UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2019

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

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

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

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

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

Title of each class
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes☐ No ☒

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☐	

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

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

The aggregate market value of common stock held by non-affiliates of New Mountain Finance Corporation onJune 28, 2019, based on the closing price on that date of $13.97, on the New York Stock Exchange was $1,009.9 million. For the purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.

Description	Shares as of February 26, 2020
Common stock, par value $0.01 per share	96,827,342

Portions of the Registrant's Proxy Statement for its 2020 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on this Form 10-K are incorporated by reference into Part III on this Form 10-K.

FORM 10-K FOR THE YEAR ENDEDDECEMBER 31, 2019
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PART I

Item 1. Business

New Mountain Finance Corporation ("NMFC", the "Company", "we", "us" or "our") is a Delaware corporation that was originally incorporated on June 29, 2010 and completed its initial public offering ("IPO") on May 19, 2011. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, we are obligated to comply with certain regulatory requirements. We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). We are also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Since our IPO, and through December 31, 2019, we have raised approximately $893.2 million in net proceeds from additional offerings of common stock.

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

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

- New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company") and New Mountain Finance DB, L.L.C. ("NMFDB"), whose assets are used secure NMF Holdings' credit facility and NMFDB's credit facility, respectively;
- New Mountain Finance SBIC, L.P. ("SBIC I") and New Mountain Finance SBIC II, L.P. ("SBIC II"), who have received licenses from the United States ("U.S.") Small Business Administration ("SBA") to operate as small business investment companies ("SBICs") under Section 301(c) of the Small Business Investment Act of 1958, as amended (the "1958 Act") and their general partners, New Mountain Finance SBIC G.P., L.L.C. ("SBIC I GP") and New Mountain Finance SBIC II G.P., L.L.C. ("SBIC II GP"), respectively;
- New Mountain Net Lease Corporation ("NMNLC"), which acquires commercial real properties that are subject to ''triple net'' leases has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code;
- NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID Holdings, Inc. ("NMF QID") and NMF YP Holdings Inc. ("NMF YP"), which serve as tax blocker corporations by holding equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities); we consolidate our tax blocker corporations for accounting purposes but the tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of the portfolio companies; and
- New Mountain Finance Servicing, L.L.C. ("NMF Servicing"), which serves as the administrative agent on certain investment transactions.

New Mountain Finance Advisers BDC, L.L.C.

New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") is a wholly-owned subsidiary of New Mountain Capital Group, L.P. (together with New Mountain Capital L.L.C. and its affiliates, "New Mountain Capital") whose ultimate owners include Steven B. Klinsky and related other vehicles. New Mountain Capital is a firm with a track record of investing in the middle market. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. The Investment Adviser manages our day-to-day operations and provides us with investment advisory and management services. In particular, the Investment Adviser is responsible for identifying attractive investment opportunities, conducting research and due diligence on prospective investments, structuring our investments and monitoring and servicing our investments. The Investment Adviser is managed by a five member investment committee, which is responsible for approving purchases and sales of our investments above $10.0 million in aggregate by issuer. For additional information on the investment committee, see "Investment Committee".

New Mountain Finance Administration, L.L.C.

New Mountain Finance Administration, L.L.C. (the "Administrator"), a wholly-owned subsidiary of New Mountain Capital Group. L.P., provides the administrative services necessary to conduct our day-to-day operations. The Administrator also maintains, or oversees the maintenance of, our consolidated financial records, our reports to stockholders and reports filed

with the U.S. Securities and Exchange Commission ("SEC"). The Administrator performs the calculation and publication of our net asset values, the payment of our expenses and oversees the performance of various third-party service providers and the preparation and filing of our tax returns. The Administrator may also provide, on our behalf, managerial assistance to our portfolio companies.

Competition

We compete for investments with a number of BDCs and investment funds (including private equity and hedge funds), as well as traditional financial services companies such as commercial banks and other sources of financing. Many of these entities have greater financial and managerial resources than we do. We believe we are able to be competitive with these entities primarily on the basis of the experience and contacts of our management team, our responsive and efficient investment analysis and decision-making processes, the investment terms we offer, the model that we employ to perform our due diligence with the broader New Mountain Capital team and our model of investing in companies and industries we know well.

We believe that some of our competitors may make investments with interest rates and returns that are comparable to or lower than the rates and returns that we target. Therefore, we do not seek to compete solely on the interest rates and returns that we offer to potential portfolio companies. For additional information concerning the competitive risks we face, see *Item 1A.—Risk Factors*.

Investment Objective and Portfolio

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

We make investments through both primary originations and open-market secondary purchases. We primarily target loans to, and invest in, U.S. middle market businesses, a market segment we believe continues to be underserved by other lenders. We define middle market businesses as those businesses with annual earnings before interest, taxes, depreciation, and amortization (“EBITDA”) between $10.0 million and $200.0 million. Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to us, each of SBIC I's and SBIC II's investment objective is to generate current income and capital appreciation under our investment criteria. However, SBIC I’s and SBIC II's investments must be in SBA eligible small businesses. For additional information on SBA regulations, see "SBA Regulation". Our portfolio may be concentrated in a limited number of industries. As of December 31, 2019, our top five industry concentrations were software, business services, healthcare services, education and investment funds (which includes our investments in joint ventures). Our targeted investments typically have maturities of between five and ten years and generally range in size between $10.0 million and $125.0 million. This investment size may vary proportionately as the size of our capital base changes. At December 31, 2019, our portfolio consisted of 114 portfolio companies and was invested 57.0% in first lien loans, 25.0% in second lien loans, 2.1% in subordinated debt and 15.9% in equity and other, as measured at fair value versus 92 portfolio companies invested 50.1% in first lien loans, 28.3% in second lien loans, 2.8% in subordinated debt and 18.8% in equity and other, as measured at fair value at December 31, 2018.

The fair value of our investments was approximately $3,160.3 million in 114 portfolio companies at December 31, 2019 and approximately $2,342.0 million in 92 portfolio companies at December 31, 2018.

The following table shows our portfolio and investment activity for the years ended December 31, 2019 and December 31, 2018:

	Year Ended December 31,	
(in millions)	**2019**	**2018**
New investments in 63 and 67 portfolio companies, respectively	$ 1,105.3	$ 1,321.6
Debt repayments in existing portfolio companies	215.1	592.4
Sales of securities in 15 and 14 portfolio companies, respectively	113.1	210.5
Change in unrealized appreciation on 57 and 25 portfolio companies, respectively	50.8	14.8
Change in unrealized depreciation on 64 and 88 portfolio companies, respectively	(54.3)	(37.0)

At December 31, 2019 and December 31, 2018, our weighted average yield to maturity at cost ("YTM at Cost") was approximately 9.5% and 10.4%, respectively. This YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. At December 31, 2019 and December 31, 2018, our weighted average yield to maturity at cost for investments ("YTM at Cost for Investments") was approximately 9.5% and 10.4%, respectively. This YTM at Cost for Investments calculation assumes that all investments, including secured collateralized agreements, are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. YTM at Cost and YTM at Cost for Investments calculations exclude the impact of existing leverage. YTM at Cost and YTM at Cost for Investments use the London Interbank Offered Rate ("LIBOR") curves at each quarter's end date. The actual yield to maturity may be higher or lower due to the future selection of the LIBOR contracts by the individual companies in our portfolio or other factors.

The following summarizes our ten largest portfolio company investments and the top ten industries in which we were invested as of December 31, 2019, calculated as a percentage of total assets as of December 31, 2019:

Portfolio Company	**Percent of Total Assets**
NMFC Senior Loan Program III LLC	3.1%
Benevis Holding Corp.	2.6%
NMFC Senior Loan Program II LLC	2.4%
Edmentum Ultimate Holdings, LLC	2.4%
PhyNet Dermatology LLC	2.4%
Avatar Topco, Inc.	2.1%
UniTek Global Services, Inc.	2.1%
Kronos Incorporated	1.9%
Associations, Inc.	1.7%
Nomad Buyer, Inc.	1.7%
Total	22.4%

Industry Type	Percent of Total Assets
Software	23.4 %
Business Services	19.9 %
Healthcare Services	16.9 %
Education	8.8 %
Investment Funds (includes investments in joint ventures)	6.2 %
Net Lease	3.7 %
Distribution & Logistics	3.3 %
Federal Services	3.1 %
Energy	3.1 %
Healthcare Information Technology	3.1 %
Total	91.5 %

Investment Criteria

The Investment Adviser has identified the following investment criteria and guidelines for use in evaluating prospective portfolio companies. However, not all of these criteria and guidelines were, or will be, met in connection with each of our investments.

- *Defensive growth industries.* We seek to invest in industries that can succeed in both robust and weak economic environments but which are also sufficiently large and growing to achieve high valuations providing enterprise value cushion for our targeted debt securities.

- *High barriers to competitive entry.* We target industries and companies that have well defined industries and well established, understandable barriers to competitive entry.

- *Recurring revenue.* Where possible, we focus on companies that have a high degree of predictability in future revenue.

- *Flexible cost structure.* We seek to invest in businesses that have limited fixed costs and therefore modest operating leverage.

- *Strong free cash flow and high return on assets.* We focus on businesses with a demonstrated ability to produce meaningful free cash flow from operations. We typically target companies that are not asset intensive and that have minimal capital expenditure and minimal working capital growth needs.

- *Sustainable business and niche market dominance.* We seek to invest in businesses that exert niche market dominance in their industry and that have a demonstrated history of sustaining market leadership over time.

- *Established companies.* We seek to invest in established companies with sound historical financial performance. We do not intend to invest in start-up companies or companies with speculative business plans.

- *Private equity sponsorship.* We generally seek to invest in companies in conjunction with private equity sponsors who we know and trust and who have proven capabilities in building value.

- *Seasoned management team.* We generally require that portfolio companies have a seasoned management team with strong corporate governance. Oftentimes we have a historical relationship with or direct knowledge of key managers from previous investment experience.

Investment Selection and Process

The Investment Adviser believes it has developed a proven, consistent and replicable investment process to execute our investment strategy. The Investment Adviser seeks to identify the most attractive investment sectors from the top down and then works to become the most advantaged investor in these sectors. The steps in the Investment Adviser's process include:

- Identifying attractive investment sectors top down;

- Creating competitive advantages in the selected industry sectors; and

- Targeting companies with leading market share and attractive business models in its chosen sectors.

Investment Committee

The Investment Adviser is managed by a five member investment committee (the "Investment Committee"), which is responsible for approving purchases and sales of our investments above $10.0 million in aggregate by issuer. The Investment Committee currently consists of Steven B. Klinsky, Robert A. Hamwee, Adam B. Weinstein and John R. Kline. The fifth and final member of the Investment Committee will consist of a New Mountain Capital Managing Director who will hold the position on the Investment Committee on an annual rotating basis. Andre V. Moura served on the Investment Committee from August 2018 to July 2019. Beginning in August 2019, Lars O. Johansson was appointed to the Investment Committee for a one year term. In addition, our executive officers and certain investment professionals of the Investment Adviser are invited to all Investment Committee meetings. Purchases and dispositions below $10.0 million may be approved by our chief executive officer. These approval thresholds are subject to change over time. We expect to benefit from the extensive and varied relevant experience of the investment professionals serving on the Investment Committee, which includes expertise in private equity, primary and secondary leveraged credit, private mezzanine finance and distressed debt.

The purpose of the Investment Committee is to evaluate and approve, as deemed appropriate, all investments by the Investment Adviser, subject to certain thresholds. The Investment Committee's process is intended to bring the diverse experience and perspectives of the Investment Committee's members to the analysis and consideration of every investment. The Investment Committee also serves to provide investment consistency and adherence to the Investment Adviser's investment philosophies and policies. The Investment Committee also determines appropriate investment sizing and suggests ongoing monitoring requirements.

In addition to reviewing investments, the Investment Committee meetings serve as a forum to discuss credit views and outlooks. Potential transactions and investment opportunities are also reviewed on a regular basis. Members of our investment team are encouraged to share information and views on credit with the Investment Committee early in their analysis. This process improves the quality of the analysis and assists the deal team members to work more efficiently.

Investment Structure

We target debt investments that will yield current income and occasionally provide the opportunity for capital appreciation through equity securities. Our debt investments are typically structured with the maximum seniority and collateral that we can reasonably obtain while seeking to achieve our total return target.

Debt Investments

The terms of our debt investments are tailored to the facts and circumstances of the transaction and prospective portfolio company and structured to protect its rights and manage its risk while creating incentives for the portfolio company to achieve its business plan. A substantial source of return is the cash interest that we collect on our debt investments.

- **First Lien Loans and Bonds.** First lien loans and bonds generally have terms of four to seven years, provide for a variable or fixed interest rate, may contain prepayment penalties and are secured by a first priority security interest in all existing and future assets of the borrower. Our first lien loans may also include unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose us to the risks associated with second lien and subordinated loans to the extent we invest in the "last out" tranche. These first lien loans and bonds may include payment-in-kind ("PIK") interest, which represents contractual interest accrued and added to the principal that generally becomes due at maturity.

- **Second Lien Loans and Bonds.** Second lien loans and bonds generally have terms of five to eight years, provide for a variable or fixed interest rate, may contain prepayment penalties and are secured by a second priority security interest in all existing and future assets of the borrower. These second lien loans and bonds may include PIK interest.

- **Unsecured Senior, Subordinated and "Mezzanine" Loans and Bonds.** Any unsecured investments are generally expected to have terms of five to ten years and provide for a fixed interest rate. Unsecured investments may include PIK interest and may have an equity component, such as warrants to purchase common stock in the portfolio company.

In addition, from time to time we may also enter into revolving credit facilities, bridge financing commitments, delayed draw commitments or other commitments which can result in providing future financing to a portfolio company.

Equity Investments

When we make a debt investment, we may be granted equity in the portfolio company in the same class of security as the sponsor receives upon funding. In addition, we may from time to time make non-control, equity co-investments in conjunction with private equity sponsors. We generally seek to structure our equity investments, such as direct equity co-investments, to provide us with minority rights provisions and event-driven put rights. We also seek to obtain limited registration rights in connection with these investments, which may include “piggyback” registration rights.

Portfolio Company Monitoring

We monitor the performance and financial trends of our portfolio companies on at least a quarterly basis. We attempt to identify any developments within the portfolio company, the industry or the macroeconomic environment that may alter any material element of our original investment strategy. We use several methods of evaluating and monitoring the performance of our investments, including but not limited to the following:

- review of monthly and/or quarterly financial statements and financial projections for portfolio companies provided by its management;
- ongoing dialogue with and review of original diligence sources;
- periodic contact with portfolio company management (and, if appropriate, the private equity sponsor) to discuss financial position, requirements and accomplishments; and
- assessment of business development success, including product development, profitability and the portfolio company's overall adherence to its business plan.

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

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

The following table shows the distribution of our investments and securities purchased under collateralized agreements to resell on the 1 to 4 investment rating scale at fair value as of December 31, 2019:

(in millions)	As of December 31, 2019			
Investment Rating	Cost	Percent	Fair Value	Percent
Investment Rating 1	$ 88.9	2.8%	$ 91.0	2.9%
Investment Rating 2	3,030.0	95.3%	3,050.5	95.8%
Investment Rating 3	7.5	0.2%	2.4	0.1%
Investment Rating 4	55.1	1.7%	37.8	1.2%
	$ 3,181.5	100.0%	$ 3,181.7	100.0%

Exit Strategies/Refinancing

We exit our investments typically through one of four scenarios: (i) the sale of the portfolio company itself, resulting in repayment of all outstanding debt, (ii) the recapitalization of the portfolio company in which our loan is replaced with debt or equity from a third party or parties (in some cases, we may choose to participate in the newly issued loan(s)), (iii) the repayment of the initial or remaining principal amount of our loan then outstanding at maturity or (iv) the sale of the debt investment by us. In some investments, there may be scheduled amortization of some portion of our loan which would result in a partial exit of our investment prior to the maturity of the loan.

Valuation

At all times, consistent with accounting principles generally accepted in the United States of America ("GAAP") and the 1940 Act, we conduct a valuation of our assets, which impacts our net asset value.

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

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

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

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

  b. For investments other than bonds, the investment professionals of the Investment Adviser look at the number of quotes readily available and perform the following:

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

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

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

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

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

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

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

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

The values assigned to investments are based upon available information and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated. Due to the inherent uncertainty of determining the fair value of investments that do

not have a readily available market value, the fair value of our investments may fluctuate from period to period and the fluctuations could be material.

Operating and Regulatory Environment

As with other companies regulated by the 1940 Act, a BDC must adhere to certain regulatory requirements. The 1940 Act contains prohibitions and restrictions relating to investments by a BDC in another investment company as well as transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters. A BDC must be organized and have its principal place of business in the U.S., it must be operated for the purpose of investing in or lending to primarily private companies and for qualifying investments it must make significant managerial assistance available to them. A BDC may use capital provided by public stockholders and from other sources to make long-term, private investments in businesses. A BDC provides stockholders the ability to retain the liquidity of a publicly traded stock while sharing in the possible benefits, if any, of investing in primarily privately owned companies.

We have a board of directors. A majority of our board of directors must be persons who are not interested persons, as that term is defined in the 1940 Act. As a BDC, we are prohibited from indemnifying any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office. Additionally, we are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect the BDC.

As a BDC, we are required to meet a coverage ratio of the value of total assets to total senior securities, which include all of our borrowings, excluding SBA-guaranteed debentures, and any preferred stock we may issue in the future, of at least 150.0% (which means we can borrow $2 for every $1 of our equity). We monitor our compliance with this coverage ratio on a regular basis.

We may, to the extent permitted under the 1940 Act, issue additional equity or debt capital. We will generally not be able to issue and sell our common stock at a price below net asset value per share without shareholder approval. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value of our common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. In addition, we may generally issue new shares of our common stock at a price below net asset value in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

As a BDC, we will not generally be permitted to invest in any portfolio company in which the Investment Adviser or any of its affiliates currently have an investment or to make any co-investments with the Investment Adviser or its affiliates without an exemptive order from the SEC. On October 8, 2019, the SEC issued an exemptive order (the “Exemptive Order”), which superseded a prior order issued on December 18, 2017, which permits us to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the Exemptive Order, we are permitted to co-invest with our affiliates if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

We may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC unless authorized by vote of a majority of the outstanding voting securities, as required by the 1940 Act. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (a) 67.0% or more of such company's voting securities present at a meeting if more than 50.0% of the outstanding voting securities of such company are present or represented by proxy, or (b) more than 50.0% of the outstanding voting securities of such company. We do not anticipate any substantial change in the nature of our business.

In addition, as a BDC, we are not permitted to issue stock in consideration for services.

Taxation as a Regulated Investment Company

We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. As a RIC, we generally will not be subject to corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we timely distribute to our stockholders as distributions. Rather, distributions paid by us generally will be taxable to our stockholders, and any net operating losses, foreign tax credits and other tax attributes of

ours generally will not pass through to our stockholders, subject to special rules for certain items such as net capital gains and qualified dividend income recognized by us.

To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements. In addition, to qualify for tax treatment as a RIC, we must distribute to our stockholders, for each taxable year, at least 90.0% of our "investment company taxable income", which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the "Annual Distribution Requirement").

We will be subject to a 4.0% nondeductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98.0% of our net ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income recognized, but not distributed and on which we did not pay corporate-level U.S. federal income tax, in preceding years (the "Excise Tax Avoidance Requirement"). While we intend to make distributions to our stockholders in each taxable year that will be sufficient to avoid any U.S. federal excise tax on our earnings, there can be no assurance that we will be successful in entirely avoiding this tax.

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

- continue to qualify as a BDC under the 1940 Act at all times during each taxable year;

- derive in each taxable year at least 90.0% of our gross income from dividends, interest, payments with respect to loans of certain securities, gains from the sale of stock or other securities or foreign currencies, net income from certain "qualified publicly traded partnerships", or other income derived with respect to our business of investing in such stock or securities (the "90.0% Income Test"); and

- diversify our holdings so that at the end of each quarter of the taxable year:

  - at least 50.0% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5.0% of the value of our assets or more than 10.0% of the outstanding voting securities of the issuer; and

  - no more than 25.0% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of: (1) one issuer, (2) two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades, or (3) businesses or of certain "qualified publicly traded partnerships" (the "Diversification Tests").

A RIC is limited in its ability to deduct expenses in excess of its "investment company taxable income" (which is, generally, ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses). If our expenses in a given year exceed our investment company taxable income, we would experience a net operating loss for that year. However, a RIC is not permitted to carry forward net operating losses to subsequent years and such net operating losses do not pass through to its stockholders. In addition, expenses can be used only to offset investment company taxable income, not net capital gain. A RIC may not use any net capital losses (that is, realized capital losses in excess of realized capital gains) to offset the RIC's investment company taxable income, but may carry forward such losses, and use them to offset capital gains, indefinitely. Due to these limits on the deductibility of expenses and net capital losses, we may for tax purposes have aggregate taxable income for several years that we are required to distribute and that is taxable to our stockholders even if such income is greater than the aggregate net income we actually earned during those years.

Failure to Qualify as a Regulated Investment Company

If we fail to satisfy the 90.0% Income Test or the Diversification Tests for any taxable year or quarter of such taxable year, we may nevertheless continue to qualify as a RIC for such year if certain relief provisions of the Code apply (which may, among other things, require us to pay certain corporate-level U.S. federal income taxes or to dispose of certain assets). If we fail to qualify for treatment as a RIC and such relief provisions do not apply to us, we will be subject to U.S. federal income tax on all of our taxable income at regular corporate rates (and also will be subject to any applicable state and local taxes), regardless of whether we make any distributions to our stockholders. Distributions would not be required. However, if distributions were made, any such distributions would be taxable to our stockholders as ordinary dividend income and, subject to certain limitations under the Code, any such distributions may be eligible for the 20.0% maximum rate applicable to non-corporate taxpayers to the extent of our current or accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain.

Subject to a limited exception applicable to RICs that qualified as such under Subchapter M of the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the non-qualifying year, we could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized during the five-year period after our requalification as a RIC, unless we made a special election to pay corporate-level U.S. federal income tax on such built-in gain at the time of our requalification as a RIC. We may decide to be taxed as a regular corporation even if we would otherwise qualify as a RIC if we determine that treatment as a corporation for a particular year would be in our best interests.

SBA Regulation

On August 1, 2014 and August 25, 2017, SBIC I and SBIC II, our wholly owned subsidiaries, received licenses from the SBA to operate as SBICs under Section 301(c) of the 1958 Act, respectively. SBIC I and SBIC II have an investment strategy and philosophy substantially similar to ours and make similar types of investments in accordance with SBA regulations.

An SBIC license allows each of SBIC I and SBIC II to incur leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment and other customary procedures. SBA-guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. In June 2018, the limit of SBA leverage available to an individual SBIC eligible for two tiers of leverage was increased from $150.0 million with at least $75 million in regulatory capital to $175.0 million with at least $87.5 million in regulatory capital, subject to SBA approval. Currently, SBIC I and SBIC II operate under the prior $150.0 million leverage limit. SBA-guaranteed debentures are non-recourse, have a maturity of ten years, require semi-annual payments of interest and do not require any principal payments prior to maturity. SBIC I and SBIC II are subject to regulation and oversight by the SBA, including requirements with respect to reporting financial information, such as the extent of capital impairment, if applicable, on a regular basis. The SBA, as a creditor, will have a superior claim to SBIC I's and SBIC II's assets over our stockholders in the event SBIC I and SBIC II are liquidated or the SBA exercises its remedies under the SBA-guaranteed debentures issued by SBIC I and SBIC II upon an event of default.

On November 5, 2014, we received exemptive relief from the SEC to permit us to exclude the SBA-guaranteed debentures of SBIC I, SBIC II and any other future SBIC subsidiaries from our 150.0% asset coverage test under the 1940 Act. As such, our ratio of total consolidated assets to outstanding indebtedness may be less than 150.0%. This provides us with increased investment flexibility but also increases our risks related to leverage.

SBICs are designed to stimulate the flow of private investor capital to eligible small businesses as defined by the SBA. Under SBA regulations, SBICs may make loans to eligible small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Under present SBA regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding $19.5 million and have average annual net income after U.S. federal income taxes not exceeding $6.5 million (average net income to be computed without benefit of any carryover loss) for the two most recent fiscal years. In addition, an SBIC must invest 25.0% of its investment capital to "smaller enterprises", as defined by the SBA. The definition of a smaller enterprise generally includes businesses that have a tangible net worth not exceeding $6.0 million for the most recent fiscal year and have average annual net income after U.S. federal income taxes not exceeding $2.0 million (average net income to be computed without benefit of any net carryover loss) for the two most recent fiscal years. SBA regulations also provide alternative industry size standard criteria to determine eligibility for designation as an eligible small business or smaller concern, which criteria depend on the primary industry in which the business is engaged and is based on the number of employees or gross revenue. However, once a SBIC has invested in an eligible small business, it may continue to make follow-on investments in the company, regardless of the size of the company at the time of the follow-on investment, up to the time of the company's initial public offering, if any.

The SBA prohibits an SBIC from providing funds to small businesses with certain characteristics, such as relending or businesses with the majority of their employees located outside the U.S., business engaged in certain prohibited industries, such as project finance, real estate, farmland, financial intermediaries or "passive" (i.e. non-operating) businesses. Without prior SBA approval, a SBIC may not invest an amount equal to more than approximately 30.0% of the SBIC's regulatory capital in any one company and its affiliates.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio company). An SBIC may exercise control over a small business for a period of up to seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA's prior written approval.

The SBA restricts the ability of an SBIC to provide financing to an "associate" as defined in the SBA regulations, without prior written exemption from the SBA. The SBA also prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class

of capital stock of a licensed SBIC. A "change of control" is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise.

The SBA regulations require, among other things, a periodic examination of a licensed SBIC by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations, and the performance of a financial audit by an independent auditor.

The maximum leverage available to a "family" of affiliated SBIC funds is $350.0 million, subject to SBA approval.

Investment Management Agreement

We are a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. We are externally managed by our Investment Adviser and pay our Investment Adviser a fee for its services. The following summarizes our arrangements with the Investment Adviser pursuant to an investment advisory and management agreement (the "Investment Management Agreement").

