>Fax: ( ) - | | |
| **New Mountain Guardian Partners, L.P.:** | 1,252,964 | 5.8346% |
| 787 7th Avenue, 48th Floor<br>New York, NY 10019<br>(212) 720-0300<br>Fax: ( ) - | | |

**Schedule B**
**Credit Agreement Covenants**

The approval of the Board (including the consent of the Independent Manager (as defined in the Credit Agreement)) is required for the Company to (a) dissolve or liquidate, in whole or part, or institute proceedings to be adjudicated bankrupt or insolvent, (b) institute or consent to the institution of bankruptcy or insolvency proceedings against it, (c) file a petition seeking or consent to reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, (d) seek or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for the Borrower, (e) make any assignment for the benefit of the Borrower's creditors, (f) admit in writing its inability to pay its debts generally as they become due, or (g) take any action in furtherance of any of the foregoing.

**Exhibit 1**
**Form of New Mountain Guardian AIV Holdings Corporation Joinder Agreement**

**JOINDER**

**, 2011**

Reference is made to that certain Amended and Restated Limited Liability Company Agreement of New Mountain Finance Holdings, L.L.C., a Delaware limited liability company (the "Company"), dated as of 3:30 p.m. (New York City time) on May 19, 2011 (the "LLC Agreement"), by and among the members of the Company, attached hereto as Exhibit A.

By and upon execution of this joinder, the undersigned (a) shall be a party to the LLC Agreement, (b) accepts and agrees to be subject to all terms and conditions of the LLC Agreement, (c) shall be considered a "Member" and "AIV Holdings" thereunder and (d) shall be entitled to the rights and benefits and subject to the duties and obligations of a Member and AIV Holdings thereunder, in each case as fully as if the undersigned were an original signatory thereto in such capacity.

In accordance with the requirements of the Investment Company Act, AIV Holdings, to the extent so required by the Investment Company Act of 1940, as amended, and the rules and regulations promulgated by the Securities and Exchange Commission thereunder, shall seek instructions from its security holders with regard to matters submitted to the vote of the Members.

Unless otherwise specified in writing by the undersigned, the initial address for notices to the undersigned for purposes of the LLC Agreement is the address for the undersigned set forth on the signature page hereto. Pursuant to Section 3.1(c) of the LLC Agreement, the Company shall amend Schedule A to the LLC Agreement to reflect the admission of the undersigned as a Member and such other information of the undersigned as indicated in Schedule A to the LLC Agreement. This joinder shall not otherwise constitute an amendment or waiver of any provision of the LLC Agreement, which shall continue and remain in full force and effect in accordance with its terms.

* * *

IN WITNESS WHEREOF, the undersigned has executed this joinder as of the date first written above.

NEW MOUNTAIN FINANCE AIV HOLDINGS CORPORATION

By: _____
Name: _____
Its: _____

Address for Notices: 787 7th Avenue, 48th Floor
New York, NY 10019
(212) 720-0300
Fax: ( ) -

The Company hereby agrees to be bound by, and abide by, all of the provisions set forth in this Agreement.

NEW MOUNTAIN FINANCE HOLDINGS, L.L.C.

By: _____
Name: _____
Its: _____

**Exhibit 2**

**Form of New Mountain Finance Corporation Joinder Agreement**

**JOINDER**

**, 2011**

Reference is made to that certain Amended and Restated Limited Liability Company Agreement of New Mountain Finance Holdings, L.L.C., a Delaware limited liability company (the "Company"), dated as of 3:30 p.m. (New York City time) on May 19, 2011 (the "LLC Agreement"), by and among the members of the Company, attached hereto as Exhibit A.

By and upon execution of this joinder, the undersigned (a) shall be a party to the LLC Agreement, (b) accepts and agrees to be subject to all terms and conditions of the LLC Agreement, (c) shall be considered a "Member" and "New Mountain Finance" thereunder and (d) shall be entitled to the rights and benefits and subject to the duties and obligations of a Member and New Mountain Finance thereunder, in each case as fully as if the undersigned were an original signatory thereto in such capacity.

Unless otherwise specified in writing by the undersigned, the initial address for notices to the undersigned for purposes of the LLC Agreement is the address for the undersigned set forth on the signature page hereto. Pursuant to Section 3.1(c) of the LLC Agreement, the Company shall amend Schedule A to the LLC Agreement to reflect the admission of the undersigned as a Member and such other information of the undersigned as indicated in Schedule A to the LLC Agreement. This joinder shall not otherwise constitute an amendment or waiver of any provision of the LLC Agreement, which shall continue and remain in full force and effect in accordance with its terms.

* * *

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IN WITNESS WHEREOF, the undersigned has executed this joinder as of the date first written above.

NEW MOUNTAIN FINANCE CORPORATION

By: _____
Name: _____
Its: _____

Address for Notices: 787 7th Avenue, 48th Floor
New York, NY 10019
(212) 720-0300
Fax: ( ) -

The Company hereby agrees to be bound by, and abide by, all of the provisions set forth in this Agreement.

NEW MOUNTAIN FINANCE HOLDINGS, L.L.C.

By: _____
Name: _____
Its: _____

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**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

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

1. I have reviewed this quarterly report on Form 10-Q of New Mountain Finance Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) 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

c) 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 day of August 11, 2011

/s/ Robert A. Hamwee

**Robert A. Hamwee**

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Adam B. Weinstein, 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 registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) 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

c) 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 day of August 11, 2011

/s/ Adam B. Weinstein

**Adam B. Weinstein**

**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, 2011 (the "Report") of New Mountain Finance Corporation (the "Registrant"), as filed with the 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 11, 2011**

**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, 2011 (the "Report") of New Mountain Finance Corporation (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Adam B. Weinstein, 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/ Adam B. Weinstein

**Name:** **Adam B. Weinstein**
**Date:** **August 11, 2011**