Management Services

The Investment Adviser is registered as an Investment Adviser under the Advisers Act. The Investment Adviser serves pursuant to the Investment Management Agreement in accordance with the 1940 Act. Subject to the overall supervision of our board of directors, the Investment Adviser manages our day-to-day operations and provides us with investment advisory and management services. Under the terms of the Investment Management Agreement, the Investment Adviser:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- determines the securities and other assets that we will purchase, retain or sell;
- identifies, evaluates and negotiates the structure of our investments that we make;
- executes, monitors and services the investments that we make;
- performs due diligence on prospective portfolio companies;
- votes, exercises consents and exercises all other rights appertaining to such securities and other assets on our behalf; and
- provides us with such other investment advisory, research and related services as we may, from time to time, reasonably require.

The Investment Adviser's services under the Investment Management Agreement are not exclusive, and the Investment Adviser (so long as its services to us are not impaired) and/or other entities affiliated with New Mountain Capital are permitted to furnish similar services to other entities. The Investment Adviser also manages other funds that may have investment mandates that are similar, in whole or in part, to ours.

Management Fees

Pursuant to the Investment Management Agreement, we have agreed to pay the Investment Adviser a fee for investment advisory and management services consisting of two components—a base management fee and an incentive fee. The cost of both the base management fee payable to the Investment Adviser and any incentive fees paid in cash to the Investment Adviser are borne by us and, as a result, are indirectly borne by our common stockholders.

Base Management Fees

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

Since our IPO, the base management fee calculation has deducted the borrowings under the SLF Credit Facility. The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to our existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the NMF Holdings Loan and Security Agreement, as amended and restated, dated May 19, 2011, and into the Second Amended and Restated Loan and Security Agreement with Wells Fargo Bank, National Association (the "Holdings Credit Facility") on December 18, 2014. See *Item 8.—Financial Statements and Supplementary Data—Note 7. Borrowings* for additional information on our credit facilities. The amendment merged the credit facilities and combined the amount of borrowings previously available. Post credit facility merger and to be consistent with the methodology since our IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets held under revolving credit facilities that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility, which approximated $829.0 million as of December 31, 2019. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the year ended December 31, 2019, total management fees waived was approximately$12.0 million.

Incentive Fees

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of our "Pre-Incentive Fee Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature. "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, upfront, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the administration agreement, as amended and restated (the "Administration Agreement"), with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred stock (of which there is none as of December 31, 2019), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

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

- No incentive fee is payable to the Investment Adviser in any calendar quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate of 2.0% (the "preferred return" or "hurdle").

- 100.0% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than or equal to 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser. This portion of our Pre-Incentive Fee Net Investment Income (which exceeds the hurdle rate but is less than or equal to 2.5%) is referred to as the "catch-up". The catch-up provision is intended to provide the Investment Adviser with an incentive fee of 20.0% on all of our Pre-Incentive Fee Net Investment Income as if a hurdle rate did not apply when our Pre-Incentive Fee Net Investment Income exceeds 2.5% in any calendar quarter.

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

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

In accordance with GAAP, we accrue a hypothetical capital gains incentive fee based upon the cumulative net realized capital gains and realized capital losses and the cumulative net unrealized capital appreciation and unrealized capital depreciation on investments held at the end of each period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual realized capital gains computed net of all realized capital

losses and unrealized capital depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value.

Example 1: Income Related Portion of Incentive Fee for Each Calendar Quarter:

Alternative 1

Assumptions

Investment income (including interest, dividends, fees, etc.) = 1.25%
Hurdle rate(1) = 2.00%
Management fee(2) = 0.44%
Other expenses (legal, accounting, safekeeping agent, transfer agent, etc.)(3) = 0.20%

Pre-Incentive Fee Net Investment Income
(investment income – (management fee + other expenses)) = 0.61%

Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate, therefore there is no income related incentive fee.

Alternative 2

Assumptions

Investment income (including interest, dividends, fees, etc.) = 2.90%
Hurdle rate(1) = 2.00%
Management fee(2) = 0.44%
Other expenses (legal, accounting, safekeeping agent, transfer agent, etc.)(3) = 0.20%

Pre-Incentive Fee Net Investment Income
(investment income – (management fee + other expenses)) = 2.26%

Incentive fee = 100.00% × Pre-Incentive Fee Net Investment Income (subject to "catch-up")(4)

= 100.00% × (2.26% – 2.00%)
= 0.26%

Pre-Incentive Fee Net Investment Income exceeds the hurdle rate, but does not fully satisfy the "catch-up" provision, therefore the income related portion of the incentive fee is 0.26%.

Alternative 3

Assumptions

Investment income (including interest, dividends, fees, etc.) = 3.50%
Hurdle rate(1) = 2.00%
Management fee(2) = 0.44%
Other expenses (legal, accounting, safekeeping agent, transfer agent, etc.)(3) = 0.20%

Pre-Incentive Fee Net Investment Income
(investment income – (management fee + other expenses)) = 2.86%

Incentive fee = 100.00% × Pre-Incentive Fee Net Investment Income (subject to "catch-up")(4)

Incentive fee = 100.00% × "catch-up" + (20.00% × (Pre-Incentive Fee Net Investment Income 2.50%))

Catch-up = 2.50% – 2.00%
= 0.50%

Incentive fee = (100.00% × 0.50%) + (20.00% × (2.86% – 2.50%))
= 0.50% + (20.00% × 0.36%)
= 0.50% + 0.07%
= 0.57%

Pre-Incentive Fee Net Investment Income exceeds the hurdle rate, and fully satisfies the "catch-up" provision, therefore the income related portion of the incentive fee is 0.57%.

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(1) Represents 8.00% annualized hurdle rate.

(2) Assumes 1.75% annualized base management fee.

(3) Excludes organizational and offering expenses.

(4) The "catch-up" provision is intended to provide the Investment Adviser with an incentive fee of 20.00% on all Pre-Incentive Fee Net Investment Income as if a hurdle rate did not apply when our net investment income exceeds 2.50% in any calendar quarter.

Example 2: Capital Gains Portion of Incentive Fee:

Alternative 1:

Assumptions

Year 1: $20.0 million investment made in Company A ("Investment A"), and $30.0 million investment made in Company B ("Investment B")

Year 2: Investment A sold for $50.0 million and fair market value ("FMV") of Investment B determined to be $32.0 million

Year 3: FMV of Investment B determined to be $25.0 million

Year 4: Investment B sold for $31.0 million

The capital gains portion of the incentive fee would be:

Year 1: None

Year 2: Capital gains incentive fee of $6.0 million—($30.0 million realized capital gains on sale of Investment A multiplied by 20.0%)

Year 3: None—$5.0 million (20.0% multiplied by ($30.0 million cumulative capital gains less $5.0 million cumulative capital depreciation)) less $6.0 million (previous capital gains fee paid in Year 2)

Year 4: Capital gains incentive fee of $0.2 million—$6.2 million ($31.0 million cumulative realized capital gains multiplied by 20.0%) less $6.0 million (capital gains incentive fee taken in Year 2)

Alternative 2

Assumptions

Year 1: $20.0 million investment made in Company A ("Investment A"), $30.0 million investment made in Company B ("Investment B") and $25.0 million investment made in Company C ("Investment C")

Year 2: Investment A sold for $50.0 million, FMV of Investment B determined to be $25.0 million and FMV of Investment C determined to be $25.0 million

Year 3: FMV of Investment B determined to be $27.0 million and Investment C sold for $30.0 million

Year 4: FMV of Investment B determined to be $35.0 million

Year 5: Investment B sold for $20.0 million

The capital gains incentive fee, if any, would be:

Year 1: None

Year 2: $5.0 million capital gains incentive fee—20.0% multiplied by $25.0 million ($30.0 million realized capital gains on Investment A less $5.0 million unrealized capital depreciation on Investment B)

Year 3: $1.4 million capital gains incentive fee—$6.4 million (20.0% multiplied by $32.0 million ($35.0 million cumulative realized capital gains less $3.0 million unrealized capital depreciation)) less $5.0 million capital gains incentive fee received in Year 2

Year 4: $0.6 million capital gains incentive fee—$7.0 million (20.0% multiplied by $35.0 million cumulative realized capital gains) less cumulative $6.4 million capital gains incentive fee received in Year 2 and Year 3

Year 5: None—$5.0 million (20.0% multiplied by $25.0 million (cumulative realized capital gains of $35.0 million less realized capital losses of $10.0 million)) less $7.0 million cumulative capital gains incentive fee paid in Year 2, Year 3 and Year 4(1)

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(1) As noted above, it is possible that the cumulative aggregate capital gains fee received by the Investment Adviser ($7.0 million) is effectively greater than $5.0 million (20.0% of cumulative aggregate realized capital gains less net realized capital losses or net unrealized depreciation ($25.0 million)).

Payment of Expenses

Our primary operating expenses are interest payable on our debt, the payment of a base management fee and any incentive fees under the Investment Management Agreement and the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under the Administration Agreement. We bear all other expenses of our operations and transactions, including (without limitation) fees and expenses relating to:

- organizational and offering expenses;
- the investigation and monitoring of our investments;
- the cost of calculating net asset value;
- interest payable on debt, if any, to finance our investments;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- management and incentive fees payable pursuant to the Investment Management Agreement;
- fees payable to third parties relating to, or associated with, making investments and valuing investments (including third-party valuation firms);
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts (including attendance at investment conferences and similar events);
- federal and state registration fees;
- any exchange listing fees;
- federal, state, local and foreign taxes;
- independent directors' fees and expenses;
- brokerage commissions;
- costs of proxy statements, stockholders' reports and notices;
- costs of preparing government filings, including periodic and current reports with the SEC;
- fees and expenses associated with independent audits and outside legal costs;
- costs associated with reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws;

- fidelity bond, liability insurance and other insurance premiums; and
- printing, mailing and all other direct expenses incurred by either the Investment Adviser or us in connection with administering our business, including payments under the Administration Agreement that are based upon our

allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under the Administration Agreement, including the allocable portion of the compensation of our chief financial officer and chief compliance officer and their respective staffs.

Board Consideration of the Investment Management Agreement

Our board of directors determined at an in-person meeting held on February 6, 2020 to re-approve our Investment Management Agreement with the Investment Adviser. In the consideration of the re-approval of the Investment Management Agreement, our board of directors focused on information they had received relating to, among other things:

- the nature, extent and quality of advisory and other services provided by the Investment Adviser, including information about our investment performance relative to our stated objectives and in comparison to our performance peer group and relevant market indices, and concluded that such advisory and other services are satisfactory and our investment performance is reasonable;
- the experience and qualifications of the personnel providing such advisory and other services, including information about the backgrounds of the investment personnel, the allocation of responsibilities among such personnel and the process by which investment decisions are made, and concluded that the investment personnel of the Investment Adviser have extensive experience and are well qualified to provide advisory and other services to us;
- the current fee structure, the existence of any fee waivers, and our anticipated expense ratios in relation to those of other investment companies having comparable investment policies and limitations, and concluded that the current fee structure is reasonable;
- the advisory fees charged to us by the Investment Adviser and comparative data regarding the advisory fees charged by other investment advisers to BDCs with similar investment objectives, and concluded that the advisory fees charged to us by the Investment Adviser are reasonable;
- the direct and indirect costs, including for personnel and office facilities, that are incurred by the Investment Adviser and its affiliates in performing services for us and the basis of determining and allocating these costs, and concluded that the direct and indirect costs, including the allocation of such costs, are reasonable;
- the total of all assets managed by the Adviser, as well as total number of investment companies and other clients serviced by the Adviser and possible economies of scale arising from our size and/or anticipated growth, and the extent to which such economies of scale are reflected in the advisory fees charged to us by the Investment Adviser, and concluded that some economies of scale may be possible in the future;
- other possible benefits to the Investment Adviser and its affiliates arising from their relationships with us, and concluded that any such other benefits were not material to the Investment Adviser and its affiliates; and
- possible alternative fee structures or bases for determining fees and the possibility of obtaining similar services from other third party service providers, and concluded that our current fee structure and bases for determining fees are satisfactory.

Based on the information reviewed and the discussions detailed above, our board of directors, including a majority of the directors who are not "interested persons" as defined in the 1940 Act, concluded that the fees payable to the Investment Adviser pursuant to the Investment Management Agreement were reasonable, and comparable to the fees paid by other management investment companies with similar investment objectives, in relation to the services to be provided. Our board of directors did not assign relative weights to the above factors or the other factors considered by it. Individual members of our board of directors may have given different weights to different factors.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70.0% of the BDC's total assets. The principal categories of qualifying assets relevant to our business are any of the following:

1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

(a) is organized under the laws of, and has its principal place of business in, the U.S.;

(b) is not an investment company (other than a small business investment company wholly-owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

(c) satisfies any of the following:

(i) does not have any class of securities that is traded on a national securities exchange;

(ii) has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than $250.0 million;

(iii) is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or

(iv) is a small and solvent company having total assets of not more than $4.0 million and capital and surplus of not less than $2.0 million.

2) Securities of any eligible portfolio company that the BDC controls.

3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and the BDC already owns 60.0% of the outstanding equity of the eligible portfolio company.

5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

6) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

In addition, a BDC must have been organized and have its principal place of business in the U.S. and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above.

As of December 31, 2019, 15.6% of our total assets were non-qualifying assets.

Significant Managerial Assistance to Portfolio Companies

BDCs generally must offer to make available to the eligible issuers of its securities significant managerial assistance, except in circumstances where either (i) the BDC controls such issuer of securities or (ii) the BDC purchases such securities in conjunction with one or more other persons acting together and one of the other persons in the group makes available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. The Administrator or its affiliate provides such managerial assistance on our behalf to portfolio companies that request this assistance.

Temporary Investments

Pending investments in other types of qualifying assets, our investments may consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment (collectively, as “temporary investments”), so that 70.0% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25.0% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests in order to qualify as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in

excess of this limit. The Investment Adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions. We had no temporary investments as of December 31, 2019.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of debt if our asset coverage, as defined in the 1940 Act, is at least equal to 150.0% immediately after each such issuance (which means we can borrow $2 for every $1 of our equity). If our asset ratio coverage is not at least 150.0%, we would be unable to issue additional senior securities, and certain provisions of our senior securities may preclude us from making distributions to our stockholders. However, at December 31, 2019, none of our senior securities have provisions that may preclude us from making distributions to stockholders. We may also borrow amounts up to 5.0% of the value of our total assets for temporary or emergency purposes without regard to our asset coverage. We will include our assets and liabilities and all of our wholly-owned direct and indirect subsidiaries for purposes of calculating the asset coverage ratio. We received exemptive relief from the SEC on November 5, 2014, allowing us to modify the asset coverage requirement to exclude SBA-guaranteed debentures from this calculation. For a discussion of the risks associated with leverage, see *Item 1A.—Risk Factors.*

Code of Ethics

We have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code’s requirements. The code of ethics is available on the SEC’s website at *http://www.sec.gov.*

Compliance Policies and Procedures

We and the Investment Adviser have adopted and implemented written policies and procedures reasonably designed to prevent violation of the federal securities laws and we are required to review these compliance policies and procedures annually for the adequacy and the effectiveness of their implementation. Our chief compliance officer is responsible for administering these policies and procedures.

Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to the Investment Adviser. The proxy voting policies and procedures of the Investment Adviser are set forth below. The guidelines will be reviewed periodically by the Investment Adviser and our non-interested directors, and, accordingly, are subject to change.

Introduction

As an investment adviser registered under the Advisers Act, the Investment Adviser has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, it recognizes that it must vote proxies relating to our securities in a timely manner free of conflicts of interest and in our best interests.

The policies and procedures for voting proxies for the investment advisory clients of the Investment Adviser are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy policies

The Investment Adviser will vote proxies relating to our securities in our best interest. It will review on a case-by-case basis each proposal submitted for a stockholder vote to determine its impact on the portfolio securities held by us. Although the Investment Adviser will generally vote against proposals that may have a negative impact on its clients’ portfolio securities, it may vote for such a proposal if there exists compelling long-term reasons to do so.

The proxy voting decisions of the Investment Adviser are made by the senior officers who are responsible for monitoring each of its clients’ investments. To ensure that its vote is not the product of a conflict of interest, it will require that: (a) anyone involved in the decision making process disclose to its chief compliance officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (b) employees involved in the decision making process or vote administration are prohibited from revealing how the Investment Adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties.

Proxy voting records

You may obtain, without charge, information regarding how we voted proxies with respect to our portfolio securities by making a written request for proxy voting information to: Chief Compliance Officer, 787 Seventh Avenue, 48th Floor, New York, New York 10019.

Staffing

We do not have any employees. Our day-to-day investment operations are managed by the Investment Adviser. See "—Investment Management Agreement". We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, including the compensation of our chief financial officer and chief compliance officer, and their respective staffs. For a more detailed discussion of the Administration Agreement, see *Item 8.—Financial Statements and Supplementary Data—Note 5. Agreements*.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 imposes a variety of regulatory requirements on publicly-held companies and their insiders. Many of these requirements affect us. For example:

- pursuant to Rule 13a-14 of the Exchange Act, our chief executive officer and chief financial officer are required to certify the accuracy of the financial statements contained in our periodic reports;

- pursuant to Item 307 of Regulation S-K, our periodic reports are required to disclose our conclusions about the effectiveness of our disclosure controls and procedures;

- pursuant to Rule 13a-15 of the Exchange Act, our management is required to prepare a report regarding their assessment of their internal control over financial reporting and is required to obtain an audit of the effectiveness of internal control over financial reporting performed by our independent registered public accounting firm; and

- pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the Exchange Act, our periodic reports are required to disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act of 2002 requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder. We intend to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act of 2002 and will take actions necessary to ensure that we are in compliance therewith.

Available Information

We file or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information as required by the 1940 Act. The SEC maintains a website that contains reports, proxy and information statements and other information filed electronically by us with the SEC at *http://www.sec.gov*.

We make available free of charge on our website,*http://www.newmountainfinance.com*, our reports, proxies and information statements and other information as soon as reasonably practicable after we electronically file such materials with, or furnish to, the SEC. Information contained on our website or on the SEC's website about us is not incorporated into this annual report and should not be considered to be a part of this annual report.

Privacy Notice

Your privacy is very important to us. This Privacy Notice sets forth our policies with respect to non-public personal information about our stockholders and prospective and former stockholders. These policies apply to our stockholders and may be changed at any time, provided a notice of such change is given to you. This notice supersedes any other privacy notice you may have received from us.

We will safeguard, according to strict standards of security and confidentiality, all information we receive about you. The only information we collect from you is your name, address, number of shares you hold and your social security number. This information is used only so that we can send you annual reports and other information about us, and send you proxy statements or other information required by law.

We do not share this information with any non-affiliated third party except as described below.

- *Authorized Employees of our Investment Adviser.* It is our policy that only authorized employees of our investment adviser who need to know your personal information will have access to it.

- *Service Providers.* We may disclose your personal information to companies that provide services on our behalf, such as recordkeeping, processing your trades, and mailing you information. These companies are required to protect your information and use it solely for the purpose for which they received it.

- *Courts and Government Officials.* If required by law, we may disclose your personal information in accordance with a court order or at the request of government regulators. Only that information required by law, subpoena, or court order will be disclosed.

We seek to carefully safeguard your private information and, to that end, restrict access to non-public personal information about you to those employees and other persons who need to know the information to enable us to provide services to you. We maintain physical, electronic and procedural safeguards to protect your non-public personal information.

If you have any questions regarding this policy or the treatment of your non-public personal information, please contact our chief compliance officer at (212) 655-0083.

Item 1A. Risk Factors

You should carefully consider the significant risks described below, together with all of the other information included in this Form 10-K, including our consolidated financial statements and the related notes, before making an investment decision in us. The risks set forth below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially affect our business, our structure, our financial condition, our investments and/or operating results. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline. There can be no assurance that we will achieve our investment objective and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS AND STRUCTURE

Global capital markets could enter a period of severe disruption and instability. These market conditions have historically and could again have a materially adverse effect on debt and equity capital markets in the U.S., which could have, a materially negative impact on our business, financial condition and results of operations.

The U.S. and global capital markets have experienced periods of disruption characterized by the freezing of available credit, a lack of liquidity in the debt capital markets, significant losses in the principal value of investments, the re-pricing of credit risk in the broadly syndicated credit market, the failure of certain major financial institutions and general volatility in the financial markets. During these periods of disruption, general economic conditions deteriorated with material and adverse consequences for the broader financial and credit markets, and the availability of debt and equity capital for the market as a whole, and financial services firms in particular, was reduced significantly. These conditions may reoccur for a prolonged period of time or materially worsen in the future. In addition, signs of deteriorating sovereign debt conditions in Europe and concerns of economic slowdown in China create uncertainty that could lead to further disruptions and instability. We may in the future have difficulty accessing debt and equity capital, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. Government spending and deficit levels, European sovereign debt, Chinese economic slowdown or other global economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Further downgrades of the U.S. credit rating, impending automatic spending cuts or another government shutdown could negatively impact our liquidity, financial condition and earnings.

Recent U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the U.S. If legislation increasing the debt ceiling is not enacted, as needed, and the debt ceiling is reached, the U.S. federal government may stop or delay making payments on its obligations, which could negatively impact the U.S. economy and our portfolio companies. Multiple factors relating to the international operations of some of our portfolio companies and to particular countries in which they operate could negatively impact their business, financial condition and results of operations. In addition, disagreement over the federal budget has caused the U.S. federal government to shut down for periods of time. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

U.S. and worldwide economic, political, regulatory and financial market conditions may adversely affect our business, results of operations and financial condition, including our revenue growth and profitability.

The current worldwide financial market situation, as well as various social and political tensions in the U.S. and around the world, may contribute to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets, and may cause economic uncertainties or deterioration in the U.S. and worldwide. Since 2010, several European Union ("EU") countries, including Greece, Ireland, Italy, Spain, and Portugal, have faced budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. In June 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union ("Brexit") and, subsequently, on March 29, 2017, the U.K. government began the formal process of leaving the European Union. Brexit created political and economic uncertainty and instability in the global markets (including currency and credit markets), and especially in the United Kingdom and the European Union. Under current Prime Minister Boris Johnson, the House of Commons passed the Brexit deal on December 20, 2019 and the U.K. formally left the European Union on January 31, 2020. The U.K. is currently in a transition period until December 31, 2020, where agreements surrounding trade and other aspects of the U.K.'s future relationship with the European Union will need to be finalized. Failure to come to terms on a free trade deal could result in checks and tariffs on U.K. goods traveling to the European Union and thus prolong the economic uncertainty. In addition, the fiscal policy of foreign nations, such as Russia and China, may have a severe impact on the worldwide and U.S. financial markets. We cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on our investments. We monitor developments and seek to

manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

The Republican Party currently controls the executive branch and the Senate portion of the legislative branch of government, which increases the likelihood that legislation may be adopted that could significantly affect the regulation of U.S. financial markets. Areas subject to potential change, amendment or repeal include the Dodd-Frank Act and the authority of the Federal Reserve and the Financial Stability Oversight Council. For example, in March 2018, the U.S. Senate passed a bill that eased financial regulations and reduced oversight for certain entities. The U.S. may also potentially withdraw from or renegotiate various trade agreements and take other actions that would change current trade policies of the U.S. We cannot predict which, if any, of these actions will be taken or, if taken, their effect on the financial stability of the U.S. Such actions could have a significant adverse effect on our business, financial condition and results of operations. We cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

We may suffer credit losses.

Investments in small and middle market businesses are highly speculative and involve a high degree of risk of credit loss. These risks are likely to increase during volatile economic periods, such as the U.S. and many other economies have recently been experiencing.

Changes to U.S. tariff and import/export regulations may have a negative effect on our portfolio companies and, in turn, harm us.

There has been on-going discussion and commentary regarding potential significant changes to U.S. trade policies, treaties and tariffs. The current administration, along with Congress, has created significant uncertainty about the future relationship between the U.S. and other countries with respect to the trade policies, treaties and tariffs. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the U.S. Any of these factors could depress economic activity and restrict our portfolio companies' access to suppliers or customers and have a material adverse effect on their business, financial condition and results of operations, which in turn would negatively impact us.

We do not expect to replicate the Predecessor Entities' historical performance or the historical performance of other entities managed or supported by New Mountain Capital.

We do not expect to replicate the Predecessor Entities' historical performance or the historical performance of New Mountain Capital's investments. Our investment returns may be substantially lower than the returns achieved by the Predecessor Entities. Although the Predecessor Entities commenced operations during otherwise unfavorable economic conditions, this was a favorable environment in which the Predecessor Operating Company could conduct its business in light of its investment objectives and strategy. In addition, our investment strategies may differ from those of New Mountain Capital or its affiliates. We, as a BDC and as a RIC, are subject to certain regulatory restrictions that do not apply to New Mountain Capital or its affiliates.

We are generally not permitted to invest in any portfolio company in which New Mountain Capital or any of its affiliates currently have an investment or to make any co-investments with New Mountain Capital or its affiliates, except to the extent permitted by the 1940 Act. This may adversely affect the pace at which we make investments. Moreover, we may operate with a different leverage profile than the Predecessor Entities. Furthermore, none of the prior results from the Predecessor Entities were from public reporting companies, and all or a portion of these results were achieved in particularly favorable market conditions for the Predecessor Operating Company's investment strategy which may never be repeated. Finally, we can offer no assurance that our investment team will be able to continue to implement our investment objective with the same degree of success as it has had in the past.

There is uncertainty as to the value of our portfolio investments because most of our investments are, and may continue to be in private companies and recorded at fair value. In addition, the fair values of our investments are determined by our board of directors in accordance with our valuation policy.

Some of our investments are and may be in the form of securities or loans that are not publicly traded. The fair value of these investments may not be readily determinable. Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined in good faith by our board of directors, including reflection of significant events affecting the value of our securities. We value our investments for which we do not

have readily available market quotations quarterly, or more frequently as circumstances require, at fair value as determined in good faith by our board of directors in accordance with our valuation policy, which is at all times consistent with GAAP.

Our board of directors utilizes the services of one or more independent third-party valuation firms to aid it in determining the fair value with respect to our material unquoted assets in accordance with our valuation policy. The inputs into the determination of fair value of these investments may require significant management judgment or estimation. Even if observable market data is available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information.

The types of factors that the board of directors takes into account in determining the fair value of our investments generally include, as appropriate: available market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows and the markets in which it does business, comparisons of financial ratios of peer companies that are public, comparable merger and acquisition transactions and the principal market and enterprise values. Since these valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed.

Due to this uncertainty, our fair value determinations may cause our net asset value, on any given date, to be materially understated or overstated. In addition, investors purchasing our common stock based on an overstated net asset value would pay a higher price than the realizable value that our investments might warrant.

We may adjust quarterly the valuation of our portfolio to reflect our board of directors' determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our statement of operations as net change in unrealized appreciation or depreciation.

Our ability to achieve our investment objective depends on key investment personnel of the Investment Adviser. If the Investment Adviser were to lose any of its key investment personnel, our ability to achieve our investment objective could be significantly harmed.

We depend on the investment judgment, skill and relationships of the investment professionals of the Investment Adviser, particularly Steven B. Klinsky, Robert A. Hamwee and John R. Kline, as well as other key personnel to identify, evaluate, negotiate, structure, execute, monitor and service our investments. The Investment Adviser, as an affiliate of New Mountain Capital, is supported by New Mountain Capital's team, which as of December 31, 2019 consisted of approximately 160 employees and senior advisors of New Mountain Capital and its affiliates to fulfill its obligations to us under the Investment Management Agreement. The Investment Adviser may also depend upon New Mountain Capital to obtain access to investment opportunities originated by the professionals of New Mountain Capital and its affiliates. Our future success depends to a significant extent on the continued service and coordination of the key investment personnel of the Investment Adviser. The departure of any of these individuals could have a material adverse effect on our ability to achieve our investment objective.

The Investment Committee, which provides oversight over our investment activities, is provided by the Investment Adviser. The Investment Committee currently consists of five members. The loss of any member of the Investment Committee or of other senior professionals of the Investment Adviser and its affiliates without suitable replacement could limit our ability to achieve our investment objective and operate as we anticipate. This could have a material adverse effect on our financial condition, results of operations and cash flows. To achieve our investment objective, the Investment Adviser may hire, train, supervise and manage new investment professionals to participate in its investment selection and monitoring process. If the Investment Adviser is unable to find investment professionals or do so in a timely manner, our business, financial condition and results of operations could be adversely affected.

The Investment Adviser has limited experience managing a BDC or a RIC, which could adversely affect our business.

Prior to us, the Investment Adviser has not previously managed a BDC or a RIC. The 1940 Act and the Code impose numerous constraints on the operations of BDCs and RICs that do not apply to the other investment vehicles previously managed by the investment professionals of the Investment Adviser. For example, under the 1940 Act, BDCs are required to invest at least 70.0% of their total assets primarily in securities of qualifying U.S. private or thinly traded companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. Moreover, qualification for taxation as a RIC under Subchapter M of the Code requires satisfaction of source-of-income, asset diversification and annual distribution requirements. The failure to comply with these provisions in a timely manner could prevent us from qualifying as a BDC or as a RIC and could force us to pay unexpected taxes and penalties, which would have a

material adverse effect on our performance. The Investment Adviser's lack of experience in managing a portfolio of assets under the constraints applicable to BDCs and RICs may hinder its ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objective. If we fail to maintain our status as a BDC or tax treatment as a RIC, our operating flexibility could be significantly reduced.

We operate in a highly competitive market for investment opportunities and may not be able to compete effectively.

We compete for investments with other BDCs and investment funds (including private equity and hedge funds), as well as traditional financial services companies such as commercial banks and other sources of funding. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than us. Furthermore, many of our competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act imposes on us as a BDC or the source-of-income, asset diversification and distribution requirements that we must satisfy to maintain our tax treatment as a RIC. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do.

We may lose investment opportunities if our pricing, terms and structure do not match those of our competitors. With respect to the investments that we make, we do not seek to compete based primarily on the interest rates we may offer, and we believe that some of our competitors may make loans with interest rates that may be lower than the rates we offer. In the secondary market for acquiring existing loans, we expect to compete generally on the basis of pricing terms. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income, lower yields and increased risk of credit loss. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. Part of our competitive advantage stems from the fact that we believe the market for middle market lending is underserved by traditional bank lenders and other financial sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. We may also compete for investment opportunities with accounts managed by the Investment Adviser or its affiliates. Although the Investment Adviser allocates opportunities in accordance with its policies and procedures, allocations to such other accounts reduces the amount and frequency of opportunities available to us and may not be in our best interests and, consequently, our stockholders. Moreover, the performance of investment opportunities is not known at the time of allocation. If we are not able to compete effectively, our business, financial condition and results of operations may be adversely affected, thus affecting our business, financial condition and results of operations. Because of this competition, there can be no assurance that we will be able to identify and take advantage of attractive investment opportunities that we identify or that we will be able to fully invest our available capital.

Our business, results of operations and financial condition depend on our ability to manage future growth effectively.

Our ability to achieve our investment objective and to grow depends on the Investment Adviser's ability to identify, invest in and monitor companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of the Investment Adviser's structuring of the investment process, its ability to provide competent, attentive and efficient services to us and its ability to access financing on acceptable terms. The Investment Adviser has substantial responsibilities under the Investment Management Agreement and may also be called upon to provide managerial assistance to our eligible portfolio companies. These demands on the time of the Investment Adviser and its investment professionals may distract them or slow our rate of investment. In order to grow, we and the Investment Adviser may need to retain, train, supervise and manage new investment professionals. However, these investment professionals may not be able to contribute effectively to the work of the Investment Adviser. If we are unable to manage our future growth effectively, our business, results of operations and financial condition could be materially adversely affected.

The management fee and incentive fee may induce the Investment Adviser to make speculative investments.

The incentive fee payable to the Investment Adviser may create an incentive for the Investment Adviser to pursue investments that are risky or more speculative than would be the case in the absence of such compensation arrangement, which could result in higher investment losses, particularly during cyclical economic downturns. The incentive fee payable to the Investment Adviser is calculated based on a percentage of our return on investment capital. This may encourage the Investment Adviser to use leverage to increase the return on our investments. In addition, because the base management fee is payable based upon our gross assets, which includes any borrowings for investment purposes, but excludes borrowings under the SLF Credit Facility and cash and cash equivalents for investment purposes, the Investment Adviser may be further encouraged to use leverage to make additional investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would impair the value of our common stock.

The incentive fee payable to the Investment Adviser also may create an incentive for the Investment Adviser to invest in instruments that have a deferred interest feature, even if such deferred payments would not provide the cash necessary to pay current distributions to our stockholders. Under these investments, we would accrue the interest over the life of the investment

but would not receive the cash income from the investment until the end of the investment's term, if at all. Our net investment income used to calculate the income portion of the incentive fee, however, includes accrued interest. Thus, a portion of the incentive fee would be based on income that we have not yet received in cash and may never receive in cash if the portfolio company is unable to satisfy such interest payment obligations. In addition, the "catch-up" portion of the incentive fee may encourage the Investment Adviser to accelerate or defer interest payable by portfolio companies from one calendar quarter to another, potentially resulting in fluctuations in timing and dividend amounts.

We may be obligated to pay the Investment Adviser incentive compensation even if we incur a loss.

The Investment Adviser is entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our Pre-Incentive Fee Net Investment Income for that quarter (before deducting incentive compensation) above a performance threshold for that quarter. Accordingly, since the performance threshold is based on a percentage of our net asset value, decreases in our net asset value make it easier to achieve the performance threshold. Our Pre-Incentive Fee Net Investment Income for incentive compensation purposes excludes realized and unrealized capital losses or depreciation that it may incur in the fiscal quarter, even if such capital losses or depreciation result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay the Investment Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter.

The incentive fee we pay to the Investment Adviser with respect to capital gains may be effectively greater than 20.0%.

As a result of the operation of the cumulative method of calculating the capital gains portion of the incentive fee we pay to the Investment Adviser, the cumulative aggregate capital gains fee received by the Investment Adviser could be effectively greater than 20.0%, depending on the timing and extent of subsequent net realized capital losses or net unrealized depreciation. We cannot predict whether, or to what extent, this payment calculation would affect your investment in our common stock.

We borrow money, which could magnify the potential for gain or loss on amounts invested in us and increase the risk of investing in us.

We borrow money as part of our business plan. Borrowings, also known as leverage, magnify the potential for gain or loss on invested equity capital and may, consequently, increase the risk of investing in us. We expect to continue to use leverage to finance our investments, through senior securities issued by banks and other lenders. Lenders of these senior securities have fixed dollar claims on our assets that are superior to claims of our common stockholders and we would expect such lenders to seek recovery against our assets in the event of default. If the value of our assets decreases, leveraging would cause our net asset value to decline more sharply than it otherwise would have had it not leveraged. Similarly, any decrease in our income would cause our net income to decline more sharply than it would have had it not borrowed. Such a decline could adversely affect our ability to make common stock distribution payments. In addition, because our investments may be illiquid, we may be unable to dispose of them or to do so at a favorable price in the event we need to do so if we are unable to refinance any indebtedness upon maturity and, as a result, we may suffer losses. Leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities.

Our ability to service any debt that we incur depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. Moreover, as the Investment Adviser's management fee is payable to the Investment Adviser based on gross assets, including those assets acquired through the use of leverage, the Investment Adviser may have a financial incentive to incur leverage which may not be consistent with our interests and the interests of our common stockholders. In addition, holders of our common stock will, indirectly, bear the burden of any increase in our expenses as a result of leverage, including any increase in the management fee payable to the Investment Adviser.

As of December 31, 2019, we had $661.6 million, $188.5 million, $230.0 million, $201.2 million, $453.3 million, $225.0 million and $0.0 million of indebtedness outstanding under the Holdings Credit Facility, the NMFC Credit Facility, the DB Credit Facility, the Convertible Notes, the Unsecured Notes, the SBA-guaranteed debentures and the NMNLC Credit Facility, respectively. The Holdings Credit Facility, the NMFC Credit Facility, the DB Credit Facility, the SBA-guaranteed debentures and the Unsecured Notes had weighted average interest rates of 4.3%, 4.8%, 5.1%, 3.2% and 5.2%, respectively, for the year ended December 31, 2019. The interest rate on the Convertible Notes is 5.75% per annum.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of interest expense and adjusted for unsettled securities purchased. The calculations in the table below are hypothetical. Actual returns may be higher or lower than those appearing below. The calculation assumes (i) $3,266.1 million in total assets as of December 31, 2019, (ii) a weighted average cost of borrowings of 4.7%, which assumes the weighted average interest rates as of December 31, 2019 for the Holdings Credit Facility, the NMFC Credit Facility, the DB Credit Facility, the SBA-guaranteed debentures and the Unsecured Notes and the interest rate as of December 31, 2019 for the Convertible Notes, (iii) $1,959.6 million in debt outstanding and (iv) $1,283.5 million in net assets.

	Assumed Return on Our Portfolio (net of interest expense)				
	(10.0)%	**(5.0)%**	**0.0%**	**5.0%**	**10.0%**
Corresponding return to stockholder	(32.6)%	(19.9)%	(7.1)%	5.6%	18.3%

If we are unable to comply with the covenants or restrictions in our borrowings, our business could be materially adversely affected.

The Holdings Credit Facility includes covenants that, subject to exceptions, restrict our ability to pay distributions, create liens on assets, make investments, make acquisitions and engage in mergers or consolidations. The Holdings Credit Facility also includes a change of control provision that accelerates the indebtedness under the facility in the event of certain change of control events. Complying with these restrictions may prevent us from taking actions that we believe would help us grow our business or are otherwise consistent with our investment objective. These restrictions could also limit our ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities. In addition, the restrictions contained in the Holdings Credit Facility could limit our ability to make distributions to our stockholders in certain circumstances, which could result in us failing to qualify as a RIC and thus becoming subject to corporate-level U.S. federal income tax (and any applicable state and local taxes).

The NMFC Credit Facility includes customary covenants, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants, as well as customary events of default.

The DB Credit Facility contains certain customary affirmative and negative covenants and events of default.

Our Convertible Notes are subject to certain covenants, including covenants requiring us to provide financial information to the holders of the Convertible Notes and the trustee if we cease to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions. In addition, if certain corporate events occur, holders of the Convertible Notes may require us to repurchase for cash all or part of their Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

Our Unsecured Notes are subject to certain covenants, including covenants such as information reporting, maintenance of our status as a BDC under the 1940 Act and a RIC under the Internal Revenue Code, minimum stockholders' equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under our other indebtedness or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy. In addition, we are obligated to offer to prepay the Unsecured Notes at par if the Investment Adviser, or an affiliate thereof, ceases to be our investment adviser or if certain change in control events occur with respect to the Investment Adviser.

The breach of any of the covenants or restrictions, unless cured within the applicable grace period, would result in a default under the applicable credit facility that would permit the lenders thereunder to declare all amounts outstanding to be due and payable. In such an event, we may not have sufficient assets to repay such indebtedness. As a result, any default could have serious consequences to our financial condition. An event of default or an acceleration under the credit facilities could also cause a cross-default or cross-acceleration of another debt instrument or contractual obligation, which would adversely impact our liquidity. We may not be granted waivers or amendments to the credit facilities if for any reason we are unable to comply with it, and we may not be able to refinance the credit facilities on terms acceptable to us, or at all.

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

We will need additional capital to fund new investments and grow our portfolio of investments. We intend to access the capital markets periodically to issue debt or equity securities or borrow from financial institutions in order to obtain such additional capital. We believe that having the flexibility to incur additional leverage could augment the returns to our stockholders and would be in the best interests of our stockholders. Even though our board of directors and our shareholders

have approved a resolution permitting us to be subject to a 150.0% asset coverage ratio effective as of June 9, 2018, contractual leverage limitations under our existing credit facilities or future borrowings may limit our ability to incur additional indebtedness. Currently, our NMFC Credit Facility restricts our ability to incur additional indebtedness if after incurring such additional debt, our asset coverage ratio would be below 165.0%. Also, the NMFC Credit Facility requires that we not exceed a secured debt ratio of 0.70 to 1.00 at any time. We cannot assure you that we will be able to negotiate a change to our credit facilities to allow us to incur additional leverage or that any such an amendment will be available to us on favorable terms. An inability on our part to amend the contractual asset coverage limitation and access additional leverage could limit our ability to take advantage of the benefits described above related to our ability to incur additional leverage and could decrease our earnings, if any, which would have an adverse effect on our results of operations and the value of our shares of common stock.

We may enter into reverse repurchase agreements, which are another form of leverage.

We may enter into reverse repurchase agreements as part of our management of our investment portfolio. Under a reverse repurchase agreement, we will effectively pledge our assets as collateral to secure a short-term loan. Generally, the other party to the agreement makes the loan in an amount equal to a percentage of the fair value of the pledged collateral. At the maturity of the reverse repurchase agreement, the payor will be required to repay the loan and correspondingly receive back its collateral. While used as collateral, the assets continue to pay principal and interest which are for our benefit.

Our use of reverse repurchase agreements, if any, involves many of the same risks involved in our use of leverage, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities acquired with the proceeds of a reverse repurchase agreement may decline below the price of the securities that we have sold but remain obligated to repurchase under the reverse repurchase agreement. In addition, there is a risk that the market value of the securities effectively pledged by us may decline. If a buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experience insolvency, we may be adversely affected. Also, in entering into reverse repurchase agreements, we would bear the risk of loss to the extent that the proceeds of such agreements at settlement are more than the fair value of the underlying securities being pledged. In addition, due to the interest costs associated with reverse repurchase agreements transactions, our net asset value would decline, and, in some cases, we may be worse off than if such instruments had not been used.

If we are unable to obtain additional debt financing, or if our borrowing capacity is materially reduced, our business could be materially adversely affected.

We may want to obtain additional debt financing, or need to do so upon maturity of our credit facilities, in order to obtain funds which may be made available for investments. The Holdings Credit Facility, the NMFC Credit Facility, the DB Credit Facility, the NMNLC Credit Facility and the 2018 Convertible Notes mature on October 24, 2022, June 4, 2022, December 14, 2023, September 23, 2020 and August 15, 2023, respectively. Our $90.0 million in 2016 Unsecured Notes will mature on May 15, 2021, our $55.0 million in 2017A Unsecured Notes will mature on July 15, 2022, our $90.0 million in 2018A Unsecured Notes will mature on January 30, 2023, our $50.0 million in 2018B Unsecured Notes will mature on June 28, 2023 and our $51.8 million in 5.75% Unsecured Notes will mature on October 1, 2023 and our $116.5 million in 2019A Unsecured Notes will mature on April 30, 2024. The SBA-guaranteed debentures have ten year maturities and will begin to mature on March 1, 2025. If we are unable to increase, renew or replace any such facilities and enter into new debt financing facilities or other debt financing on commercially reasonable terms, our liquidity may be reduced significantly. In addition, if we are unable to repay amounts outstanding under any such facilities and are declared in default or are unable to renew or refinance these facilities, we may not be able to make new investments or operate our business in the normal course. These situations may arise due to circumstances that we may be unable to control, such as lack of access to the credit markets, a severe decline in the value of the U.S. dollar, an economic downturn or an operational problem that affects us or third parties, and could materially damage our business operations, results of operations and financial condition.

We may need to raise additional capital to grow.

We may need additional capital to fund new investments and grow. We may access the capital markets periodically to issue equity securities. In addition, we may also issue debt securities or borrow from financial institutions in order to obtain such additional capital. Unfavorable economic conditions could increase our funding costs and limit our access to the capital markets or result in a decision by lenders not to extend credit to us. A reduction in the availability of new capital could limit our ability to grow. In addition, we are required to distribute at least 90.0% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders to maintain our RIC status. As a result, these earnings will not be available to fund new investments. If we are unable to access the capital markets or if we are unable to borrow from financial institutions, we may be unable to grow our business and execute our business strategy fully, and our earnings, if any, could decrease, which could have an adverse effect on the value of our securities.

A renewed disruption in the capital markets and the credit markets could adversely affect our business.

As a BDC, we must maintain our ability to raise additional capital for investment purposes. If we are unable to access the capital markets or credit markets, we may be forced to curtail our business operations and may be unable to pursue new investment opportunities. The capital markets and the credit markets have experienced extreme volatility in recent periods, and, as a result, there have been and will likely continue to be uncertainty in the financial markets in general. Disruptions in the capital markets in recent years increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. In addition, a prolonged period of market illiquidity may cause us to reduce the volume of loans that we originate and/or fund and adversely affect the value of our portfolio investments. Unfavorable economic conditions could also increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results. Ongoing disruptive conditions in the financial industry and the impact of new legislation in response to those conditions could restrict our business operations and, consequently, could adversely impact our business, results of operations and financial condition.

If the fair value of our assets declines substantially, we may fail to satisfy the asset coverage ratios imposed upon us by the 1940 Act and contained in the Holdings Credit Facility, the NMFC Credit Facility, Unsecured Notes and the 2018 Convertible Notes. Any such failure would result in a default under such indebtedness and otherwise affect our ability to issue senior securities, borrow under the NMFC Credit Facility and pay distributions, which could materially impair our business operations. Our liquidity could be impaired further by our inability to access the capital or credit markets. For example, we cannot be certain that we will be able to renew our credit facilities as they mature or to consummate new borrowing facilities to provide capital for normal operations, including new originations, or reapply for SBIC licenses. In recent years, reflecting concern about the stability of the financial markets, many lenders and institutional investors have reduced or ceased providing funding to borrowers. This market turmoil and tightening of credit have led to increased market volatility and widespread reduction of business activity generally in recent years. In addition, adverse economic conditions due to these disruptive conditions could materially impact our ability to comply with the financial and other covenants in any existing or future credit facilities. If we are unable to comply with these covenants, this could materially adversely affect our business, results of operations and financial condition.

Changes in interest rates may affect our cost of capital and net investment income.

To the extent we borrow money to make investments, our net investment income depends, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, a significant change in market interest rates may have a material adverse effect on our net investment income in the event we use debt to finance our investments. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

SBIC I and SBIC II are licensed by the SBA and are subject to SBA regulations.

On August 1, 2014 and August 25, 2017, respectively, our wholly-owned direct and indirect subsidiaries, SBIC I and SBIC II, received licenses to operate as SBICs under the 1958 Act and are regulated by the SBA. The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies, regulates the types of financing, prohibits investing in small businesses with certain characteristics or in certain industries and requires capitalization thresholds that limit distributions to us. Compliance with SBIC requirements may cause SBIC I and SBIC II to invest at less competitive rates in order to find investments that qualify under the SBA regulations.

The SBA regulations require, among other things, an annual periodic examination of a licensed SBIC by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations, and the performance of a financial audit by an independent auditor. If SBIC I and SBIC II fail to comply with applicable regulations, the SBA could, depending on the severity of the violation, limit or prohibit SBIC I's and SBIC II's use of the debentures, declare outstanding debentures immediately due and payable, and/or limit SBIC I and SBIC II from making new investments. In addition, the SBA could revoke or suspend SBIC I's or SBIC II's licenses for willful or repeated violation of, or willful or repeated failure to observe, any provision of the 1958 Act or any rule or regulation promulgated thereunder. These actions by the SBA would, in turn, negatively affect us because SBIC I and SBIC II are our wholly-owned direct and indirect subsidiaries.

SBA-guaranteed debentures are non-recourse to us, have a ten year maturity, and may be prepaid at any time without penalty. Pooling of issued SBA-guaranteed debentures occurs in March and September of each year. The interest rate of SBA-guaranteed debentures is fixed at the time of pooling at a market-driven spread over ten year U.S. Treasury Notes. The interest rate on debentures issued prior to the next pooling date is LIBOR plus 30 basis points. Leverage through SBA-guaranteed debentures is subject to required capitalization thresholds. Recent legislation raised the limit the amount that any single SBIC may borrow to two tiers of leverage capped from $150.0 million to $175.0 million, subject to SBA approval, where each tier is

equivalent to the SBIC's regulatory capital, which generally equates to the amount of equity capital in the SBIC. Currently, SBIC I and SBIC II operate under the prior $150.0 million cap. The amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding is $350.0 million, subject to SBA approval.

RISKS RELATED TO OUR OPERATIONS

Because we intend to distribute substantially all of our income to our stockholders to maintain our status as a RIC, we will continue to need additional capital to finance our growth. If additional funds are unavailable or not available on favorable terms, our ability to grow may be impaired.

In order for us to qualify for the tax benefits available to RICs and to avoid payment of excise taxes, we intend to distribute to our stockholders substantially all of our annual taxable income. As a result of these requirements, we may need to raise capital from other sources to grow our business.

As a BDC, we are required to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities and excluding SBA-guaranteed debentures as permitted by exemptive relief obtained from the SEC, to total senior securities, which includes all of our borrowings with the exception of SBA-guaranteed debentures, of at least 150.0% (which means we can borrow $2 for every $1 of our equity). This requirement limits the amount that we may borrow. Since we continue to need capital to grow our investment portfolio, these limitations may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so. While we expect that we will be able to borrow and to issue additional debt securities and expect that we will be able to issue additional equity securities, which would in turn increase the equity capital available to us, we cannot assure you that debt and equity financing will be available to us on favorable terms, or at all. In addition, as a BDC, we generally are not permitted to issue equity securities priced below net asset value without stockholder approval. If additional funds are not available us, we may be forced to curtail or cease new investment activities, and our net asset value could decline.

SBIC I and SBIC II may be unable to make distributions to us that will enable us to meet or maintain our RIC tax treatment.

In order for us to continue to qualify for tax benefits available to RICs and to minimize corporate-level U.S. federal income tax, we must distribute to our stockholders, for each taxable year, at least 90.0% of our "investment company taxable income", which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses, including investment company taxable income from SBIC I and SBIC II. We will be partially dependent on SBIC I and SBIC II for cash distributions to enable us to meet the RIC distribution requirements. SBIC I and SBIC II may be limited by SBA regulations governing SBICs from making certain distributions to us that may be necessary to maintain our tax treatment as a RIC. We may have to request a waiver of the SBA's restrictions for SBIC I and SBIC II to make certain distributions to maintain our RIC tax treatment. We cannot assure you that the SBA will grant such waiver and if SBIC I and SBIC II are unable to obtain a waiver, compliance with the SBA regulations may result in corporate-level U.S. federal income tax.

Our ability to enter into transactions with our affiliates is restricted.

As a BDC, we are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5.0% or more of our outstanding voting securities is an affiliate of ours for purposes of the 1940 Act. We are generally prohibited from buying or selling any securities (other than our securities) from or to an affiliate. The 1940 Act also prohibits certain "joint" transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of independent directors and, in some cases, the SEC. If a person acquires more than 25.0% of our voting securities, we are prohibited from buying or selling any security (other than our securities) from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. As a result of these restrictions, we may be prohibited from buying or selling any security from or to any portfolio company of a private equity fund managed by any affiliate of the Investment Adviser without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to us.

The Investment Adviser has significant potential conflicts of interest with us and, consequently, your interests as stockholders which could adversely impact our investment returns.

Our executive officers and directors, as well as the current or future investment professionals of the Investment Adviser, serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in your interests as stockholders. The investment professionals of the Investment Adviser and/or New Mountain Capital employees that provide services pursuant to the Investment Management Agreement may manage other funds which may from time to time have overlapping investment objectives with our own and, accordingly, may

invest in, whether principally or secondarily, asset classes similar to those targeted by us. If this occurs, the Investment Adviser may face conflicts of interest in allocating investment opportunities to us and such other funds. Although the investment professionals endeavor to allocate investment opportunities in a fair and equitable manner, it is possible that we may not be given the opportunity to participate in certain investments made by the Investment Adviser or persons affiliated with the Investment Adviser or that certain of these investment funds may be favored over us. When these investment professionals identify an investment, they may be forced to choose which investment fund should make the investment.

While we may co-invest with investment entities managed by the Investment Adviser or its affiliates to the extent permitted by the 1940 Act and the rules and regulations thereunder, the 1940 Act imposes significant limits on co-investment. On October 8, 2019, the SEC issued the Exemptive Order, which superseded a prior order issued on December 18, 2017, which permits us to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the Exemptive Order, we are permitted to co-invest with our affiliates if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and does not involve overreaching by us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objectives and strategies.

If the Investment Adviser forms other affiliates in the future, we may co-invest on a concurrent basis with such other affiliates, subject to compliance with applicable regulations and regulatory guidance or an exemptive order from the SEC and our allocation procedures. In addition, we pay management and incentive fees to the Investment Adviser and reimburse the Investment Adviser for certain expenses it incurs. As a result, investors in our common stock invest in us on a “gross” basis and receive distributions on a “net” basis after our expenses. Also, the incentive fee payable to the Investment Adviser may create an incentive for the Investment Adviser to pursue investments that are riskier or more speculative than would be the case in the absence of such compensation arrangements. Any potential conflict of interest arising as a result of the arrangements with the Investment Adviser could have a material adverse effect on our business, results of operations and financial condition.

The Investment Committee, the Investment Adviser or its affiliates may, from time to time, possess material non-public information, limiting our investment discretion.

The Investment Adviser’s investment professionals, Investment Committee or their respective affiliates may serve as directors of, or in a similar capacity with, companies in which we invest. In the event that material non-public information is obtained with respect to such companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us and our stockholders.

The valuation process for certain of our portfolio holdings creates a conflict of interest.

Some of our portfolio investments are made in the form of securities that are not publicly traded. As a result, our board of directors determines the fair value of these securities in good faith. In connection with this determination, investment professionals from the Investment Adviser may provide our board of directors with portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. In addition, Steven B. Klinsky, a member of our board of directors, has an indirect pecuniary interest in the Investment Adviser. The participation of the Investment Adviser’s investment professionals in our valuation process, and the indirect pecuniary interest in the Investment Adviser by a member of our board of directors, could result in a conflict of interest as the Investment Adviser’s management fee is based, in part, on our gross assets and incentive fees are based, in part, on unrealized gains and losses.

Conflicts of interest may exist related to other arrangements with the Investment Adviser or its affiliates.

We have entered into a royalty-free license agreement with New Mountain Capital under which New Mountain Capital has agreed to grant us a non-exclusive, royalty-free license to use the name “New Mountain”. In addition, we reimburse the Administrator for the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under the Administration Agreement, such as, but not limited to, the allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs. This could create conflicts of interest that our board of directors must monitor.

The Investment Management Agreement with the Investment Adviser and the Administration Agreement with the Administrator were not negotiated on an arm’s length basis.

The Investment Management Agreement and the Administration Agreement were negotiated between related parties. In addition, we may choose not to enforce, or to enforce less vigorously, our respective rights and remedies under these

agreements because of our desire to maintain our ongoing relationship with the Investment Adviser, the Administrator and their respective affiliates. Any such decision, however, could cause us to breach our fiduciary obligations to our stockholders.

The Investment Adviser's liability is limited under the Investment Management Agreement, and we have agreed to indemnify the Investment Adviser against certain liabilities, which may lead the Investment Adviser to act in a riskier manner than it would when acting for its own account.

Under the Investment Management Agreement, the Investment Adviser does not assume any responsibility other than to render the services called for under that agreement, and it is not responsible for any action of our board of directors in following or declining to follow the Investment Adviser's advice or recommendations. Under the terms of the Investment Management Agreement, the Investment Adviser, its officers, members, personnel, any person controlling or controlled by the Investment Adviser are not liable for acts or omissions performed in accordance with and pursuant to the Investment Management Agreement, except those resulting from acts constituting gross negligence, willful misconduct, bad faith or reckless disregard of the Investment Adviser's duties under the Investment Management Agreement. In addition, we have agreed to indemnify the Investment Adviser and each of its officers, directors, members, managers and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted pursuant to authority granted by the Investment Management Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person's duties under the Investment Management Agreement. These protections may lead the Investment Adviser to act in a riskier manner than it would when acting for its own account.

The Investment Adviser can resign upon 60 days' notice, and a suitable replacement may not be found within that time, resulting in disruptions in our operations that could adversely affect our business, results of operations and financial condition.

Under the Investment Management Agreement, the Investment Adviser has the right to resign at any time upon 60 days' written notice, whether a replacement has been found or not. If the Investment Adviser resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If a replacement is not able to be found on a timely basis, our business, results of operations and financial condition and our ability to pay distributions are likely to be materially adversely affected and the market price of our common stock may decline. In addition, if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by the Investment Adviser and its affiliates, the coordination of its internal management and investment activities is likely to suffer. Even if we are able to retain comparable management, whether internal or external, their integration into our business and lack of familiarity with our investment objective may result in additional costs and time delays that may materially adversely affect our business, results of operations and financial condition.

The Administrator can resign upon 60 days' notice from its role as Administrator under the Administration Agreement, and a suitable replacement may not be found, resulting in disruptions that could adversely affect our business, results of operations and financial condition.

The Administrator has the right to resign under the Administration Agreement upon 60 days' written notice, whether a replacement has been found or not. If the Administrator resigns, it may be difficult to find a new administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms, or at all. If a replacement is not found quickly, our business, results of operations and financial condition, as well as our ability to pay distributions, are likely to be adversely affected, and the market price of our common stock may decline. In addition, the coordination of our internal management and administrative activities is likely to suffer if we are unable to identify and reach an agreement with a service provider or individuals with the expertise possessed by the Administrator. Even if a comparable service provider or individuals to perform such services are retained, whether internal or external, their integration into our business and lack of familiarity with our investment objective may result in additional costs and time delays that may materially adversely affect our business, results of operations and financial condition.

If we fail to maintain our status as a BDC, our business and operating flexibility could be significantly reduced.

We qualify as a BDC under the 1940 Act. The 1940 Act imposes numerous constraints on the operations of BDCs. For example, BDCs are required to invest at least 70.0% of their total assets in specified types of securities, primarily in private companies or thinly-traded U.S. public companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. Failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. In addition, upon approval of a majority of our stockholders, we may elect to withdraw their respective election as a BDC. If we decide to withdraw our election, or if we otherwise fail to qualify, or maintain our qualification, as a BDC, we may be subject to the substantially greater regulation under the 1940 Act as a closed-end investment company. Compliance with these regulations would significantly decrease our operating flexibility and could significantly increase our cost of doing business.

If we do not invest a sufficient portion of our assets in qualifying assets, we could be precluded from investing in certain assets or could be required to dispose of certain assets, which could have a material adverse effect on our business, financial condition and results of operations.

As a BDC, we are prohibited from acquiring any assets other than “qualifying assets” unless, at the time of and after giving effect to such acquisition, at least 70.0% of our total assets are qualifying assets. We may acquire in the future other investments that are not “qualifying assets” to the extent permitted by the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we would be prohibited from investing in additional assets, which could have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inopportune times in order to come into compliance with the 1940 Act. If we need to dispose of these investments quickly, it may be difficult to dispose of such investments on favorable terms. For example, we may have difficulty in finding a buyer and, even if a buyer is found, we may have to sell the investments at a substantial loss.

Our ability to invest in public companies may be limited in certain circumstances.

To maintain our status as a BDC, we are not permitted to acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70.0% of our total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a common equity market capitalization that is less than $250.0 million at the time of such investment.

Regulations governing the operations of BDCs will affect our ability to raise additional equity capital as well as our ability to issue senior securities or borrow for investment purposes, any or all of which could have a negative effect on our investment objectives and strategies.

Our business requires a substantial amount of capital. We may acquire additional capital from the issuance of senior securities, including borrowing under a credit facility or other indebtedness. In addition, we may also issue additional equity capital, which would in turn increase the equity capital available to us. However, we may not be able to raise additional capital in the future on favorable terms or at all.

We may issue debt securities, preferred stock, and we may borrow money from banks or other financial institutions, which we refer to collectively as "senior securities", up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 150.0% after each issuance of senior securities (which means we can borrow $2 for every $1 of our equity). As a result of our SEC exemptive relief, we are permitted to exclude our SBA-guaranteed debentures from the definition of senior securities in the 150.0% asset coverage ratio we are required to maintain under the 1940 Act. If our asset coverage ratio is not at least 150.0%, we would be unable to issue additional senior securities, and certain provisions of certain of our senior securities may preclude us from making distributions to our stockholders. For example, our 2016 Unsecured Notes, 2017A Unsecured Notes, 2018A Unsecured Notes, 2018B Unsecured Notes and 2019A Unsecured Notes contain a covenant that prohibits us from declaring or paying a distribution to our stockholders unless we satisfy the asset coverage ratio immediately after the distribution. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales may be disadvantageous.

The following table summarizes our indebtedness as ofDecember 31, 2019:

Borrowing	Maturity Date	Permitted Borrowing	Total Outstanding
		(in millions)	(in millions)
Holdings Credit Facility	October 24, 2022	$ 800.0	$ 661.6
NMFC Credit Facility	June 4, 2022	188.5	188.5
DB Credit Facility	December 14, 2023	280.0	230.0
NMNLC Credit Facility	September 23, 2020	30.0	—
2018 Convertible Notes	August 15, 2023	n/a	201.2
2016 Unsecured Notes	May 15, 2021	n/a	90.0
2017A Unsecured Notes	July 15, 2022	n/a	55.0
2018A Unsecured Notes	January 30, 2023	n/a	90.0
2018B Unsecured Notes	June 28, 2023	n/a	50.0
2019A Unsecured Notes	April 30, 2024	n/a	116.5
5.75% Unsecured Notes	October 1, 2023	n/a	51.8
SBA-guaranteed debentures	Beginning March 1, 2025	n/a	225.0
			$ 1,959.6

n/a - not applicable

We may also obtain capital through the issuance of additional equity capital. As a BDC, we generally are not able to issue or sell our common stock at a price below net asset value per share. If our common stock trades at a discount to our net asset value per share, this restriction could adversely affect our ability to raise equity capital. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below our net asset value per share of the common stock if our board of directors and independent directors determine that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our board of directors, closely approximates the market value of such securities (less any underwriting commission or discount). If we raise additional funds by issuing more shares of our common stock, or if we issue senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders may decline and you may experience dilution.

Our business model in the future may depend to an extent upon our referral relationships with private equity sponsors, and the inability of the investment professionals of the Investment Adviser to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business strategy.

If the investment professionals of the Investment Adviser fail to maintain existing relationships or develop new relationships with other sponsors or sources of investment opportunities, we may not be able to grow our investment portfolio. In addition, individuals with whom the investment professionals of the Investment Adviser have relationships are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that any relationships they currently or may in the future have will generate investment opportunities for us.

We may experience fluctuations in our annual and quarterly results due to the nature of our business.

We could experience fluctuations in our annual and quarterly operating results due to a number of factors, some of which are beyond our control, including the ability or inability of us to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities acquired and the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in the markets in which we operate and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse to your interests as stockholders.

Our board of directors has the authority, except as otherwise provided in the 1940 Act, to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval. As a result, our board of directors may be able to change our investment policies and objectives without any input from our stockholders. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. Under Delaware law, we also cannot be dissolved without prior stockholder approval. We cannot predict the effect any changes

to our current operating policies and strategies would have on our business, operating results and the market price of our common stock. Nevertheless, any such changes could adversely affect our business and impair our ability to make distributions to our stockholders.

We will be subject to corporate-level U.S. federal income tax on all of our income if we are unable to maintain tax treatment as a RIC under Subchapter M of the Code, which would have a material adverse effect on our financial performance.

Although we intend to continue to qualify annually as a RIC under Subchapter M of the Code, no assurance can be given that we will be able to maintain our RIC tax treatment. To maintain RIC tax treatment and be relieved of U.S. federal income taxes on income and gains distributed to our stockholders, we must meet the annual distribution, source-of-income and asset diversification requirements described below.

- The Annual Distribution Requirement for a RIC will be satisfied if we distribute (or are deemed to distribute) to our stockholders on an annual basis at least 90.0% of our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses, if any. Because we use debt financing, we are subject to an asset coverage ratio requirement under the 1940 Act, and we are subject to certain financial covenants contained in the Holdings Credit Facility and other debt financing agreements (as applicable). This asset coverage ratio requirement and these financial covenants could, under certain circumstances, restrict us from making distributions to our stockholders, which distributions are necessary for us to satisfy the Annual Distribution Requirement. If we are unable to obtain cash from other sources, and thus are unable to make sufficient distributions to our stockholders, we could fail to qualify for RIC tax treatment and thus become subject to certain corporate-level U.S. federal income tax (and any applicable state and local taxes).

- The source-of-income requirement will be satisfied if at least 90.0% of our allocable share of our gross income for each year is derived from dividends, interest payments with respect to loans of certain securities, gains from the sale of stock or other securities, net income from certain “qualified publicly traded partnerships” or other income derived with respect to our business of investing in such stock or securities.

- The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. To satisfy this requirement, at least 50.0% of the value of our assets must consist of cash, cash equivalents, U.S. government securities, securities of other RICs, and other such securities if such other securities of any one issuer do not represent more than 5.0% of the value of our assets or more than 10.0% of the outstanding voting securities of the issuer; and no more than 25.0% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by it and that are engaged in the same or similar or related trades or businesses or of certain “qualified publicly traded partnerships”. Failure to meet these requirements may result in us having to dispose of certain investments quickly in order to prevent the loss of our RIC status. Because most of our investments are intended to be in private companies, and therefore may be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

If we fail to maintain our tax treatment as a RIC for any reason, and we do not qualify for certain relief provisions under the Code, we would be subject to corporate-level U.S. federal income tax (and any applicable state and local taxes). In this event, the resulting taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions, which would have a material adverse effect on our financial performance.

You may have current tax liabilities on distributions you reinvest in our common stock.

Under the dividend reinvestment plan, if you own shares of our common stock registered in your own name, you will have all cash distributions automatically reinvested in additional shares of our common stock unless you opt out of the dividend reinvestment plan by delivering notice by phone, internet or in writing to the plan administrator at least three days prior to the payment date of the next dividend or distribution. If you have not “opted out” of the dividend reinvestment plan, you will be deemed to have received, and for U.S. federal income tax purposes will be taxed on, the amount reinvested in our common stock to the extent the amount reinvested was not a tax-free return of capital. As a result, you may have to use funds from other sources to pay your U.S. federal income tax liability on the value of the common stock received.

We may not be able to pay you distributions on our common stock, our distributions to you may not grow over time and a portion of our distributions to you may be a return of capital for U.S. federal income tax purposes.

We intend to pay quarterly distributions to our stockholders out of assets legally available for distribution. We cannot assure you that we will continue to achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. If we are unable to satisfy the asset coverage test applicable to us as a BDC, or if we violate certain covenants under the Holdings Credit Facility, the NMFC Credit Facility, the DB Credit Facility, or the Unsecured Notes, our ability to pay distributions to our stockholders could be limited. All distributions are paid at the discretion

of our board of directors and depend on our earnings, financial condition, maintenance of our RIC status, compliance with applicable BDC regulations, compliance with covenants under the Holdings Credit Facility, the NMFC Credit Facility, the DB Credit Facility and the Unsecured Notes, and such other factors as our board of directors may deem relevant from time to time. The distributions that we pay to our stockholders in a year may exceed our taxable income for that year and, accordingly, a portion of such distributions may constitute a return of capital for U.S. federal income tax purposes.

We may have difficulty paying our required distributions if we recognize taxable income before or without receiving cash representing such income.

For U.S. federal income tax purposes, we include in our taxable income our allocable share of certain amounts that we have not yet received in cash, such as original issue discount or accruals on a contingent payment debt instrument, which may occur if we receive warrants in connection with the origination of a loan or possibly in other circumstances or contracted PIK interest and dividends, which generally represents contractual interest added to the loan balance and due at the end of the loan term. Our allocable share of such original issue discount and PIK interest are included in our taxable income before we receive any corresponding cash payments. We also may be required to include in our taxable income our allocable share of certain other amounts that we will not receive in cash.

Because in certain cases we may recognize taxable income before or without receiving cash representing such income, we may have difficulty making distributions to our stockholders that will be sufficient to enable us to meet the Annual Distribution Requirement necessary for us to qualify for tax treatment as a RIC. Accordingly, we may need to sell some of our assets at times and/or at prices that we would not consider advantageous. We may need to raise additional equity or debt capital, or we may need to forego new investment opportunities or otherwise take actions that are disadvantageous to our business (or be unable to take actions that are advantageous to our business) to enable us to make distributions to our stockholders that will be sufficient to enable us to meet the annual distribution requirement. If we are unable to obtain cash from other sources to enable us to meet the annual distribution requirement, we may fail to qualify for the U.S. federal income tax benefits allowable to RICs and, thus, become subject to a corporate-level U.S. federal income tax (and any applicable state and local taxes).

Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.

Changes in the laws or regulations or the interpretations of the laws and regulations that govern BDCs, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. Our portfolio companies are subject to U.S. federal, state and local laws and regulations. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, any of which could materially adversely affect our business, including with respect to the types of investments we are permitted to make, and your interests as stockholders potentially with retroactive effect. In addition, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities. These changes could result in material changes to our strategies which may result in our investment focus shifting from the areas of expertise of the Investment Adviser to other types of investments in which the Investment Adviser may have less expertise or little or no experience. Any such changes, if they occur, could have a material adverse effect on our business, results of operations and financial condition and, consequently, the value of your investment in us.

Over the last several years, there has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new regulation. While it cannot be known at this time whether these regulations will be implemented or what form they will take, increased regulation of non-bank credit extension could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business.

We cannot predict how tax reform legislation will affect us, our investments, or our stockholders, and any such legislation could adversely affect our business.

Legislative or other actions relating to taxes could have a negative effect on us. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. In December 2017, the U.S. House of Representatives and U.S. Senate passed tax reform legislation, which the President signed into law. Such legislation has made many changes to the Internal Revenue Code, including significant changes to the taxation of business entities, the deductibility of interest expense, and the tax treatment of capital investment. We cannot predict with certainty how any changes in the tax laws might affect us, our stockholders, or our portfolio investments. New legislation and any U.S. Treasury regulations, administrative interpretations or court decisions interpreting such legislation could significantly and negatively affect our ability to qualify for tax treatment as a RIC or the U.S. federal income tax consequences to us and our stockholders of such qualification, or could have other adverse consequences. Stockholders are urged to consult with their tax advisor regarding tax legislative, regulatory, or administrative developments and proposals and their potential effect on an investment in our securities.

Our business and operations could be negatively affected if we become subject to any securities litigation or shareholder activism, which could cause us to incur significant expense, hinder execution of investment strategy and impact our stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing in the BDC space recently. While we are currently not subject to any securities litigation or shareholder activism, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of securities litigation or shareholder activism. Securities litigation and shareholder activism, including potential proxy contests, could result in substantial costs and divert the attention of our management and board of directors and resources from our business. Additionally, such securities litigation and shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation or activist shareholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation or shareholder activism.

The effect of global climate change may impact the operations of our portfolio companies.

There may be evidence of global climate change. Climate change creates physical and financial risk and some of our portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent weather conditions are affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increases in the cost of energy could adversely affect the cost of operations of our portfolio companies if the use of energy products or services is material to their business. A decrease in energy use due to weather changes may affect some of our portfolio companies' financial condition, through decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions.

In December 2015 the United Nations, of which the U.S. is a member, adopted a climate accord (the "Paris Agreement") with the long-term goal of limiting global warming and the short-term goal of significantly reducing greenhouse gas emissions. Although the U.S. ratified the Paris Agreement on November 4, 2016, the current administration announced the U.S. would cease participation. As a result, some of our portfolio companies may become subject to new or strengthened regulations or legislation, at least through November 4, 2020 (the earliest date the U.S. may withdraw from the Paris Agreement), which could increase their operating costs and/or decrease their revenues.

Recent legislation allows us to incur additional leverage, which could increase the risk of investing in our securities.

The 1940 Act generally prohibits BDCs from incurring indebtedness unless immediately after such borrowing they have an asset coverage for total borrowings of at least 200.0% (i.e., the amount of debt may not exceed 50% of the value of a BDCs assets). However, on March 23, 2018, the Consolidated Appropriations Act of 2018, which includes the SBCA, was signed into law. The SBCA amends the 1940 Act to permit a BDC to reduce the required minimum asset coverage ratio applicable to it from 200.0% to 150.0% (which means we can borrow $2 for every $1 of our equity), subject to certain requirements described therein. On April 12, 2018, our board of directors, including a ''required majority'' (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61(a) of the 1940 Act, as amended by the SBCA, and recommended the submission of a proposal for stockholders to approve the application of the 150.0% minimum asset coverage ratio to us at a special meeting of stockholders, which was held on June 8, 2018. The stockholder proposal was approved by the required votes of our stockholders at such special meeting of stockholders, and thus we became subject to the 150.0% minimum asset coverage ratio on June 9, 2018. Changing the asset coverage ratio permits us to double our leverage, which results in increased leverage risk and increased expenses.

As a result of this legislation, we are able to increase our leverage up to an amount that reduces our asset coverage ratio from 200.0% to 150.0% (which means we can borrow $2 for every $1 of our equity). Leverage magnifies the potential for loss on investments in our indebtedness and on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Leverage is generally considered a speculative investment technique.

The maximum leverage available to a "family" of affiliated SBIC funds is $350.0 million, subject to SBA approval. This new legislation may allow us to issue additional SBIC debentures above the $225.0 million of SBA-guaranteed debentures

previously permitted pending application for and receipt of additional SBIC licenses. If we incur this additional indebtedness in the future, your risk of an investment in our securities may increase. The maximum amount of borrowings available under current SBA regulations for a single licensee is $150.0 million as long as the licensee has at least $75.0 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. In June 2018, the legislation amended the 1958 Act by increasing the individual leverage limit from $150.0 million to $175.0 million, subject to SBA approvals.

We incur significant costs as a result of being a publicly traded company.

As a publicly traded company, we incur legal, accounting and other expenses, which are paid by us, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, or the "Sarbanes-Oxley Act", and other rules implemented by the SEC.

Efforts to comply with Section 404 of the Sarbanes-Oxley Act involve significant expenditures, and non-compliance with Section 404 of the Sarbanes-Oxley Act may adversely affect us and the market price of our common stock.

We are subject to the Sarbanes-Oxley Act, and the related rules and regulations promulgated by the SEC. Under current SEC rules, since our fiscal year ending December 31, 2012, our management has been required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, and rules and regulations of the SEC thereunder. We are required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in our internal control over financial reporting. As a result, we expect to continue to incur additional expenses, which may negatively impact our financial performance and our ability to make distributions to our stockholders. This process also may result in a diversion of management's time and attention. We cannot be certain as to the timing of completion of any evaluation, testing and remediation actions or the impact of the same on our operations, and we are not able to ensure that the process is effective or that our internal control over financial reporting is or will continue to be effective in a timely manner. In the event that we are unable to maintain or achieve compliance with Section 404 of the Sarbanes-Oxley Act and related rules, we and, consequently, the market price of our common stock may be adversely affected.

Our business is highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay distributions.

Our business is highly dependent on the communications and information systems of the Investment Adviser and its affiliates. Any failure or interruption of such systems could cause delays or other problems in our activities. This, in turn, could have a material adverse effect on our operating results and, consequently, negatively affect the market price of our common stock and our ability to pay distributions to our stockholders. In addition, because many of our portfolio companies operate and rely on network infrastructure and enterprise applications and internal technology systems for development, marketing, operational, support and other business activities, a disruption or failure of any or all of these systems in the event of a major telecommunications failure, cyber-attack, fire, earthquake, severe weather conditions or other catastrophic event could cause system interruptions, delays in product development and loss of critical data and could otherwise disrupt their business operations.

Internal and external cyber threats, as well as other disasters, could impair our ability to conduct business effectively.

The occurrence of a disaster, such as a cyber-attack against us or against a third-party that has access to our data or networks, a natural catastrophe, an industrial accident, disease pandemics, failure of our disaster recovery systems, or consequential employee error, could have an adverse effect on our ability to communicate or conduct business, negatively impacting our operations and financial condition. This adverse effect can become particularly acute if those events affect our electronic data processing, transmission, storage, and retrieval systems, or impact the availability, integrity, or confidentiality of our data.

We depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems, networks, and data, like those of other companies, could be subject to cyber-attacks and unauthorized access, use, alteration, or destruction, such as from physical and electronic break-ins or unauthorized tampering. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary, and other information processed, stored in, and transmitted through our computer systems and networks. Such an attack could cause interruptions or malfunctions in our operations, which could result in financial losses, litigation, regulatory penalties, client dissatisfaction or loss, reputational damage, and increased costs associated with mitigation of damages and remediation.

If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including nonpublic personal information related to stockholders (and their beneficial owners) and material nonpublic information. The systems we have implemented to manage risks relating to these types of events could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. Breaches such as those involving covertly introduced

malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in our and our Investment Advisor's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to stockholders, material nonpublic information and other sensitive information in our possession.

A disaster or a disruption in the infrastructure that supports our business, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, could have a material adverse impact on our ability to continue to operate our business without interruption. Our disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Third parties with which we do business may also be sources of cybersecurity or other technological risk. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as client, counterparty, employee, and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure, destruction, or other cybersecurity incident that affects our data, resulting in increased costs and other consequences as described above.

RISKS RELATING TO OUR INVESTMENTS

Our investments in portfolio companies may be risky, and we could lose all or part of any of our investments.

Investments in small and middle market businesses are highly speculative and involve a high degree of risk of credit loss. These risks are likely to increase during volatile economic periods, such as the U.S. and many other economies have recently experienced. Among other things, these companies:

- may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investment, as well as a corresponding decrease in the value of any equity components of our investments;

- may have shorter operating histories, narrower product lines, smaller market shares and/or more significant customer concentrations than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;

- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;

- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence;

- may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and

- generally have less publicly available information about their businesses, operations and financial condition.

In addition, in the course of providing significant managerial assistance to certain of our eligible portfolio companies, certain of our officers and directors may serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, our officers and directors may be named as defendants in such litigation, which could result in an expenditure of funds (through our indemnification of such officers and directors) and the diversion of management time and resources.

Our investment strategy, which is focused primarily on privately held companies, presents certain challenges, including the lack of available information about these companies.

We invest primarily in privately held companies. There is generally little public information about these companies, and, as a result, we must rely on the ability of the Investment Adviser to obtain adequate information to evaluate the potential returns from, and risks related to, investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Also, privately held companies frequently have less diverse product lines and smaller market presence than larger competitors. They are, thus, generally more vulnerable to economic downturns and may experience substantial variations in operating results. These factors could adversely affect our investment returns.

Our investments in securities rated below investment grade are speculative in nature and are subject to additional risk factors such as increased possibility of default, illiquidity of the security, and changes in value based on changes in interest rates.

Our investments are almost entirely rated below investment grade or may be unrated, which are often referred to as “leveraged loans”, “high yield” or “junk” securities, and may be considered “high risk” compared to debt instruments that are rated investment grade. High yield securities are regarded as having predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, high yield securities generally offer a higher current yield than that available from higher grade issues, but typically involve greater risk. These securities are especially sensitive to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of below investment grade instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default.

Our portfolio may be concentrated in a limited number of industries, which may subject us to a risk of significant loss if there is a downturn in a particular industry in which a number of our investments are concentrated.

Our portfolio may be concentrated in a limited number of industries. For example, as ofDecember 31, 2019, our investments in the software and the business services industries represented approximately 24.2% and 20.6%, respectively, of the fair value of our portfolio. A downturn in any particular industry in which we are invested could significantly impact the portfolio companies operating in that industry, and accordingly, the aggregate returns that we realize from our investment in such portfolio companies.

Specifically, companies in the business services industry are subject to general economic downturns and business cycles, and will often suffer reduced revenues and rate pressures during periods of economic uncertainty. In addition, companies in the software industry often have narrow product lines and small market shares. Because of rapid technological change, the average selling prices of products and some services provided by software companies have historically decreased over their productive lives. As a result, the average selling prices of products and services offered by software companies in which we invest may decrease over time. If an industry in which we have significant investments suffers from adverse business or economic conditions, as these industries have to varying degrees, a material portion of our investment portfolio could be affected adversely, which, in turn, could adversely affect our financial position and results of operations.

If we make unsecured investments, those investments might not generate sufficient cash flow to service their debt obligations to us.

We may make unsecured investments. Unsecured investments may be subordinated to other obligations of the obligor. Unsecured investments often reflect a greater possibility that adverse changes in the financial condition of the obligor or general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. If we make an unsecured investment in a portfolio company, that portfolio company may be highly leveraged, and its relatively high debt-to-equity ratio may increase the risk that its operations might not generate sufficient cash to service its debt obligations.

If we invest in the securities and obligations of distressed and bankrupt issuers, we might not receive interest or other payments.

From time to time, we may invest in other types of investments which are not our primary focus, including investments in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer of those obligations might not make any interest or other payments.

Defaults by our portfolio companies may harm our operating results.

A portfolio company’s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company’s ability to meet its obligations under the debt or equity securities that we hold.

We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company. In addition, lenders in certain cases can be subject to lender liability claims for actions taken by them when they become too involved in the borrower’s business or exercise control over a borrower. It is possible that we could become subject to a lender’s liability claim, including as a result of actions taken if we render significant managerial assistance to the borrower. Furthermore, if one of our portfolio companies

were to file for bankruptcy protection, even though we may have structured our investment as senior secured debt, depending on the facts and circumstances, including the extent to which we provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to claims of other creditors.

The lack of liquidity in our investments may adversely affect our business.

We invest, and will continue to invest, in companies whose securities are not publicly traded and whose securities will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required or otherwise choose to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. Our investments are usually subject to contractual or legal restrictions on resale or are otherwise illiquid because there is usually no established trading market for such investments. Because most of our investments are illiquid, we may be unable to dispose of them in which case we could fail to qualify as a RIC and/or a BDC, or we may be unable to do so at a favorable price, and, as a result, we may suffer losses.

Price declines and illiquidity in the corporate debt markets may adversely affect the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by our board of directors. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments:

- a comparison of the portfolio company's securities to publicly traded securities;
- the enterprise value of a portfolio company;
- the nature and realizable value of any collateral;
- the portfolio company's ability to make payments and its earnings and discounted cash flow;
- the markets in which the portfolio company does business; and
- changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors.

When an external event such as a purchase transaction, public offering or subsequent sale occurs, we will use the pricing indicated by the external event to corroborate our valuation. We will record decreases in the market values or fair values of our investments as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets may result in significant net unrealized depreciation in our portfolio. The effect of all of these factors on our portfolio may reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we are unable to make follow-on investments in our portfolio companies, the value of our investment portfolio could be adversely affected.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as “follow-on” investments, in order to (i) increase or maintain in whole or in part our equity ownership percentage, (ii) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing or (iii) attempt to preserve or enhance the value of our investment. We may elect not to make follow-on investments or may otherwise lack sufficient funds to make these investments. We have the discretion to make follow-on investments, subject to the availability of capital resources. If we fail to make follow-on investments, the continued viability of a portfolio company and our investment may, in some circumstances, be jeopardized and we could miss an opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, either because we prefer other opportunities or because we are subject to BDC requirements that would prevent such follow-on investments or such follow-on investments would adversely impact our ability to maintain our RIC status.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We invest in portfolio companies at all levels of the capital structure. Our portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which we invest. By their terms, these debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the debt instruments in which we invest. In addition, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment

in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. After repaying the senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

The disposition of our investments may result in contingent liabilities.

Most of our investments will involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

Even though we may have structured certain of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt investment and subordinate all or a portion of our claim to that of other creditors. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance.

Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Certain loans to portfolio companies will be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the portfolio company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the portfolio company's remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements entered into with the holders of first priority senior debt. Under an intercreditor agreement, at any time obligations which have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral, the ability to control the conduct of such proceedings, the approval of amendments to collateral documents; releases of liens on the collateral and waivers of past defaults under collateral documents. We may not have the ability to control or direct these actions, even if our rights are adversely affected.

We generally do not control our portfolio companies.

Although we have taken and may in the future take controlling equity positions in our portfolio companies from time to time, we generally do not control most of our portfolio companies, even though we may have board representation or board observation rights, and our debt agreements may contain certain restrictive covenants that limit the business and operations of our portfolio companies. As a result, we are subject to the risk that a portfolio company may make business decisions with which we disagree and the management of such company may take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity of the investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event that we disagree with the actions of a portfolio company as readily as we would otherwise like to or at favorable prices which could decrease the value of our investments.

Economic recessions, downturns or government spending cuts could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay its debt investments during these periods. Therefore, our non-performing assets are likely to increase, and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our debt investments and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A number of our portfolio companies provide services to the U.S. government. Changes in the U.S. government's priorities and spending, or significant delays or reductions in appropriations of the U.S. government's funds, could have a material adverse effect on the financial position, results of operations and cash flows of such portfolio companies.

A number of our portfolio companies derive a substantial portion of their revenue from the U.S. government. Levels of the U.S. government's spending in future periods are very difficult to predict and subject to significant risks. In addition, significant budgetary constraints may result in further reductions to projected spending levels. In particular, U.S. government expenditures are subject to the potential for automatic reductions, generally referred to as "sequestration." Sequestration occurred during 2013, and may occur again in the future, resulting in significant additional reductions to spending by the U.S. government on both existing and new contracts as well as disruption of ongoing programs. Even if sequestration does not occur again in the future, we expect that budgetary constraints and ongoing concerns regarding the U.S. national debt will continue to place downward pressure on U.S. government spending levels. Due to these and other factors, overall U.S. government spending could decline, which could result in significant reductions to the revenues, cash flow and profits of our portfolio companies that provide services to the U.S. government.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, subject to maintenance of our RIC status, we will generally reinvest these proceeds in temporary investments, pending our future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

We may not realize gains from our equity investments.

When we invest in portfolio companies, we may acquire warrants or other equity securities of portfolio companies as well. We may also invest in equity securities directly. To the extent we hold equity investments, we will attempt to dispose of them and realize gains upon our disposition of them. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. As a result, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests.

Our performance may differ from our historical performance as our current investment strategy includes significantly more primary originations in addition to secondary market purchases.

Historically, our investment strategy consisted primarily of secondary market purchases in debt securities. We adjusted that investment strategy to also include significantly more primary originations. While loans that we originate and loans we purchase in the secondary market face many of the same risks associated with the financing of leveraged companies, we may be exposed to different risks depending on specific business considerations for secondary market purchases or origination of loans. Primary originations require substantially more time and resources for sourcing, diligencing and monitoring investments, which may consume a significant portion of our resources. Further, the valuation process for primary originations may be more cumbersome and uncertain due to the lack of comparable market quotes for the investment and would likely require more frequent review by a third-party valuation firm. This may result in greater costs for us and fluctuations in the quarterly valuations of investments that are primary originations. As a result, this strategy may result in different returns from these investments than the types of returns historically experienced from secondary market purchases of debt securities.

We may be subject to additional risks if we invest in foreign securities and/or engage in hedging transactions.

The 1940 Act generally requires that 70.0% of our investments be in issuers each of whom is organized under the laws of, and has its principal place of business in, any state of the U.S., the District of Columbia, Puerto Rico, the Virgin Islands or any other possession of the U.S. Our investment strategy does not presently contemplate significant investments in securities of non-U.S. companies. However, we may desire to make such investments in the future, to the extent that such transactions and investments are permitted under the 1940 Act. We expect that these investments would focus on the same types of investments that we make in U.S. middle market companies and accordingly would be complementary to our overall strategy and enhance the diversity of our holdings. Investing in foreign companies could expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Investments denominated in foreign currencies would be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk, or that if we do, such strategies will be effective.

Engaging in hedging transactions would also, indirectly, entail additional risks to our stockholders. Although it is not currently anticipated that we would engage in hedging transactions as a principal investment strategy, if we determined to engage in hedging transactions, we generally would seek to hedge against fluctuations of the relative values of our portfolio positions from changes in market interest rates or currency exchange rates. Hedging against a decline in the values of our portfolio positions would not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of the positions declined. However, such hedging could establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions.

These hedging transactions could also limit the opportunity for gain if the values of the underlying portfolio positions increased. Moreover, it might not be possible to hedge against an exchange rate or interest rate fluctuation that was so generally anticipated that we would not be able to enter into a hedging transaction at an acceptable price. If we choose to engage in hedging transactions, there can be no assurances that we will achieve the intended benefits of such transactions and, depending on the degree of exposure such transactions could create, such transactions may expose us to risk of loss.

While we may enter into these types of transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates could result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged could vary. Moreover, for a variety of reasons, we might not seek to establish a perfect correlation between the hedging instruments and the portfolio holdings being hedged. Any imperfect correlation could prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it might not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities would likely fluctuate as a result of factors not related to currency fluctuations.

In November 2019, the SEC proposed a rule regarding the ability of a BDC (or a registered investment company) to use derivatives and other transactions that create future payment or delivery obligations (except reverse repurchase agreements and similar financing transactions). If adopted as proposed, BDCs that use derivatives would be subject to a value-at-risk (“VaR”) leverage limit, certain other derivatives risk management program and testing requirements and requirements related to board reporting. These new requirements would apply unless the BDC qualified as a “limited derivatives user,” as defined in the SEC’s proposal. A BDC that enters into reverse repurchase agreements or similar financing transactions would need to aggregate the amount of indebtedness associated with the reverse repurchase agreements or similar financing transactions with the aggregate amount of any other senior securities representing indebtedness when calculating the BDC’s asset coverage ratio. Under the proposed rule, a BDC may enter into an unfunded commitment agreement that is not a derivatives transaction, such as an agreement to provide financing to a portfolio company, if the BDC has a reasonable belief, at the time it enters into such an agreement, that it will have sufficient cash and cash equivalents to meet its obligations with respect to all of its unfunded commitment agreements, in each case as it becomes due. If the BDC cannot meet this test, it is required to treat unfunded commitments as a derivatives transaction subject to the requirements of the rule. Collectively, these proposed requirements, if adopted, may limit our ability to use derivatives and/or enter into certain other financial contracts.

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

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

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is expected that a transition away from the widespread use of LIBOR to alternative rates will occur over the course of the next several years. As a result of this transition, interest rates on financial instruments tied to LIBOR rates, as well as the revenue and expenses associated with those financial instruments, may be adversely affected. Further, any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the value of our financial instruments tied to LIBOR rates. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short term repurchase agreements, backed by Treasury securities, called the Secured Overnight Financing Rate ("SOFR"). The first publication of SOFR was released in April 2018. Whether or not SOFR attains market traction as a LIBOR replacement remains a questions and the future of LIBOR at this time is uncertain.

Additionally, on July 12, 2019 the Staff of the SEC's Division of Corporate Finance, Division of Investment Management, Division of Trading and Markets, and Office of the Chief Accountant issued a statement about the potentially significant effects on financial markets and market participants when LIBOR is discontinued in 2021 and no longer available as a reference benchmark rate. The Staff encouraged all market participants to identify contracts that reference LIBOR and begin transitions to alternative rates. On December 30, 2019, the SEC's Chairman, Division of Corporate Finance and Office of the Chief Accountant issued a statement to encourage audit committees in particular to understand management's plans to identify and address the risks associated with the elimination of LIBOR, and, specifically, the impact on accounting and financial reporting and any related issues associated with financial products and contracts that reference LIBOR, as the risks associated with the discontinuation of LIBOR and transition to an alternative reference rate will be exacerbated if the work is not completed in a timely manner.

The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us, or on our overall financial condition or results of operations. If LIBOR ceases to exist, we may need to renegotiate the credit agreements extending beyond 2021 with our portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established. In addition, the cessation of LIBOR could:

- Adversely impact the pricing, liquidity, value of, return on and trading for a broad array of financial products, including any LIBOR-linked securities, loans and derivatives that are included in our assets and liabilities;
- Require extensive changes to documentation that governs or references LIBOR or LIBOR-based products, including, for example, pursuant to time-consuming renegotiations of existing documentation to modify the terms of outstanding investments;
- Result in inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with one or more alternative reference rates;
- Result in disputes, litigation or other actions with portfolio companies, or other counterparties, regarding the interpretation and enforceability of provisions in our LIBOR-based investments, such as fallback language or other related provisions, including, in the case of fallbacks to the alternative reference rates, any economic, legal, operational or other impact resulting from the fundamental differences between LIBOR and the various alternative reference rates;
- Require the transition and/or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR-based products to those based on one or more alternative reference rates, which may prove challenging given the limited history of the proposed alternative reference rates; and
- Cause us to incur additional costs in relation to any of the above factors.

There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have a material adverse effect on our business, result of operations, financial condition, and unit price.

RISKS RELATING TO OUR SECURITIES

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- price and volume fluctuations in the overall stock market or in the market for BDCs from time to time;
- investor demand for shares of our common stock;
- significant volatility in the market price and trading volume of securities of registered closed-end management investment companies, BDCs or other financial services companies, which is not necessarily related to the operating performance of these companies;
- the inability to raise equity capital;
- our inability to borrow money or deploy or invest our capital;
- fluctuations in interest rates;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- operating performance of companies comparable to us;
- changes in regulatory policies or tax guidelines with respect to RICs or BDCs;
- our loss of status as or ability to operate as a BDC;
- our failure to qualify as a RIC, loss of RIC status or ability to operate as a RIC;
- actual or anticipated changes in our earnings or fluctuations in our operating results;
- changes in the value of our portfolio of investments;
- general economic conditions, trends and other external factors;
- departures of key personnel; or
- loss of a major source of funding.

In addition, we are required to continue to meet certain listing standards in order for our common stock to remain listed on the New York Stock Exchange ("NYSE"). If we were to be delisted by the NYSE, the liquidity of our common stock would be materially impaired.

Investing in our common stock may involve an above average degree of risk.

The investments we may make may result in a higher amount of risk, volatility or loss of principal than alternative investment options. These investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our common stock may not be suitable for investors with lower risk tolerance.

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

Sales of substantial amounts of our common stock could materially adversely affect the prevailing market prices for our common stock. If substantial amounts of our common stock were sold, this could impair our ability to raise additional capital through the sale of securities should we desire to do so.

Certain provisions of our certificate of incorporation and bylaws, as well as aspects of the Delaware General Corporation Law could deter takeover attempts and have an adverse impact on the price of our common stock.

Our certificate of incorporation and bylaws as well as the Delaware General Corporation Law contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. Among other things, our certificate of incorporation and bylaws:

- provide for a classified board of directors, which may delay the ability of our stockholders to change the membership of a majority of our board of directors;
- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- do not provide for cumulative voting;
- provide that vacancies on the board of directors, including newly created directorships, may be filled only by a majority vote of directors then in office;
- provide that our directors may be removed only for cause;
- require supermajority voting to effect certain amendments to our certificate of incorporation and bylaws; and
- require stockholders to provide advance notice of new business proposals and director nominations under specific procedures.

These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price for our common stock. The Holdings Credit Facility, the NMFC Credit Facility, NMNLC Credit Facility, the DB Credit Facility and the Unsecured Notes also include covenants that, among other things, restrict our ability to dispose of assets, incur additional indebtedness, make restricted payments, create liens on assets, make investments, make acquisitions and engage in mergers or consolidations. The Holdings Credit Facility, the NMFC Credit Facility, the DB Credit Facility and the Unsecured Notes also include change of control provisions that accelerate the indebtedness (or require prepayment of such indebtedness) under these agreements in the event of certain change of control events.

Shares of our common stock have traded at a discount from net asset value and may do so in the future.

Shares of closed-end investment companies have frequently traded at a market price that is less than the net asset value that is attributable to those shares. In part as a result of adverse economic conditions and increasing pressure within the financial sector of which we are a part, our common stock has at times traded below our net asset value per share since our IPO on May 19, 2011. Our shares could once again trade at a discount to net asset value. The possibility that our shares of common stock may trade at a discount from net asset value over the long term is separate and distinct from the risk that our net asset value will decrease. We cannot predict whether shares of our common stock will trade above, at or below our net asset value. If our common stock trades below our net asset value, we will generally not be able to issue additional shares of our common stock without first obtaining the approval for such issuance from our stockholders and our independent directors. If additional funds are not available to us, we could be forced to curtail or cease our new lending and investment activities, and our net asset value could decrease and our level of distributions could be impacted.

You may not receive distributions or our distributions may decline or may not grow over time.

We cannot assure you that we will achieve investment results or maintain a tax treatment that will allow or require any specified level of cash distributions or year-to-year increases in cash distributions. In particular, our future distributions are dependent upon the investment income we receive on our portfolio investments. To the extent such investment income declines, our ability to pay future distributions may be harmed.

We will have broad discretion over the use of proceeds of any offering made pursuant to our prospectus.

We will have significant flexibility in applying the proceeds of any offering made pursuant to our prospectus. We will also pay operating expenses, and may pay other expenses such as due diligence expenses of potential new investments, from net proceeds. Our ability to achieve our investment objective may be limited to the extent that the net proceeds of the offering, pending full investment, are used to pay operating expenses. In addition, we can provide you no assurance that any offering will be successful, or that by increasing the size of our available equity capital, our aggregate expenses, and correspondingly, our expense ratio, will be lowered.

Your interest in NMFC may be diluted if you do not fully exercise your subscription rights in any rights offering.

In the event we issue subscription rights to purchase shares of our common stock, stockholders who do not fully exercise their rights should expect that they will, at the completion of the offer, own a smaller proportional interest in NMFC than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares will be purchased as a result of the offer.

If we issue preferred stock, the net asset value and market value of our common stock will likely become more volatile.

We cannot assure you that the issuance of preferred stock would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock would likely cause the net asset value and market value of the common stock to become more volatile. If the dividend rate on the preferred stock were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of the common stock would be reduced. If the dividend rate on the preferred stock were to exceed the net rate of return on our portfolio, the leverage would result in a lower rate of return to the holders of common stock than if we had not issued preferred stock. Any decline in the net asset value of our investments would be borne entirely by the holders of common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of common stock than if we were not leveraged through the issuance of preferred stock. This greater net asset value decrease would also tend to cause a greater decline in the market price for the common stock.

We might be in danger of failing to maintain the required asset coverage of the preferred stock or of losing our ratings, if any, on the preferred stock or, in an extreme case, our current investment income might not be sufficient to meet the dividend requirements on the preferred stock. In order to counteract such an event, we might need to liquidate investments in order to fund a redemption of some or all of the preferred stock. In addition, we would pay (and the holders of common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, including higher advisory fees if our total return exceeds the dividend rate on the preferred stock. Holders of preferred stock may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

Holders of any preferred stock we might issue would have the right to elect members of our board of directors and class voting rights on certain matters.

Holders of any preferred stock we might issue, voting separately as a single class, would have the right to elect two members of our board of directors at all times and in the event dividends become two full years in arrears would have the right to elect a majority of the directors until such arrearage is completely eliminated. In addition, preferred stockholders have class voting rights on certain matters, including changes in fundamental investment restrictions and conversion to open-end status, and accordingly can veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, if any, or the terms of our credit facilities, if any, might impair our ability to maintain our tax treatment as a RIC for U.S. federal income tax purposes. While we would intend to redeem our preferred stock to the extent necessary to enable us to distribute our income as required to maintain our tax treatment as a RIC, there can be no assurance that such actions could be effected in time to meet the tax requirements.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We do not own any real estate or other physical properties materially important to our operations. Our principal executive offices are located at 787 Seventh Avenue, 48th Floor, New York, New York 10019, where we occupy our office space pursuant to our Administration Agreement with the Administrator. The office space is shared with our Investment Adviser, our Administrator and New Mountain Capital. We believe that our current office facilities are suitable and adequate for our business as currently conducted.

Item 3. Legal Proceedings

We, and our consolidated subsidiaries, the Investment Adviser and the Administrator are not currently subject to any material pending legal proceedings threated against us as of December 31, 2019. From time to time, we may be a party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock

New Mountain Finance Corporation's ("NMFC", the "Company", "we", "us" or "our") common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "NMFC".

As of February 21, 2020, we had approximately 13 stockholders of record and approximately one beneficial owner whose shares are held in the names of brokers, dealers, funds, trusts and clearing agencies.

Distributions

We intend to pay quarterly distributions to our stockholders in amounts sufficient to maintain our status as a regulated investment company ("RIC"). We intend to distribute approximately our entire net investment income on a quarterly basis and substantially all of our taxable income on an annual basis, except that we may retain certain net capital gains for reinvestment. The distributions we pay to our stockholders in a year may exceed our taxable income for that year and, accordingly, a portion of such distributions may constitute a return of capital, which is a return of a portion of a stockholders original investment in our common stock, for United States ("U.S.") federal income tax purposes. Generally, a return of capital will reduce an investor's basis in our stock for U.S. federal income tax purposes, which will result in a higher tax liability when the stock is sold. The specific tax characteristics of our distributions will be reported to stockholders after the end of the calendar year.

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

We apply the following in implementing the dividend reinvestment plan. If the price at which newly issued shares are to be credited to stockholders' accounts is equal to or greater than 110.0% of the last determined NAV of the shares, we will use only newly issued shares to implement the dividend reinvestment plan. Under such circumstances, the number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of our common stock on the NYSE on the distribution payment date. Market price per share on that date will be the closing price for such shares on the NYSE or, if no sale is reported for such day, the average of their electronically reported bid and ask prices.

If the price at which newly issued shares are to be credited to stockholders' accounts is less than 110.0% of the last determined NAV of the shares, we will either issue new shares or instruct the plan administrator to purchase shares in the open market to satisfy the additional shares required. Shares purchased in open market transactions by the plan administrator will be allocated to a stockholder based on the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased in the open market. The number of shares of our common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated. See *Item 8.—Financial Statements and Supplementary Data—Note 2. Summary of Significant Accounting Policies* for additional information.

Unregistered Sales of Equity Securities

We did not engage in unregistered sales of equity securities during the year endedDecember 31, 2019.

Issuer Purchases of Equity Securities

Dividend Reinvestment Plan

During the year ended December 31, 2019, as part of our dividend reinvestment plan for our common stockholders, our dividend reinvestment plan administrator did not purchase any shares of our common stock in the open market in order to satisfy the reinvestment portion of our distribution.

Stock Repurchase Program

On February 4, 2016, our board of directors authorized a program for the purpose of repurchasing up to $50.0 million worth of our common stock. Under the repurchase program, we were permitted, but were not obligated to, repurchase our outstanding common stock in the open market from time to time, provided that we complied with our code of ethics and the guidelines specified in Rule 10b-18 of the Exchange Act, including certain price, market volume and timing constraints. In addition, any repurchases were conducted in accordance with the 1940 Act. On December 31, 2019, our board of directors extended our repurchase program and we expect the repurchase program to be in place until the earlier of December 31, 2020 or until $50.0 million of outstanding shares of common stock have been repurchased. We did not repurchase any shares of our common stock under the repurchase program during the year ended December 31, 2019.

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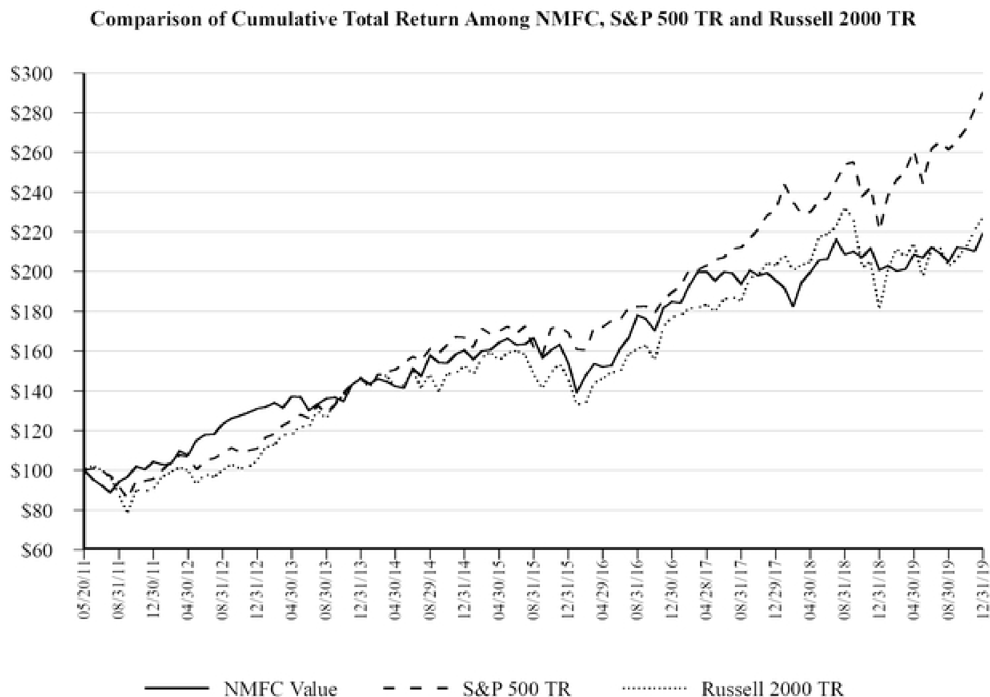
Stock Performance Graph

This graph compares the return on our common stock with that of the Standard & Poor's 500 Total Return Index ("S&P 500 TR") and the Russell 2000 Index Total Return ("Russell 2000 TR") as we do not believe that there is an appropriate index of companies with an investment strategy similar to our own with which to compare the return on our common stock, for the period May 19, 2011 (commencement of operations) to December 31, 2019. The graph assumes that, on May 19, 2011, a person invested $100 in each of our common stock, the S&P 500 TR and the Russell 2000 TR. The graph measures total stockholder return, which takes into account both changes in stock price and distributions. It assumes that distributions paid are invested in like securities.



The graph and other information furnished under this Part II Item 5 of this Form 10-K shall not be deemed to be "soliciting material" or to be filed with the United States Securities and Exchange Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the 1934 Act. The stock price performance included in the above graph is not necessarily indicative of future stock performance.

Item 6. Selected Financial Data

The selected consolidated financial data for NMFC should be read in conjunction with the respective consolidated financial statements and related consolidated notes thereto and *Item 7.—Management's Discussion and Analysis of Financial Condition and Results of Operations* included in this report. Financial information for the years ended December 31, 2019, December 31, 2018, December 31, 2017, December 31, 2016 and December 31, 2015, has been derived from our consolidated financial statements and related notes thereto that were audited by Deloitte & Touche LLP, an independent registered public accounting firm.

(in thousands except shares and per share data)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Consolidated Statement of Operations Data:					
Investment income	$ 276,507	$ 231,465	$ 197,806	$ 168,084	$ 153,855
Net expenses	159,354	125,433	95,602	79,976	71,360
Net investment income	117,153	106,032	102,204	88,108	82,495
Net realized gains (losses) on investments	890	(9,657)	(39,734)	(16,717)	(12,789)
Net change in unrealized (depreciation) appreciation of investments	(3,488)	(22,206)	50,794	40,131	(35,272)
Net change in unrealized depreciation of securities purchased under collateralized agreements to resell	(2,086)	(1,704)	(4,006)	(486)	(296)
Benefit (provision) for taxes	94	(112)	140	642	(1,183)
Net increase in net assets resulting from operations	112,563	72,353	109,398	111,678	32,955
Per share data:					
Net asset value	$ 13.26	$ 13.22	$ 13.63	$ 13.46	$ 13.08
Net increase in net assets resulting from operations (basic)	1.32	0.95	1.47	1.72	0.55
Net increase in net assets resulting from operations (diluted)(1)	1.22	0.91	1.38	1.60	0.55
Distributions declared	1.36	1.36	1.36	1.36	1.36
Consolidated Statement of Assets and Liabilities data:					
Total assets(2)	$ 3,266,055	$ 2,448,666	$ 1,928,018	$ 1,656,018	$ 1,588,146
Holdings Credit Facility	661,563	512,563	312,363	333,513	419,313
Unsecured Notes	453,250	336,750	145,000	90,000	—
Convertible Notes	201,623	270,301	155,412	155,523	115,000
SBA-guaranteed debentures	225,000	165,000	150,000	121,745	117,745
NMFC Credit Facility	188,500	60,000	122,500	10,000	90,000
DB Credit Facility	230,000	57,000	—	—	—
Total net assets	1,283,468	1,006,269	1,034,975	938,562	836,908
Other data:					
Total return based on market value(3)	20.45%	2.70%	5.54%	19.68%	(4.00)%
Total return based on net asset value(4)	10.90%	7.16%	11.77%	13.98%	4.32 %
Number of portfolio companies at period end	114	92	84	78	75
Total new investments for the period	$ 1,105,301	$ 1,321,559	$ 999,677	$ 558,068	$ 612,737
Investment sales and repayments for the period	$ 328,146	$ 802,964	$ 767,360	$ 547,078	$ 483,936
Weighted average YTM at Cost on debt portfolio at period end (unaudited)(5)	9.5%	10.4%	10.9%	11.1%	10.7 %
Weighted average YTM at Cost for Investments at period end (unaudited)(5)	9.5%	10.4%	10.9%	10.5%	10.7 %
Weighted average shares outstanding for the period (basic)	85,209,378	76,022,375	74,171,268	64,918,191	59,715,290
Weighted average shares outstanding for the period (diluted)	100,464,045	88,627,741	83,995,395	72,863,387	66,968,089
Portfolio turnover	11.58%	36.75%	41.98%	36.07%	33.93 %

(1) In applying the if-converted method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive. For the year ended December 31, 2015, there was anti-dilution. For the years ended December 31, 2019, December 31, 2018, December 31, 2017 and December 31, 2016, there was no anti-dilution.

(2) On January 1, 2016, we adopted Accounting Standard Update No. 2015-03, *Interest—Imputation of Interest Subtopic 835-30—Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”). Upon adoption, we revised our presentation of deferred financing costs from an asset to a liability, which is a direct deduction to our debt on the Consolidated Statements of Assets and Liabilities. In addition, as of December 31, 2015, we retrospectively revised our presentation of $14.0 million of deferred financing costs that were previously presented as an asset, which resulted in a decrease to total assets and total liabilities as of December 31, 2015.

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

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

(5) The weighted average YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at the adjusted cost on the respective period ends and held until their respective maturities with no prepayments or losses and exited at par at maturity. The YTM at Cost for Investments calculation assumes that all investments, including secured collateralized agreements, are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. YTM at Cost and YTM at Cost for Investments calculations exclude the impact of existing leverage. YTM at Cost and YTM at Cost for Investments use the London Interbank Offered Rate ("LIBOR") curves at each quarter's end date. The actual yield to maturity may be higher or lower due to the future selection of the LIBOR contracts by the individual companies in our portfolio or other factors. Adjusted cost reflects the cost for post-IPO investments in accordance with accounting principles generally accepted in the United States of America ("GAAP") and a stepped up cost basis of pre-IPO investments (assuming a step-up to fair market value occurred on the IPO date).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

The following analysis of our financial condition and results of operations should be read in conjunction with our financial data and our financial statements and the notes thereto contained in *Item 8.—Financial Statements and Supplementary Data*, in this report. See *Item 1A.—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 consolidated financial statements and notes thereto appearing elsewhere in this report. Some of the statements in this report (including in the following discussion) constitute forward-looking statements, which relate to future events or our future performance or our financial condition. The forward-looking statements contained in this section involve a number of risks and uncertainties, including:

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

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

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

Overview

We are a Delaware corporation that was originally incorporated on June 29, 2010 and completed our initial public offering ("IPO") on May 19, 2011. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Since NMFC's IPO, and through December 31, 2019, NMFC raised approximately $893.2 million in net proceeds from additional offerings of its common stock.

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

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

- New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company") and New Mountain Finance DB, L.L.C. ("NMFDB"), whose assets are used secure NMF Holdings' credit facility and NMFDB's credit facility, respectively;
- New Mountain Finance SBIC, L.P. ("SBIC I") and New Mountain Finance SBIC II, L.P. ("SBIC II"), who have received licenses from the United States ("U.S.") Small Business Administration ("SBA") to operate as small business investment companies ("SBICs") under Section 301(c) of the Small Business Investment Act of 1958, as amended (the "1958 Act") and their general partners, New Mountain Finance SBIC G.P., L.L.C. ("SBIC I GP") and New Mountain Finance SBIC II G.P., L.L.C. ("SBIC II GP"), respectively;
- New Mountain Net Lease Corporation ("NMNLC"), which acquires commercial real properties that are subject to ''triple net'' leases has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code;
- NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID Holdings, Inc. ("NMF QID") and NMF YP Holdings Inc. ("NMF YP"), which serve as tax blocker corporations by holding equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities); we consolidate our tax blocker corporations for accounting purposes but the tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of the portfolio companies; and
- New Mountain Finance Servicing, L.L.C. ("NMF Servicing"), which serves as the administrative agent on certain investment transactions.

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

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

As of December 31, 2019, our net asset value was $1,283.5 million and our portfolio had a fair value of approximately $3,160.3 million in 114 portfolio companies, with a weighted average yield to maturity at cost for income producing investments ("YTM at Cost") and a weighted average yield to maturity at cost for all investments ("YTM at Cost for Investments") of approximately 9.5% and 9.5%, respectively. This YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. The YTM at Cost for Investments

calculation assumes that all investments, including secured collateralized agreements, are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. YTM at Cost and YTM at Cost for Investments calculations exclude the impact of existing leverage. YTM at Cost and YTM at Cost for Investments use the London Interbank Offered Rate ("LIBOR") curves at each quarter's end date. The actual yield to maturity may be higher or lower due to the future selection of the LIBOR contracts by the individual companies in our portfolio or other factors.

Recent Developments

On February 19, 2020, our board of directors declared a first quarter 2020 distribution of $0.34 per share payable on March 27, 2020 to holders of record as of March 13, 2020.

Critical Accounting Policies

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

Basis of Accounting

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

Valuation and Leveling of Portfolio Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Quoted prices for similar assets or liabilities in active markets;

- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including foreign exchange forward contracts); and

- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

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

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

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

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

(in thousands)	Total	Level I	Level II	Level III
First lien	$ 1,801,615	$ —	$ 263,192	$ 1,538,423
Second lien	788,868	—	369,477	419,391
Subordinated	66,774	—	20,870	45,904
Equity and other	503,023	—	—	503,023
Total investments	$ 3,160,280	$ —	$ 653,539	$ 2,506,741

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

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

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

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

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

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

The unobservable inputs used in the fair value measurement of our Level III investments as of December 31, 2019 were as follows:

(in thousands)				Range		
Type	**Fair Value as of December 31, 2019**	**Approach**	**Unobservable Input**	**Low**	**High**	**Weighted Average**
First lien	$ 1,239,847	Market & income approach	EBITDA multiple	2.0x	35.0x	14.1x
			Revenue multiple	3.5x	11.0x	6.5x
			Discount rate	6.3%	14.8%	8.6%
	298,576	Market quote	Broker quote	N/A	N/A	N/A
Second lien	196,494	Market & income approach	EBITDA multiple	6.5x	32.0x	14.8x
			Revenue multiple	0.1x	1.3x	0.7x
			Discount rate	8.6%	20.4%	11.6%
	222,897	Market quote	Broker quote	N/A	N/A	N/A
Subordinated	45,904	Market & income approach	EBITDA multiple	5.5x	15.0x	10.7x
			Discount rate	10.2%	35.0%	18.8%
Equity and other	502,125	Market & income approach	EBITDA multiple	5.5x	19.5x	11.9x
			Revenue multiple	0.1x	1.3x	0.7x
			Discount rate	6.2%	57.4%	13.8%
	898	Black Scholes analysis	Expected life in years	6.3	6.3	6.3
			Volatility	23.4%	23.4%	23.4%
			Discount rate	1.8%	1.8%	1.8%
	$ 2,506,741					

NMFC Senior Loan Program I LLC

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by us. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I is subject to restrictions, and as a result, such interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until August 31, 2022, subject to earlier termination pursuant to certain terms of the SLP I Agreement. The term may be extended pursuant to certain terms of the SLP I Agreement. SLP I's re-investment period is currently until August 31, 2020. SLP I invests in senior secured loans issued by companies within our core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with $93.0 million of capital commitments and $265.0 million of debt from a revolving credit facility and is managed by us. Our capital commitment is $23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of December 31, 2019, SLP I had total investments with an aggregate fair value of approximately $313.7 million, debt outstanding of $227.4 million and capital that had been called and funded of $93.0 million. As of December 31, 2018, SLP I had total investments with an aggregate fair value of approximately $327.2 million, debt outstanding of $242.6 million and capital that had been called and funded of $93.0 million. Our investment in SLP I is disclosed on our Consolidated Schedule of Investments as of December 31, 2019 and December 31, 2018.

We, as an investment adviser registered under the Advisers Act, act as the collateral manager to SLP I and are entitled to receive a management fee for our investment management services provided to SLP I. As a result, SLP I is classified as our affiliate. No management fee is charged on our investment in SLP I in connection with the administrative services provided to SLP I. For the years ended December 31, 2019 and December 31, 2018, we earned approximately $1.1 million, and $1.2 million, respectively, in management fees related to SLP I, which is included in other income. As of December 31, 2019 and December 31, 2018, approximately $0.3 million and $0.3 million, respectively, of management fees related to SLP I was included in receivable from affiliates. For the years ended December 31, 2019 and December 31, 2018, we earned approximately $3.1 million, and $3.2 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of December 31, 2019 and December 31, 2018, approximately $0.7 million and $0.8 million, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

NMFC Senior Loan Program II LLC

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

SLP II is capitalized with equity contributions which were called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP II to call down on capital commitments requires approval by the board of managers of SLP II. As of December 31, 2019, we and SkyKnight have committed and contributed $79.4 million and $20.6 million, respectively, of equity to SLP II. Our investment in SLP II is disclosed on our Consolidated Schedule of Investments as of December 31, 2019 and December 31, 2018.

On April 12, 2016, SLP II entered into its$275.0 million revolving credit facility with Wells Fargo Bank, National Association, which matures on April 12, 2022 and bears interest at a rate of the LIBOR plus 1.60% per annum. As of December 31, 2019 and December 31, 2018, SLP II had total investments with an aggregate fair value of approximately $340.0 million and $336.9 million, respectively, and debt outstanding under its credit facility of$246.9 million and $243.2 million, respectively. As of December 31, 2019 and December 31, 2018, none of SLP II's investments were on non-accrual. Additionally, as ofDecember 31, 2019 and December 31, 2018, SLP II had unfunded commitments in the form of delayed draws of $3.2 million and $5.9 million, respectively. Below is a summary of SLP II's portfolio, along with a listing of the individual investments in SLP II's portfolio as of December 31, 2019 and December 31, 2018:

(in thousands)	December 31, 2019	December 31, 2018
First lien investments (1)	351,160	348,577
Weighted average interest rate on first lien investments (2)	6.29 %	6.84 %
Number of portfolio companies in SLP II	37	31
Largest portfolio company investment (1)	17,456	17,150
Total of five largest portfolio company investments (1)	78,932	80,766

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

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien				(in thousands)	(in thousands)	(in thousands)
Access CIG, LLC	Business Services	5.44% (L + 3.75%)	2/27/2025	$ 9,833	$ 9,794	$ 9,841
ADG, LLC	Healthcare Services	7.17% (L + 4.75% + 0.50% PIK)	9/28/2023	16,074	15,980	15,813
Advisor Group Holdings, Inc.	Consumer Services	6.80% (L + 5.00%)	7/31/2026	5,000	4,952	4,972
Bearcat Buyer, Inc.	Healthcare Services	6.19% (L + 4.25%)	7/9/2026	1,379	1,372	1,372
Bearcat Buyer, Inc.	Healthcare Services	6.19% (L + 4.25%)	7/9/2026	90	90	90
Bleriot US Bidco Inc.	Federal Services	6.69% (L + 4.75%)	10/30/2026	8,649	8,563	8,746
Brave Parent Holdings, Inc.	Software	5.93% (L + 4.00%)	4/18/2025	15,267	15,222	15,045
CentralSquare Technologies, LLC	Software	5.55% (L + 3.75%)	8/29/2025	14,850	14,819	14,231
CHA Holdings, Inc.	Business Services	6.44% (L + 4.50%)	4/10/2025	10,697	10,658	10,683
CHA Holdings, Inc.	Business Services	6.44% (L + 4.50%)	4/10/2025	2,047	2,037	2,044
CommerceHub, Inc.	Software	5.30% (L + 3.50%)	5/21/2025	2,463	2,453	2,432
Drilling Info Holdings, Inc.	Business Services	6.05% (L + 4.25%)	7/30/2025	14,758	14,703	14,696
Edgewood Partners Holdings LLC	Business Services	6.05% (L + 4.25%)	9/6/2024	7,432	7,367	7,413
Explorer Holdings, Inc.	Healthcare Services	6.26% (L + 4.50%)	11/20/2026	3,145	3,113	3,171
Fastlane Parent Company, Inc.	Distribution & Logistics	6.44% (L + 4.50%)	2/4/2026	3,474	3,411	3,448
Greenway Health, LLC	Software	5.69% (L + 3.75%)	2/16/2024	14,625	14,578	13,053
Help/Systems Holdings, Inc.	Software	6.55% (L + 4.75%)	11/19/2026	4,444	4,400	4,428
Idera, Inc.	Software	6.30% (L + 4.50%)	6/28/2024	4,446	4,417	4,449
Institutional Shareholder Services Inc.	Business Services	6.44% (L + 4.50%)	3/5/2026	13,895	13,769	13,687
Keystone Acquisition Corp.	Healthcare Services	7.19% (L + 5.25%)	5/1/2024	5,278	5,243	5,173
LSCS Holdings, Inc.	Healthcare Services	6.31% (L + 4.25%)	3/17/2025	7,298	7,290	7,225
LSCS Holdings, Inc.	Healthcare Services	6.31% (L + 4.25%)	3/17/2025	1,884	1,882	1,865
Market Track, LLC	Business Services	6.18% (L + 4.25%)	6/5/2024	11,700	11,660	10,530
MediaOcean, LLC	Software	5.80% (L + 4.00%)	8/18/2025	7,392	7,372	7,410
Medical Solutions Holdings, Inc.	Healthcare Services	6.30% (L + 4.50%)	6/14/2024	2,795	2,786	2,791
Ministry Brands, LLC	Software	5.85% (L + 4.00%)	12/2/2022	12,160	12,124	12,160
Ministry Brands, LLC	Software	5.85% (L + 4.00%)	12/2/2022	2,095	2,089	2,095
Ministry Brands, LLC	Software	5.85% (L + 4.00%)	12/2/2022	880	877	880
NorthStar Financial Services Group, LLC	Software	5.30% (L + 3.50%)	5/25/2025	5,885	5,861	5,789
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.05% (L + 5.25%)	4/29/2024	10,237	10,203	10,193
Premise Health Holding Corp.	Healthcare Services	5.44% (L + 3.50%)	7/10/2025	1,372	1,367	1,358
Project Accelerate Parent, LLC	Business Services	5.99% (L + 4.25%)	1/2/2025	13,545	13,494	13,511
PSC Industrial Holdings Corp.	Industrial Services	5.49% (L + 3.75%)	10/11/2024	7,305	7,252	7,269
Quest Software US Holdings Inc.	Software	6.18% (L + 4.25%)	5/16/2025	14,850	14,790	14,739
Salient CRGT Inc.	Federal Services	8.29% (L + 6.50%)	2/28/2022	13,134	13,071	12,510
Spring Education Group, Inc. (fka SSH Group Holdings, Inc.)	Education	6.19% (L + 4.25%)	7/30/2025	716	715	721
Wirepath LLC	Distribution & Logistics	5.94% (L + 4.00%)	8/5/2024	14,813	14,813	12,886
WP CityMD Bidco LLC	Healthcare Services	6.44% (L + 4.50%)	8/13/2026	15,000	14,855	15,038
Wrench Group LLC	Consumer Services	6.19% (L + 4.25%)	4/30/2026	4,478	4,435	4,488
YI, LLC	Healthcare Services	5.94% (L + 4.00%)	11/7/2024	14,801	14,791	13,839
Zelis Cost Management Buyer, Inc.	Healthcare I.T.	6.55% (L + 4.75%)	9/30/2026	10,363	10,261	10,427
Zywave, Inc.	Software	6.93% (L + 5.00%)	11/17/2022	16,975	16,930	16,975
Zywave, Inc.	Software	6.84% (L + 5.00%)	11/17/2022	481	477	481
Total Funded Investments				**$ 348,005**	**$ 346,336**	**$ 339,967**
Unfunded Investments - First lien						
Bearcat Buyer, Inc.	Healthcare Services	—	7/9/2021	$ 194	$ (1)	$ (1)
Bleriot US Bidco Inc.	Federal Services	—	10/31/2020	1,351	(14)	15
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	110	—	—
Wrench Group LLC	Consumer Services	—	4/30/2021	1,500	—	4
Total Unfunded Investments				**$ 3,155**	**$ (15)**	**$ 18**
Total Investments				**$ 351,160**	**$ 346,321**	**$ 339,985**

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(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2019.

(2) Represents the fair value in accordance with Accounting Standards Codification Topic 820, *Fair Value Measurement and Disclosures* ("ASC 820"). Our board of directors does not determine the fair value of the investments held by SLP II.

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien				(in thousands)	(in thousands)	(in thousands)
Access CIG, LLC	Business Services	6.46% (L + 3.75%)	2/27/2025	$ 8,825	$ 8,785	$ 8,605
ADG, LLC	Healthcare Services	7.63% (L + 4.75%)	9/28/2023	16,862	16,740	16,609
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.62% (L + 4.00%)	8/21/2023	14,664	14,492	14,517
Brave Parent Holdings, Inc.	Software	6.52% (L + 4.00%)	4/18/2025	15,422	15,369	14,902
CentralSquare Technologies, LLC	Software	6.27% (L + 3.75%)	8/29/2025	15,000	14,964	14,648
CHA Holdings, Inc.	Business Services	7.30% (L + 4.50%)	4/10/2025	10,805	10,760	10,774
CommerceHub, Inc.	Software	6.27% (L + 3.75%)	5/21/2025	2,488	2,476	2,419
Drilling Info Holdings, Inc.	Business Services	6.77% (L + 4.25%)	7/30/2025	12,242	12,190	12,196
Greenway Health, LLC	Software	6.56% (L + 3.75%)	2/16/2024	14,775	14,718	14,406
GOBP Holdings, Inc.	Retail	6.55% (L + 3.75%)	10/22/2025	2,500	2,494	2,438
Idera, Inc.	Software	7.03% (L + 4.50%)	6/28/2024	12,492	12,388	12,242
J.D. Power (fka J.D. Power and Associates)	Business Services	6.27% (L + 3.75%)	9/7/2023	14,962	14,920	14,588
Keystone Acquisition Corp.	Healthcare Services	8.05% (L + 5.25%)	5/1/2024	5,332	5,289	5,226
LSCS Holdings, Inc.	Healthcare Services	6.86% (L + 4.25%)	3/17/2025	5,321	5,312	5,294
LSCS Holdings, Inc.	Healthcare Services	6.89% (L + 4.25%)	3/17/2025	1,374	1,371	1,367
Market Track, LLC	Business Services	6.87% (L + 4.25%)	6/5/2024	11,820	11,772	11,347
Medical Solutions Holdings, Inc.	Healthcare Services	6.27% (L + 3.75%)	6/14/2024	4,432	4,413	4,343
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	2,116	2,109	2,116
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	600	597	600
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	12,285	12,238	12,285
NorthStar Financial Services Group, LLC	Software	6.10% (L + 3.50%)	5/25/2025	7,463	7,428	7,313
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	8.06% (L + 5.25%)	4/29/2024	10,342	10,301	10,084
Poseidon Intermediate, LLC	Software	6.78% (L + 4.25%)	8/15/2022	14,729	14,727	14,644
Premise Health Holding Corp.	Healthcare Services	6.55% (L + 3.75%)	7/10/2025	1,386	1,380	1,369
Project Accelerate Parent, LLC	Business Services	6.64% (L + 4.25%)	1/2/2025	14,887	14,821	14,663
PSC Industrial Holdings Corp.	Industrial Services	6.21% (L + 3.75%)	10/11/2024	10,395	10,307	10,161
Quest Software US Holdings Inc.	Software	6.78% (L + 4.25%)	5/16/2025	15,000	14,930	14,535
Salient CRGT Inc.	Federal Services	8.27% (L + 5.75%)	2/28/2022	13,509	13,418	13,306
Sierra Acquisition, Inc.	Food & Beverage	6.02% (L + 3.50%)	11/11/2024	3,713	3,696	3,685
SSH Group Holdings, Inc.	Education	6.77% (L + 4.25%)	7/30/2025	8,978	8,956	8,753
Wirepath LLC	Distribution & Logistics	6.71% (L + 4.00%)	8/5/2024	14,963	14,963	14,738
WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 3.50%)	6/7/2024	10,823	10,801	10,620
YI, LLC	Healthcare Services	6.80% (L + 4.00%)	11/7/2024	15,064	15,053	14,971
Zywave, Inc.	Software	7.52% (L + 5.00%)	11/17/2022	17,150	17,091	17,150
Total Funded Investments				**$ 342,719**	**$ 341,269**	**$ 336,914**
Unfunded Investments - First lien						
Access CIG, LLC	Business Services	—	2/27/2019	$ 1,108	$ —	$ (28)
CHA Holdings, Inc.	Business Services	—	10/10/2019	2,143	(11)	(6)
Drilling Info Holdings, Inc.	Business Services	—	7/30/2020	1,230	(5)	(10)
Ministry Brands, LLC	Software	—	10/18/2019	1,267	(6)	—
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	110	—	(1)
Total Unfunded Investments				**$ 5,858**	**$ (22)**	**$ (45)**
Total Investments				**$ 348,577**	**$ 341,247**	**$ 336,869**

(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2018.

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

Below is certain summarized financial information for SLP II as ofDecember 31, 2019 and December 31, 2018 and for the years ended December 31, 2019 and December 31, 2018.

Selected Balance Sheet Information:		**December 31, 2019**		**December 31, 2018**
		(in thousands)		(in thousands)
Investments at fair value (cost of $346,321 and $341,247, respectively)	$	339,985	$	336,869
Cash and other assets		8,159		7,620
Total assets	$	348,144	$	344,489
Credit facility	$	246,870	$	243,170
Deferred financing costs		(1,408)		(1,374)
Payable for unsettled securities purchased		3,250		—
Distribution payable		3,113		3,250
Other liabilities		2,371		2,869
Total liabilities		254,196		247,915
Members' capital	$	93,948	$	96,574
Total liabilities and members' capital	$	348,144	$	344,489

	Year Ended December 31,			
Selected Statement of Operations Information:		**2019**		**2018**
		(in thousands)		(in thousands)
Interest income	$	24,175	$	24,654
Other income		145		199
Total investment income		24,320		24,853
Interest and other financing expenses		10,882		10,474
Other expenses		536		681
Total expenses		11,418		11,155
Less: expenses waived and reimbursed		(20)		—
Net expenses		11,398		11,155
Net investment income		12,922		13,698
Net realized gains on investments		410		782
Net change in unrealized (depreciation) appreciation of investments		(1,958)		(7,837)
Net increase in members' capital	$	11,374	$	6,643

For the years ended December 31, 2019 and December 31, 2018, we earned approximately $11.1 million and $11.1 million, respectively, of dividend income related to SLP II, which is included in dividend income. As of December 31, 2019 and December 31, 2018, approximately $2.6 million and $2.6 million, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

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

NMFC Senior Loan Program III LLC

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

SLP III is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP III to call down on capital commitments requires approval by the board of managers of SLP III. As of December 31, 2019, we and SkyKnight II have committed and contributed $100.0 million and $25.0 million, respectively, of equity to SLP III. Our investment in SLP III is disclosed on our Consolidated Schedule of Investments as of December 31, 2019 and December 31, 2018.

On May 2, 2018, SLP III entered into its revolving credit facility with Citibank, N.A., which matures on May 2, 2023 and bears interest at a rate of LIBOR plus 1.70% per annum. Effective June 24, 2019, SLP III's revolving credit facility has a maximum borrowing capacity of $375.0 million. As of December 31, 2019 and December 31, 2018, SLP III had total investments with an aggregate fair value of approximately $475.2 million and $365.4 million, respectively, and debt outstanding under its credit facility of $355.4 million and $280.3 million, respectively. As of December 31, 2019 and December 31, 2018, none of SLP III's investments were on non-accrual. Additionally, as of December 31, 2019 and December 31, 2018, SLP III had unfunded commitments in the form of delayed draws of $10.6 million and $8.8 million. Below is a summary of SLP III's portfolio, along with a listing of the individual investments in SLP III's portfolio as of December 31, 2019 and December 31, 2018:

(in thousands)	December 31, 2019	December 31, 2018
First lien investments (1)	493,787	383,289
Weighted average interest rate on first lien investments (2)	5.95 %	6.50 %
Number of portfolio companies in SLP III	49	39
Largest portfolio company investment (1)	23,947	18,958
Total of five largest portfolio company investments (1)	99,906	85,938

(1) Reflects principal amount or par value of investment.
(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien				(in thousands)	(in thousands)	(in thousands)
Access CIG, LLC	Business Services	5.44% (L + 3.75%)	2/27/2025	$ 1,204	$ 1,204	$ 1,205
Advisor Group Holdings, Inc.	Consumer Services	6.80% (L + 5.00%)	7/31/2026	5,000	4,952	4,972
Affordable Care Holding Corp.	Healthcare Services	6.59% (L + 4.75%)	10/24/2022	5,963	5,884	5,814
AG Parent Holdings, LLC	Healthcare Services	6.91% (L + 5.00%)	7/31/2026	12,500	12,440	12,406
Aston FinCo S.a r.l. / Aston US Finco, LLC	Software	6.26% (L + 4.25%)	10/9/2026	6,000	5,941	5,970
Ascensus Specialties LLC	Business Services	6.44% (L + 4.75%)	9/24/2026	10,000	9,951	9,975
BCPE Empire Holdings, Inc.	Distribution & Logistics	5.80% (L + 4.00%)	6/11/2026	9,167	9,080	9,224
BCPE Empire Holdings, Inc.	Distribution & Logistics	5.80% (L + 4.00%)	6/11/2026	229	243	231
Bearcat Buyer, Inc.	Healthcare Services	6.19% (L + 4.25%)	7/9/2026	19,853	19,759	19,753
Bearcat Buyer, Inc.	Healthcare Services	6.19% (L + 4.25%)	7/9/2026	1,302	1,296	1,296
Bleriot US Bidco Inc.	Federal Services	6.69% (L + 4.75%)	10/30/2026	4,324	4,281	4,373
Bluefin Holding, LLC	Software	6.14% (L + 4.25%)	9/4/2026	10,000	9,855	9,900
Bracket Intermediate Holding Corp.	Healthcare Services	6.35% (L + 4.25%)	9/5/2025	14,813	14,750	14,775
Brave Parent Holdings, Inc.	Software	5.93% (L + 4.00%)	4/18/2025	14,775	14,732	14,560
CentralSquare Technologies, LLC	Software	5.55% (L + 3.75%)	8/29/2025	14,850	14,819	14,231
Certara Holdco, Inc.	Healthcare I.T.	5.44% (L + 3.50%)	8/15/2024	1,262	1,266	1,262
CHA Holdings, Inc.	Business Services	6.44% (L + 4.50%)	4/10/2025	987	987	986
CommerceHub, Inc.	Software	5.30% (L + 3.50%)	5/21/2025	14,775	14,716	14,590
Covenant Surgical Partners, Inc.	Healthcare Services	5.69% (L + 4.00%)	7/1/2026	9,975	9,881	9,913
CRCI Longhorn Holdings, Inc.	Business Services	5.19% (L + 3.50%)	8/8/2025	14,813	14,751	14,414
Dentalcorp Health Services ULC (fka Dentalcorp Perfect Smile ULC)	Healthcare Services	5.55% (L + 3.75%)	6/6/2025	14,786	14,755	14,737
Drilling Info Holdings, Inc.	Business Services	6.05% (L + 4.25%)	7/30/2025	18,766	18,688	18,688
Edgewood Partners Holdings LLC	Business Services	6.05% (L + 4.25%)	9/6/2024	7,432	7,367	7,413
Explorer Holdings, Inc.	Healthcare Services	6.25% (L + 4.50%)	11/20/2026	3,931	3,892	3,964
Fastlane Parent Company, Inc.	Distribution & Logistics	6.44% (L + 4.50%)	2/4/2026	3,474	3,411	3,448
Greenway Health, LLC	Software	5.69% (L + 3.75%)	2/16/2024	14,670	14,679	13,093
Heartland Dental, LLC	Healthcare Services	5.55% (L + 3.75%)	4/30/2025	18,317	18,243	18,248
Help/Systems Holdings, Inc.	Software	6.55% (L + 4.75%)	11/19/2026	5,556	5,500	5,535
Idera, Inc.	Software	6.30% (L + 4.50%)	6/28/2024	5,572	5,548	5,576
Institutional Shareholder Services Inc.	Business Services	6.44% (L + 4.50%)	3/5/2026	993	983	978
Kestra Advisor Services Holdings A, Inc.	Business Services	6.20% (L + 4.25%)	6/3/2026	9,476	9,402	9,477
LSCS Holdings, Inc.	Healthcare Services	6.31% (L + 4.25%)	3/17/2025	2,654	2,634	2,627
LSCS Holdings, Inc.	Healthcare Services	6.31% (L + 4.25%)	3/17/2025	685	680	678
Market Track, LLC	Business Services	6.18% (L + 4.25%)	6/5/2024	4,778	4,773	4,300
MED ParentCo, LP	Healthcare Services	6.05% (L + 4.25%)	8/31/2026	10,376	10,282	10,402
MED ParentCo, LP	Healthcare Services	6.05% (L + 4.25%)	8/31/2026	553	549	554
Ministry Brands, LLC	Software	5.85% (L + 4.00%)	12/2/2022	4,549	4,534	4,549
Ministry Brands, LLC	Software	5.85% (L + 4.00%)	12/2/2022	880	877	880
National Intergovernmental Purchasing Alliance Company	Business Services	5.69% (L + 3.75%)	5/23/2025	8,790	8,786	8,790
Navex Topco, Inc.	Software	5.05% (L + 3.25%)	9/5/2025	18,394	18,237	18,448
Netsmart Technologies, Inc.	Healthcare I.T.	5.55% (L + 3.75%)	4/19/2023	10,330	10,330	10,308
Newport Group Holdings II, Inc.	Business Services	5.65% (L + 3.75%)	9/12/2025	4,938	4,917	4,950
NorthStar Financial Services Group, LLC	Software	5.30% (L + 3.50%)	5/25/2025	11,770	11,723	11,579
Outcomes Group Holdings, Inc.	Healthcare Services	5.41% (L + 3.50%)	10/24/2025	6,435	6,421	6,344
Pelican Products, Inc.	Business Products	5.24% (L + 3.50%)	5/1/2025	4,925	4,915	4,531
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.05% (L + 5.25%)	4/29/2024	15,430	15,371	15,363
Premise Health Holding Corp.	Healthcare Services	5.44% (L + 3.50%)	7/10/2025	13,723	13,666	13,580
Project Accelerate Parent, LLC	Business Services	5.99% (L + 4.25%)	1/2/2025	9,924	9,878	9,899
Quest Software US Holdings Inc.	Software	6.18% (L + 4.25%)	5/16/2025	14,850	14,790	14,739
Sierra Enterprises, LLC	Food & Beverage	5.80% (L + 4.00%)	11/11/2024	2,456	2,454	2,447
Spring Education Group, Inc. (fka SSH Group Holdings, Inc.)	Education	6.19% (L + 4.25%)	7/30/2025	14,812	14,782	14,905
Wirepath LLC	Distribution & Logistics	5.94% (L + 4.00%)	8/5/2024	17,302	17,302	15,053

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
WP CityMD Bidco LLC	Healthcare Services	6.44% (L + 4.50%)	8/13/2026	$ 20,069	$ 19,875	$ 20,119
YI, LLC	Healthcare Services	5.94% (L + 4.00%)	11/7/2024	9,791	9,784	9,155
Total Funded Investments				**$ 483,179**	**$ 480,816**	**$ 475,207**
Unfunded Investments - First Lien						
BCPE Empire Holdings, Inc.	Distribution & Logistics	—	6/11/2021	$ 1,580	$ (16)	$ 10
Bearcat Buyer, Inc.	Healthcare Services	—	7/9/2021	2,792	(14)	(14)
Bleriot US Bidco Inc.	Federal Services	—	10/31/2020	676	(7)	8
Covenant Surgical Partners, Inc.	Healthcare Services	—	7/1/2021	2,000	(20)	(13)
Heartland Dental, LLC	Healthcare Services	—	4/30/2020	413	—	(2)
MED ParentCo, LP	Healthcare Services	—	8/27/2021	2,044	(20)	5
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	1,103	(3)	(3)
Total Unfunded Investments				**$ 10,608**	**$ (80)**	**$ (9)**
Total Investments				**$ 493,787**	**$ 480,736**	**$ 475,198**

(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2019.

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

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien				(in thousands)	(in thousands)	(in thousands)
Access CIG, LLC	Business Services	6.46% (L + 3.75%)	2/27/2025	$ 1,216	$ 1,216	$ 1,185
Affordable Care Holding Corp.	Healthcare Services	7.25% (L + 4.75%)	10/24/2022	1,025	1,030	1,005
Bracket Intermediate Holding Corp.	Healthcare Services	7.00% (L + 4.25%)	9/5/2025	14,963	14,890	14,813
Brave Parent Holdings, Inc.	Software	6.52% (L + 4.00%)	4/18/2025	14,925	14,874	14,421
CentralSquare Technologies, LLC	Software	6.27% (L + 3.75%)	8/29/2025	15,000	14,964	14,648
Certara Holdco, Inc.	Healthcare I.T.	6.30% (L + 3.50%)	8/15/2024	1,275	1,280	1,255
CHA Holdings, Inc.	Business Services	7.30% (L + 4.50%)	4/10/2025	997	997	995
CommerceHub, Inc.	Software	6.27% (L + 3.75%)	5/21/2025	14,925	14,856	14,515
CRCI Longhorn Holdings, Inc.	Business Services	5.89% (L + 3.50%)	8/8/2025	14,963	14,891	14,588
Dentalcorp Perfect Smile ULC	Healthcare Services	6.27% (L + 3.75%)	6/6/2025	11,940	11,912	11,701
Dentalcorp Perfect Smile ULC	Healthcare Services	6.27% (L + 3.75%)	6/6/2025	1,686	1,685	1,652
Drilling Info Holdings, Inc.	Business Services	6.77% (L + 4.25%)	7/30/2025	17,591	17,507	17,525
Financial & Risk US Holdings, Inc.	Business Services	6.27% (L + 3.75%)	10/1/2025	8,000	7,980	7,512
GOBP Holdings, Inc.	Retail	6.55% (L + 3.75%)	10/22/2025	15,000	14,963	14,625
Greenway Health, LLC	Software	6.56% (L + 3.75%)	2/16/2024	14,821	14,831	14,450
Heartland Dental, LLC	Healthcare Services	6.27% (L + 3.75%)	4/30/2025	17,329	17,249	16,593
HIG Finance 2 Limited	Business Services	6.06% (L + 3.50%)	12/20/2024	1,995	1,985	1,939
Idera, Inc.	Software	7.03% (L + 4.50%)	6/28/2024	2,294	2,289	2,248
J.D. Power (fka J.D. Power and Associates)	Business Services	6.27% (L + 3.75%)	9/7/2023	5,985	5,985	5,835
Market Track, LLC	Business Services	6.87% (L + 4.25%)	6/5/2024	4,827	4,821	4,633
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	4,596	4,576	4,596
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	600	597	600
National Intergovernmental Purchasing Alliance Company	Business Services	6.55% (L + 3.75%)	5/23/2025	14,925	14,912	14,552
Navex Topco, Inc.	Software	5.78% (L + 3.25%)	9/5/2025	14,963	14,890	14,102
Navicure, Inc.	Healthcare Services	6.27% (L + 3.75%)	11/1/2024	2,985	2,985	2,925
Netsmart Technologies, Inc.	Healthcare I.T.	6.27% (L + 3.75%)	4/19/2023	10,437	10,437	10,307
Newport Group Holdings II, Inc.	Business Services	6.54% (L + 3.75%)	9/12/2025	4,988	4,963	4,875
NorthStar Financial Services Group, LLC	Software	6.10% (L + 3.50%)	5/25/2025	14,925	14,856	14,628
OEConnection LLC	Business Services	6.53% (L + 4.00%)	11/22/2024	1,830	1,843	1,789
Outcomes Group Holdings, Inc.	Healthcare Services	6.28% (L + 3.50%)	10/24/2025	6,500	6,484	6,394
Pelican Products, Inc.	Business Products	5.88% (L + 3.50%)	5/1/2025	4,975	4,963	4,726
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	8.06% (L + 5.25%)	4/29/2024	15,588	15,517	15,199
Premise Health Holding Corp.	Healthcare Services	6.55% (L + 3.75%)	7/10/2025	13,862	13,796	13,689
Quest Software US Holdings Inc.	Software	6.78% (L + 4.25%)	5/16/2025	15,000	14,930	14,535
Sierra Enterprises, LLC	Food & Beverage	6.02% (L + 3.50%)	11/11/2024	2,481	2,478	2,463
SSH Group Holdings, Inc.	Education	6.77% (L + 4.25%)	7/30/2025	14,963	14,927	14,588
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	6.03% (L + 3.50%)	7/17/2025	3,790	3,772	3,759
VT Topco, Inc.	Business Services	6.55% (L + 3.75%)	8/1/2025	7,980	7,961	7,882
VT Topco, Inc.	Business Services	6.55% (L + 3.75%)	8/1/2025	1,004	1,004	992
Wirepath LLC	Distribution & Logistics	6.71% (L + 4.00%)	8/5/2024	17,477	17,477	17,215
WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 3.50%)	6/7/2024	14,887	14,887	14,608
YI, LLC	Healthcare Services	6.80% (L + 4.00%)	11/7/2024	4,965	4,983	4,935
Total Funded Investments				**$ 374,478**	**$ 373,443**	**$ 365,497**

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

(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2018

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

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

Selected Balance Sheet Information:	**December 31, 2019**	**December 31, 2018**
	(in thousands)	(in thousands)
Investments at fair value (cost of $480,736 and $373,422, respectively)	$ 475,198	$ 365,357
Cash and other assets	12,836	9,138
Total assets	$ 488,034	$ 374,495
Credit facility	$ 355,400	$ 280,300
Deferred financing costs	(2,374)	(2,831)
Payable for unsettled securities purchased	8,166	—
Distribution payable	3,650	2,600
Other liabilities	3,716	4,456
Total liabilities	368,558	284,525
Members' capital	$ 119,476	$ 89,970
Total liabilities and members' capital	$ 488,034	$ 374,495

	Year Ended December 31,	
Selected Statement of Operations Information:	**2019**	**2018(1)**
	(in thousands)	(in thousands)
Interest income	$ 27,226	$ 9,572
Other income	368	207
Total investment income	27,594	9,779
Interest and other financing expenses	14,129	5,435
Other expenses	622	517
Total expenses	14,751	5,952
Less: expenses waived and reimbursed	(22)	—
Net expenses	14,729	5,952
Net investment income	12,865	3,827
Net realized gains on investments	263	9
Net change in unrealized appreciation (depreciation) of investments	2,528	(8,066)
Net increase (decrease) in members' capital	$ 15,656	$ (4,230)

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

For the years ended December 31, 2019 and December 31, 2018, we earned approximately $10.5 million and $3.0 million, respectively, of dividend income related to SLP III, which is included in dividend income. As of December 31, 2019 and December 31, 2018, approximately $2.9 million and $2.1 million of dividend income related to SLP III was included in interest and dividend receivable.

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

New Mountain Net Lease Corporation

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

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

Portfolio Company	Tenant	Lease Expiration Date	Location	Total Square Feet	Fair Value as of December 31, 2019
				(in thousands)	(in thousands)
NM NL Holdings LP / NM GP Holdco LLC	Various	Various	Various	Various	$ 48,795
NM GLCR LP	Arctic Glacier U.S.A.	2/28/2038	CA	214	23,800
NM CLFX LP	Victor Equipment Company	8/31/2033	TX	423	12,723
NM APP Canada, Corp.	A.P. Plasman, Inc.	9/30/2031	Canada	436	10,774
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	AL / OH	261	6,834
NM YI, LLC	Young Innovations, Inc.	10/31/2039	IL / MO	212	6,339
NM DRVT LLC	FMH Conveyors, LLC	10/31/2031	AR	195	6,016
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	MI	88	3,700
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	MD	95	2,379
					$ 121,360

Collateralized agreements or repurchase financings

We follow the guidance in Accounting Standards Codification Topic 860, Transfers and Servicing—*Secured Borrowing and Collateral*, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of December 31, 2019 and December 31, 2018, we held one collateralized agreement to resell with a cost basis of $30.0 million and $30.0 million, respectively, and a fair value of $21.4 million and $23.5 million, respectively. As of December 31, 2019, the collateralized agreement to resell is on non-accrual. The collateralized agreement to resell is guaranteed by a private hedge fund, PPVA Fund, L.P.. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from us at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. The default by the private hedge fund did not release the collateral to us, therefore, we do not have full rights and title to the collateral. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter. The joint official liquidators have recognized our contractual rights under the collateralized agreement. We continue to exercise our rights under the collateralized agreement and continue to monitor the liquidation process of the private hedge fund. The fair value of the collateralized agreement to resell is reflective of the increased risk of the position.

PPVA Black Elk (Equity) LLC

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

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

On December 22, 2017, we settled the Trustee's $20.5 million Claim for $16.0 million and filed a claim with the Cayman Islands joint official liquidators of the private hedge fund for $16.0 million that is owed to us under the SPP Agreement. The SPP Agreement was restored and is in effect since repayment has not been made. We continue to exercise our rights under the SPP Agreement and continue to monitor the liquidation process of the private hedge fund. During the year ended December 31, 2018, we received a $1.5 million payment from our insurance carrier in respect to the settlement. As of December 31, 2019, the SPP Agreement has a cost basis of $14.5 million and a fair value of $10.4 million, which is reflective of the higher inherent risk in this transaction.

Revenue Recognition

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

Interest and dividend income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. We have loans and certain preferred equity investments in the portfolio that contain a payment-in-kind ("PIK") interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and are generally due at maturity or when redeemed by the issuer. For the years ended December 31, 2019 and December 31, 2018, we recognized PIK and non-cash interest from investments of$9.5 million and $8.6 million, respectively, and PIK and non-cash dividends from investments of and $18.7 million and $24.9 million, respectively.

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

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

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

Monitoring of Portfolio Investments

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

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

- Investment Rating 1—Investment is performing materially above expectations;
- Investment Rating 2—Investment is performing materially in-line with expectations. All new loans are rated 2 at initial purchase;
- Investment Rating 3—Investment is performing materially below expectations, where the risk of loss has materially increased since the original investment; and

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

The following table shows the distribution of our investments and securities purchased under collateralized agreements to resell on the 1 to 4 investment rating scale at fair value as of December 31, 2019:

(in millions)	As of December 31, 2019			
Investment Rating	**Cost**	**Percent**	**Fair Value**	**Percent**
Investment Rating 1	$ 88.9	2.8%	$ 91.0	2.9%
Investment Rating 2	3,030.0	95.3%	3,050.5	95.8%
Investment Rating 3	7.5	0.2%	2.4	0.1%
Investment Rating 4	55.1	1.7%	37.8	1.2%
	$ 3,181.5	100.0%	$ 3,181.7	100.0%

As of December 31, 2019, all investments in our portfolio had an Investment Rating of 1 or 2 with the exception of one portfolio company that had an Investment Rating of 3 and four portfolio companies that had an Investment Rating of 4.

As of December 31, 2019, our subordinated position in PPVA Black Elk (Equity) LLC has an investment rating of 4. As of December 31, 2019, our investment in this security had an aggregate cost basis of $14.5 million and an aggregate fair value of $10.4 million.

As of December 31, 2019, we placed our security purchased under collateralized agreements to resell on non-accrual and the investment has an Investment Rating of 4. As of December 31, 2019, our investment in this security had an aggregate cost basis of $30.0 million and an aggregate fair value of $21.4 million.

As of December 31, 2019, we placed our preferred shares in Permian Holdco 1, Inc. on non-accrual status and the preferred shares have an Investment Rating of 4. As of December 31, 2019, our investment had an aggregate cost basis of $9.1 million and an aggregate fair value of $6.0 million.

During the first quarter of 2018, we placed our first lien positions in Education Management II LLC on non-accrual status as the portfolio company announced its intention to wind down and liquidate the business. Our first lien positions and our preferred and common shares in Education Management Corporation ("EDMC") have an investment rating of 4. As of December 31, 2019, our investment in EDMC with an Investment Rating of 4 had an aggregate cost basis of $1.4 million, an aggregate fair value of $0.0 million and total unearned interest income of $0.1 million for the year then ended.

Portfolio and Investment Activity

The fair value of our investments was approximately $3,160.3 million in 114 portfolio companies at December 31, 2019 and approximately $2,342.0 million in 92 portfolio companies at December 31, 2018.

The following table shows our portfolio and investment activity for the years ended December 31, 2019 and December 31, 2018:

	Year Ended December 31,	
(in millions)	**2019**	**2018**
New investments in 63 and 67 portfolio companies, respectively	$ 1,105.3	$ 1,321.6
Debt repayments in existing portfolio companies	215.1	592.4
Sales of securities in 15 and 14 portfolio companies, respectively	113.1	210.5
Change in unrealized appreciation on 57 and 25 portfolio companies, respectively	50.8	14.8
Change in unrealized depreciation on 64 and 88 portfolio companies, respectively	(54.3)	(37.0)

Recent Accounting Standards Updates

See *Item 8.—Financial Statements and Supplementary Data—Note 15. Recent Accounting Standards* for details on recent accounting standards updates.

Results of Operations for the Years Ended December 31, 2019 and December 31, 2018

Results of Operations for the fiscal year ended December 31, 2017 can be found in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in NMFC's report on Form 10-K filed on February 27, 2019, which is incorporated by reference herein.

Revenue

	Year Ended December 31,	
(in thousands)	**2019**	**2018**
Interest income	$ 208,722	$ 161,899
Total dividend income	53,782	53,824
Other income	14,003	15,742
Total investment income	$ 276,507	$ 231,465

Our total investment income increased by approximately $45.0 million, or 19%, for the year ended December 31, 2019 as compared to the year ended December 31, 2018. For the year ended December 31, 2019, total investment income of $276.5 million consisted of approximately $193.3 million in cash interest from investments, approximately $9.5 million in PIK and non-cash interest from investments, approximately $0.8 million in prepayment fees, net amortization of purchase premiums and discounts of approximately $5.1 million, approximately $35.1 million in cash dividends from investments, approximately $18.7 million in PIK and non-cash dividends from investments and approximately $14.0 million in other income. The increase in interest income of approximately $46.8 million from the year ended December 31, 2018 to the year ended December 31, 2019, was primarily attributable to larger invested balances. Our larger invested balances were driven by the proceeds from our August 2018 and June 2019 convertible notes issuances, proceeds from our September 2018 and April 2019 unsecured notes issuances, higher drawn balances on our Holdings Credit Facility (as defined below), and our DB Credit Facility (as defined below) and proceeds from the February 2019, July 2019 and October 2019 public offerings of our common stock, all of which contributed to the origination of new investments. Dividend income remained flat for the year ended December 31, 2019 as compared to the year ended December 31, 2018. The decrease in other income, which represents fees that are generally non-recurring in nature, of approximately $1.7 million during the year ended December 31, 2019 as compared to the year ended December 31, 2018, was primarily attributable to a decrease in upfront, amendment and consent fees received from portfolio companies.

Operating Expenses

	Year Ended December 31,	
(in thousands)	**2019**	**2018**
Management fee	$ 49,115	$ 38,530
Less: management fee waiver	(12,012)	(6,709)
Total management fee	37,103	31,821
Incentive fee	29,288	26,508
Interest and other financing expenses	84,297	57,050
Administrative fees	4,046	3,629
Professional fees	3,065	4,497
Other general and administrative expenses	1,796	1,913
Total expenses	159,595	125,418
Less: expenses waived and reimbursed	(335)	(276)
Net expenses before income taxes	159,260	125,142
Income tax expense	94	291
Net expenses after income taxes	$ 159,354	$ 125,433

Our total net operating expenses increased by approximately $33.9 million for the year ended December 31, 2019 as compared to the year ended December 31, 2018. Our management fee increased by approximately $5.3 million, net of a management fee waiver, and our incentive fee increased by approximately $2.8 million for the year ended December 31, 2019 as compared to the year ended December 31, 2018. The increase in management and incentive fees was attributable to larger invested balances, driven by the proceeds from our convertible notes issuances, our unsecured notes issuances, our February

2019, July 2019 and October 2019 public offering of common stock and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures used to originate new investments.

Interest and other financing expenses increased by approximately $27.2 million during the year ended December 31, 2019 as compared to the year ended December 31, 2018, primarily due to our issuances of convertible and unsecured notes, higher drawn balances on our SBA-guaranteed debentures, Holdings Credit Facility and DB Credit Facility and higher LIBOR rates. Our decrease in total professional fees, administrative fees, net of expenses waived and reimbursed, and other general and administrative expenses for the year ended December 31, 2019 as compared to the year ended December 31, 2018 was mainly attributable to a decrease in professional fees relating to evaluating and making investments, as well as on-going monitoring of investments.

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

	Year Ended December 31,	
(in thousands)	**2019**	**2018**
Net realized gains (losses) on investments	$ 890	$ (9,657)
Net change in unrealized (depreciation) appreciation of investments	(3,488)	(22,206)
Net change in unrealized depreciation of securities purchased under collateralized agreements to resell	(2,086)	(1,704)
Benefit (provision) for taxes	94	(112)
Net realized and unrealized (losses)	$ (4,590)	$ (33,679)

Our net realized gains and unrealized losses resulted in a net loss of approximately $4.6 million for the year ended December 31, 2019 compared to the net realized and unrealized losses resulting in a net loss of approximately $33.7 million for the same period in 2018. As movement in unrealized appreciation or depreciation can be the result of realizations, we look at net realized and unrealized gains or losses together. The net loss for the year ended December 31, 2019 was nominal. The net loss for the year ended December 31, 2018 was primarily driven by the overall decrease in the market prices of our investments during the period. Also contributing to our net loss were the realized loss on our investment in American Tire Distributors, Inc. ("ATD"), which was sold during the quarter ended June 30, 2018 due to ATD's reported loss of its largest supplier and by the realized loss on our investment in National HME, Inc. during the quarter ended December 31, 2018 due to the material modification of the original terms and extinguishment of our original investment in the company. This was partially offset by the realized gain on the sale of our investment in HI Technology Corp in 2018. The provision for income taxes was attributable to equity investments that are held as of December 31, 2019 in three of our corporate subsidiaries.

Liquidity and Capital Resources

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

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

On July 11, 2019, we completed a public offering of 6,900,000 shares of our common stock (including 900,000 shares of common stock that were issued pursuant to the full exercise of the option granted to the underwriters to purchase additional shares) at a public offering price of $13.68 per share. Our Investment Adviser paid a $0.39 per share portion of the $0.42 per share underwriters' sales load such that we received net proceeds of $13.65 per share in this offering. All payments made by our Investment Adviser are not subject to reimbursement by us. We received total net proceeds of approximately $94.2 million in connection with this offering.

On October 25, 2019, we completed a public offering of 9,200,000 shares of our common stock (including 1,200,000 shares of common stock that were issued pursuant to the full exercise of the option granted to the underwriters to purchase additional shares) at a public offering price of $13.25 per share. Certain of our officers and interested directors purchased an aggregate 400,000 shares in this offering at the public offering price. Our Investment Adviser paid the underwriters' sales load of $0.41 per share (other than the 400,000 shares purchased by certain officers and interested directors for which no sales load

was payable to the underwriters). In addition, our Investment Adviser paid the underwriters an additional supplemental payment of $0.35 per share, which reflects the difference between the actual public offering price of $13.25 per share and the net proceeds of $13.60 per share received by us in this offering. All payments made by our Investment Adviser are not subject to reimbursement by us. We received total net proceeds of approximately $125.1 million in connection with this offering.

Since our IPO, and through December 31, 2019, we raised approximately $893.2 million in net proceeds from additional offerings of common stock.

Our liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, and, we expect, through periodic follow-on equity offerings. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. As permitted by the Small Business Credit Availability Act (the "SBCA") on June 8, 2018 our shareholders approved the application of the modified asset coverage requirements set forth in Section 61(a) of the 1940 Act, as amended by the SBCA, which resulted in the reduction from 200.0% to 150.0% of the minimum asset coverage ratio applicable to us as of June 9, 2018. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the 1940 Act, is at least 150.0% after such borrowing (which means we can borrow $2 for every $1 of our equity). As a result of our exemptive relief received on November 5, 2014, we are permitted to exclude our SBA-guaranteed debentures from the 150.0% asset coverage ratio that the we are required to maintain under the 1940 Act. The agreements governing the NMFC Credit Facility, the 2018 Convertible Notes and the Unsecured Notes (as defined below) contain certain covenants and terms, including a requirement that we not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that we not exceed a secured debt ratio of 0.70 to 1.00 at any time. As of December 31, 2019, our asset coverage ratio was 173.98%.

At December 31, 2019 and December 31, 2018, we had cash and cash equivalents of approximately $48.6 million and $49.7 million, respectively. Our cash used in operating activities during the years ended December 31, 2019 and December 31, 2018, was approximately $718.5 million and $393.5 million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

Borrowings

Holdings Credit Facility—On December 18, 2014, we entered into the Second Amended and Restated Loan and Security Agreement among us, as the Collateral Manager, NMF Holdings, as the Borrower, Wells Fargo Securities, LLC, as the Administrative Agent and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian (as amended from time to time, the "Holdings Credit Facility"). As of the most recent amendment on September 6, 2019, the maturity date of the Holdings Credit Facility is October 24, 2022, and the maximum facility amount is the lesser of $800.0 million and the actual commitments of the lenders to make advances as of such date.

As of December 31, 2019, the maximum amount of revolving borrowings available under the Holdings Credit Facility is $800.0 million. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by Wells Fargo Bank, National Association. The Holdings Credit Facility is non-recourse to us and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires us to maintain a minimum asset coverage ratio of 150.0%. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

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

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

	Year Ended December 31,	
(in millions)	**2019**	**2018**
Interest expense	$ 25.4	$ 16.1
Non-usage fee	$ 0.6	$ 0.6
Amortization of financing costs	$ 2.8	$ 2.5
Weighted average interest rate	4.3 %	4.2 %
Effective interest rate	4.8 %	5.0 %
Average debt outstanding	$ 598.1	$ 384.4

As of December 31, 2019 and December 31, 2018, the outstanding balance on the Holdings Credit Facility was $661.6 million and $512.6 million, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

NMFC Credit Facility—The Senior Secured Revolving Credit Agreement, (as amended from time to time, and together with the related guarantee and security agreement, the "NMFC Credit Facility"), dated June 4, 2014, among us, as the Borrower, Goldman Sachs Bank USA, as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A., Stifel Bank & Trust and MUFG Union Bank, N.A., as Lenders, is structured as a senior secured revolving credit facility. The NMFC Credit Facility is guaranteed by certain of our domestic subsidiaries and proceeds from the NMFC Credit Facility may be used for general corporate purposes, including the funding of portfolio investments. The maturity date of the NMFC Credit Facility is June 4, 2022 and the NMFC Credit Facility includes the financial covenants related to the asset coverage.

As of December 31, 2019, the maximum amount of revolving borrowings available under the NMFC Credit Facility was $188.5 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment as outlined in the related Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to the asset coverage and liquidity and other maintenance covenants.

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

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the years ended December 31, 2019 and December 31, 2018.

	Year Ended December 31,	
(in millions)	**2019**	**2018**
Interest expense	$ 5.1	$ 5.4
Non-usage fee	$ 0.1	$ 0.1
Amortization of financing costs	$ 0.3	$ 0.5
Weighted average interest rate	4.8 %	4.6 %
Effective interest rate	5.2 %	5.1 %
Average debt outstanding	$ 105.5	$ 117.7

As of December 31, 2019 and December 31, 2018, the outstanding balance on the NMFC Credit Facility was $188.5 million and $60.0 million, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

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

As of December 31, 2019, the maximum amount of revolving borrowings available under the DB Credit Facility was$280.0 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Loan Financing and Servicing Agreement. The DB Credit Facility is non-recourse to us and is collateralized by all of the investments of NMFDB on an investment by investment basis. All fees associated with the origination of the DB Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the DB Credit Facility. The DB Credit Facility contains certain customary affirmative and negative covenants and events of default. The covenants are generally not tied to mark to market fluctuations in the prices of NMFDB investments, but rather to the performance of the underlying portfolio companies.

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

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

	Year Ended December 31,				
(in millions)	**2019**		**2018(1)**		
Interest expense(2)	$	5.8	$	0.1	
Non-usage fee(2)	$	0.2	$	—	(3)
Amortization of financing costs	$	0.4	$	—	(3)
Weighted average interest rate		5.1 %		5.7 %	
Effective interest rate		5.6 %		6.7 %	
Average debt outstanding	$	114.0	$	49.8	

(1) For the year ended December 31, 2018, amounts reported relate to the period from December 14, 2018 (commencement of the DB Credit Facility) to December 31, 2018.

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

(3) For the year ended December 31, 2018, non-usage fees and amortization of financing costs were less than $50 thousand.

As of December 31, 2019 and December 31, 2018, the outstanding balance on the DB Credit Facility was$230.0 million and $57.0 million, respectively, and NMFDB was in compliance with the applicable covenants in the DB Credit Facility on such date.

NMNLC Credit Facility—The Revolving Credit Agreement (together with the related guarantee and security agreement, the "NMNLC Credit Facility"), dated September 21, 2018, among NMNLC, as the Borrower, and KeyBank National Association, as the Administrative Agent and Lender, is structured as a senior secured revolving credit facility and matures on September 23, 2020. The NMNLC Credit Facility is guaranteed by us and proceeds from the NMNLC Credit Facility may be used for funding of additional acquisition properties.

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

As of December 31, 2019, the maximum amount of revolving borrowings available under the NMNLC Credit Facility was$30.0 million. For the year ended December 31, 2019, interest expense and amortization of financing costs were $0.1 million and $0.1 million, respectively, and non-usage fees were less than $50 thousand. For the year ended December 31, 2018, interest expense, non-usage fees and amortization of financing costs were all less than $50 thousand. As of December 31, 2019 and December 31, 2018, the outstanding balance on the NMNLC Credit Facility was $0 and $0, respectively, and NMNLC was in compliance with the applicable covenants in the NMNLC Credit Facility on such dates.

Convertible Notes

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

The 2014 Convertible Notes bore interest at an annual rate of 5.0%, payable semi-annually in arrears on June 15 and December 15 of each year, which commenced on December 15, 2014.

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

2018 Convertible Notes—On August 20, 2018, we closed a registered public offering of $100.0 million aggregate principal amount of unsecured convertible notes (the "2018 Convertible Notes" and together with the 2014 Convertible Notes, the "Convertible Notes"), pursuant to an indenture, dated August 20, 2018, as supplemented by a first supplemental indenture thereto, dated August 20, 2018 (together the "2018A Indenture"). On August 30, 2018, in connection with the registered public offering, we issued an additional $15.0 million aggregate principal amount of the 2018 Convertible Notes pursuant to the exercise of an overallotment option by the underwriter of the 2018 Convertible Notes. On June 7, 2019, we closed a registered public offering of an additional $86.3 million aggregate principal amount of the 2018 Convertible Notes. These additional 2018 Convertible Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the $115.0 million aggregate principal amount of 2018 Convertible Notes that we issued in August 2018.

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

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

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

The following table summarizes certain key terms related to the convertible features of our 2018 Convertible Notes as of December 31, 2019.

		2018 Convertible Notes
Initial conversion premium		10.0 %
Initial conversion rate(1)		65.8762
Initial conversion price	$	15.18
Conversion premium at December 31, 2019		10.0 %
Conversion rate at December 31, 2019(1)(2)		65.8762
Conversion price at December 31, 2019(2)(3)	$	15.18
Last conversion price calculation date		August 20, 2019

(1) Conversion rates denominated in shares of common stock per $1.0 thousand principal amount of the 2018 Convertible Notes converted.
(2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.
(3) The conversion price in effect at December 31, 2019 was calculated on the last anniversary of the issuance and will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in dividends in excess of $0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of $13.80 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 72.4637 per $1 principal amount. We have determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The 2018 Convertible Notes are unsecured obligations and rank senior in right of payment to our existing and future indebtedness, if any, that is expressly subordinated in right of payment to the 2018 Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries and financing vehicles. As reflected in Item 8. - *Financial Statements and Supplemental Data*, Note 12. *Earnings Per Share*, the issuance is considered part of the if-converted method for calculation of diluted earnings per share.

The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Convertible Notes for the years ended December 31, 2019 and December 31, 2018.

	Year Ended December 31,			
(in millions)	**2019**		**2018(1)**	
Interest expense	$	13.0	$	10.2
Amortization of financing costs	$	0.8	$	1.3
Amortization of premium	$	(0.1)	$	(0.1)
Weighted average interest rate		5.5%		5.2%
Effective interest rate		5.8%		5.7%
Average debt outstanding	$	234.3	$	197.1

(1) For the year ended December 31, 2018, amounts reported include interest and amortization of financing costs related to the 2018 Convertible Notes for the period from August 20, 2018 (issuance of the 2018 Convertible Notes) to December 31, 2018.

As of December 31, 2019 and December 31, 2018, the outstanding balance on the Convertible Notes was $201.2 million and $270.3 million, respectively, and NMFC was in compliance with the terms of the 2014 Indenture and 2018A Indenture on such dates, as applicable.

Unsecured Notes

On May 6, 2016, we issued $50.0 million in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the “2016 Unsecured Notes”), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, we entered into an amended and restated note purchase agreement (the "NPA") and issued an additional $40.0 million in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, we issued $55.0 million in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the "2017A Unsecured Notes"), pursuant to the NPA and a supplement to the NPA. On January 30, 2018, we issued $90.0 million in aggregate principal amount of five year unsecured notes that mature on January 30, 2023 (the "2018A Unsecured Notes") pursuant to the NPA and a second supplement to the NPA. On July 5, 2018, we issued $50.0 million in aggregate principal amount of five year unsecured notes that mature on June 28, 2023 (the "2018B Unsecured Notes") pursuant to the NPA and a third supplement to the NPA (the "Third Supplement"). On April 30, 2019, we issued $116.5 million in aggregate principal amount of five year unsecured notes that mature on April 30, 2024 (the "2019A Unsecured Notes") pursuant to the NPA and a fourth supplement to the NPA. The NPA provides for future issuances of unsecured notes in separate series or tranches.

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

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

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

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

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

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

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

of the Exchange Act. The 2018B Indenture also includes additional financial covenants related to asset coverage. These covenants are subject to limitations and exceptions that are described in the 2018B Indenture.

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

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

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

	Year Ended December 31,	
(in millions)	2019(1)	2018(2)
Interest expense	$ 21.7	$ 13.5
Amortization of financing costs	$ 1.2	$ 0.8
Weighted average interest rate	5.2%	5.1%
Effective interest rate	5.5%	5.4%
Average debt outstanding	$ 414.9	$ 266.3

(1) For the year ended December 31, 2019, amounts reported include interest and amortization of financing costs related to the 2019A Unsecured Notes for the period from April 30, 2019 (issuance of the 2019A Unsecured Notes) to December 31, 2019.

(2) For the year ended December 31, 2018, amounts reported include interest and amortization of financing costs related to the 2018A Unsecured Notes for the period from January 30, 2018 (issuance of the 2018A Unsecured Notes) to December 31, 2018, the 2018B Unsecured Notes for the period from July 5, 2018 (issuance of the 2018B Unsecured Notes) to December 31, 2018 and the 5.75% Unsecured Notes for the period from September 25, 2018 (issuance of the 5.75% Unsecured Notes) to December 31, 2018.

As of December 31, 2019 and December 31, 2018, the outstanding balance on the Unsecured Notes was $453.3 million and $336.8 million, respectively, and we were in compliance with the terms of the NPA and the 2018B Indenture as of such dates, as applicable.

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

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

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

As of December 31, 2019 and December 31, 2018, SBIC I had regulatory capital of $75.0 million and $75.0 million, respectively, and SBA-guaranteed debentures outstanding of $150.0 million and $150.0 million, respectively. As of December 31, 2019 and December 31, 2018, SBIC II had regulatory capital of $64.5 million and $42.5 million, respectively, and SBA-guaranteed debentures outstanding of $75.0 million and $15.0 million, respectively. The SBA-guaranteed debentures incur upfront fees of 3.435%, which consists of a 1.00% commitment fee and a 2.435% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes our SBA-guaranteed debentures as of December 31, 2019.

(in millions) Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
Fixed SBA-guaranteed debentures(1):				
March 25, 2015	March 1, 2025	$ 37.5	2.517%	0.355%
September 23, 2015	September 1, 2025	37.5	2.829%	0.355%
September 23, 2015	September 1, 2025	28.8	2.829%	0.742%
March 23, 2016	March 1, 2026	13.9	2.507%	0.742%
September 21, 2016	September 1, 2026	4.0	2.051%	0.742%
September 20, 2017	September 1, 2027	13.0	2.518%	0.742%
March 21, 2018	March 1, 2028	15.3	3.187%	0.742%
Fixed SBA-guaranteed debentures(2):				
September 19, 2018	September 1, 2028	15.0	3.548%	0.222%
September 25, 2019	September 1, 2029	19.0	2.283%	0.222%
Interim SBA-guaranteed debentures(2):				
	March 1, 2030 (3)	24.0	2.215%	0.222%
	March 1, 2030 (3)	17.0	2.212%	0.222%
Total SBA-guaranteed debentures		**$ 225.0**		

(1) SBA-guaranteed debentures are held in SBIC I.
(2) SBA-guaranteed debentures are held in SBIC II.
(3) Estimated maturity date as interim SBA-debentures are expected to pool in March 2020.

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

The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the years ended December 31, 2019 and December 31, 2018.

	Year Ended December 31,	
(in millions)	2019	2018
Interest expense	$ 5.8	$ 5.1
Amortization of financing costs	$ 0.6	$ 0.5
Weighted average interest rate	3.2%	3.2%
Effective interest rate	3.6%	3.6%
Average debt outstanding	$ 179.4	$ 158.5

The SBIC program is designed to stimulate the flow of private investor capital into eligible smaller businesses, as defined by the SBA. Under SBA regulations, SBICs are subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible smaller businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in small businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to us. SBICs are subject to an annual periodic examination by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared on a

basis of accounting other than GAAP (such as ASC 820) by an independent auditor. As of December 31, 2019 and December 31, 2018, SBIC I and SBIC II were in compliance with SBA regulatory requirements.

Off-Balance Sheet Arrangements

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of December 31, 2019 and December 31, 2018, we had outstanding commitments to third parties to fund investments totaling $203.8 million and $137.9 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

We may from time to time enter into financing commitment letters or bridge financing commitments, which could require funding in the future. As of December 31, 2019 and December 31, 2018, we had commitment letters to purchase investments in aggregate par amount of $34.2 million and $27.5 million, respectively. As of December 31, 2019 and December 31, 2018, we had not entered into any bridge financing commitments which could require funding in the future.

Contractual Obligations

A summary of our significant contractual payment obligations as of December 31, 2019 is as follows:

	Contractual Obligations Payments Due by Period				
(in millions)	**Total**	**Less than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 Years**
Holdings Credit Facility(1)	$ 661.6	$ —	$ 661.6	$ —	$ —
Unsecured Notes(2)	453.3	—	145.0	308.3	—
DB Credit Facility(3)	230.0	—	—	230.0	—
SBA-guaranteed debentures(4)	225.0	—	—	—	225.0
Convertible Notes(5)	201.2	—	—	201.2	—
NMFC Credit Facility(6)	188.5	—	188.5	—	—
Total Contractual Obligations	$ 1,959.6	$ —	$ 995.1	$ 739.5	$ 225.0

(1) Under the terms of the $800.0 million Holdings Credit Facility, all outstanding borrowings under that facility ($661.6 million as of December 31, 2019) must be repaid on or before October 24, 2022. As of December 31, 2019, there was approximately $138.4 million of possible capacity remaining under the Holdings Credit Facility.

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

(3) Under the terms of the $280.0 million DB Credit Facility, all outstanding borrowings under that facility ($230.0 million as of December 31, 2019) must be repaid on or before December 14, 2023. As of December 31, 2019, there was approximately $50.0 million of possible capacity remaining under the DB Credit Facility.

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

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

(6) Under the terms of the $188.5 million NMFC Credit Facility, all outstanding borrowings under that facility ($188.5 million as of December 31, 2019) must be repaid on or before June 4, 2022. As of December 31, 2019, there was no capacity remaining under the NMFC Credit Facility.

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

We have also entered into the administration agreement, as amended and restated (the "Administration Agreement") with the Administrator. Under the Administration Agreement, the Administrator has agreed to arrange office space for us and provide office equipment and clerical, bookkeeping and record keeping services and other administrative services necessary to

conduct our respective day-to-day operations. The Administrator has also agreed to maintain, or oversee the maintenance of, our financial records, our reports to stockholders and reports filed with the SEC.

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

Distributions and Dividends

Distributions declared and paid to stockholders for the year ended December 31, 2019 totaled $117.4 million.

The following table reflects cash distributions, including dividends and returns of capital, if any, per share that have been declared by our board of directors for the years ended December 31, 2019 and December 31, 2018:

Fiscal Year Ended	Date Declared	Record Date	Payment Date	Per Share Amount	
December 31, 2019					
Fourth Quarter	November 4, 2019	December 13, 2019	December 27, 2019	$	0.34
Third Quarter	August 1, 2019	September 13, 2019	September 27, 2019		0.34
Second Quarter	May 1, 2019	June 14, 2019	June 28, 2019		0.34
First Quarter	February 22, 2019	March 15, 2019	March 29, 2019		0.34
				$	1.36
December 31, 2018					
Fourth Quarter	November 1, 2018	December 14, 2018	December 28, 2018	$	0.34
Third Quarter	August 1, 2018	September 14, 2018	September 28, 2018		0.34
Second Quarter	May 2, 2018	June 15, 2018	June 29, 2018		0.34
First Quarter	February 21, 2018	March 15, 2018	March 29, 2018		0.34
				$	1.36

Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. For the years ended December 31, 2019 and December 31, 2018, total distributions were $117.4 million and $103.4 million, respectively, of which the distributions were comprised of approximately 72.01% and 83.74%, respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 27.99% and 16.26%, respectively, of a return of capital. Future quarterly distributions, if any, will be determined by our board of directors.

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

We maintain an "opt out" dividend reinvestment plan on behalf of our common stockholders, pursuant to which each of our stockholders' cash distributions will be automatically reinvested in additional shares of common stock, unless the stockholder elects to receive cash. See *Item 8—Financial Statements and Supplementary Data—Note 2. Summary of Significant Accounting Policies* for additional details regarding our dividend reinvestment plan.

Related Parties

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

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

- We have entered into the Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges our office space and provides office equipment and administrative services necessary to conduct our respective day-to-day operations pursuant to the Administration Agreement. We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing

its obligations to us under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of our chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further restricted by us, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the year ended December 31, 2019, approximately $2.6 million of indirect administrative expenses were included in administrative expenses, of which $0.3 million were waived by the Administrator. As of December 31, 2019, $0.6 million of indirect administrative expenses were included in payable to affiliates. For the year ended December 31, 2019, the reimbursement to our Administrator represented approximately 0.07% of our gross assets.

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

In addition, we have adopted a formal code of ethics that governs the conduct of our officers and directors, which is available on our website at http://www.newmountainfinance.com. These officers and directors also remain subject to the duties imposed by the 1940 Act, the Delaware General Corporation Law and the Delaware Limited Liability Company Act.

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole or in part, to our investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with the Investment Adviser's allocation procedures. On October 8, 2019, the SEC issued an exemptive order (the “Exemptive Order”), which superseded a prior order issued on December 18, 2017, which permits us to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the Exemptive Order, we are permitted to co-invest with our affiliates if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are subject to certain financial market risks, such as interest rate fluctuations. During the year ended December 31, 2019, certain of the loans held in our portfolio had floating interest rates. As of December 31, 2019, approximately 94.3% of investments at fair value (excluding investments on non-accrual, unfunded debt investments and non-interest bearing equity investments) represent floating-rate investments with a LIBOR floor (includes investments bearing prime interest rate contracts) and approximately 5.7% of investments at fair value represent fixed-rate investments. Additionally, our senior secured revolving credit facilities are also subject to floating interest rates and are currently paid based on one-month floating LIBOR rates.

The following table estimates the potential changes in net cash flow generated from interest income and expenses, should interest rates increase by 100, 200 or 300 basis points, or decrease by 25 basis points. Interest income is calculated as revenue from interest generated from our portfolio of investments held on December 31, 2019. Interest expense is calculated based on the terms of our outstanding revolving credit facilities, convertible notes and unsecured notes. For our floating rate credit facilities, we use the outstanding balance as of December 31, 2019. Interest expense on our floating rate credit facilities is calculated using the interest rate as of December 31, 2019, adjusted for the hypothetical changes in rates, as shown below. The base interest rate case assumes the rates on our portfolio investments remain unchanged from the actual effective interest rates as of December 31, 2019. These hypothetical calculations are based on a model of the investments in our portfolio, held as of December 31, 2019, and are only adjusted for assumed changes in the underlying base interest rates.

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

Change in Interest Rates	Estimated Percentage Change in Interest Income Net of Interest Expense (unaudited)
–25 Basis Points	(2.39)%
Base Interest Rate	— %
+100 Basis Points	9.56 %
+200 Basis Points	19.11 %
+300 Basis Points	28.67 %

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
New Mountain Finance Corporation

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying consolidated statements of assets and liabilities of New Mountain Finance Corporation and subsidiaries (the "Company"), including the consolidated schedules of investments, as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period then ended, the consolidated financial highlights for each of the five years in the period then ended, and the related notes. In our opinion, the consolidated financial statements and financial highlights present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations, changes in net assets, and cash flows for each of the three years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements and financial highlights based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of investments owned as of December 31, 2019 and 2018, by correspondence with the custodian, loan agents and borrowers; when replies were not received we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Fair Value - Investments - Refer to Footnote 2, 3, and 4 in the financial statements

Critical Audit Matter Description

The Company invests in debt securities, including first and second lien debt, notes, bonds, mezzanine securities, and equity interests, classified as Level 3 investments. The Company's determination of fair value for these investments involves subjective judgments and estimates utilizing a market approach, an income approach, or both approaches, as appropriate. These approaches require management to make judgments and estimates related to significant unobservable inputs including market value cash flow (EBITDA), multiples of publicly traded comparable

companies and comparable transactions, and the discount rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the investment, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date.

We identified the valuation of Level 3 investments as a critical audit matter given the significant judgments made by management to estimate the fair value of certain debt and equity positions. This required a high degree of auditor judgment and extensive audit effort, including the need to involve fair value specialists who possess significant valuation experience and modeling expertise, to evaluate the appropriateness of the valuation techniques and the significant unobservable inputs.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the unobservable inputs and assumptions used by management to estimate the fair value of Level 3 investments included the following, among others:

- We tested the operating effectiveness of controls over the valuation of investments, including those over the development of unobservable inputs.
- We evaluated the reasonableness and consistency of application of the Company's valuation polices over Level 3 investments, including those surrounding the selection of valuation methodologies and the derivation of valuation inputs.
- We evaluated the reasonableness of management's estimates and assumptions used to develop valuation models by comparing them to:
    - Historical operating results of the investment as obtained from, among other sources, the financial statements and board of directors’ materials of the investment.
    - Available market data for comparable companies.
- With the assistance of our internal fair value specialists, we evaluated the reasonableness of the significant unobservable valuation inputs in the Level 3 valuation models by:
    - Testing the source information underlying the determination of the valuation input and the mathematical accuracy of the calculation, if any, used to compute the input.
    - Testing the valuation models and management’s significant valuation assumptions and unobservable inputs into the valuation models by comparing those inputs to market data and/or to subsequent events and transactions, where available.
- With the assistance of our fair value specialists, we developed independent fair value estimates and compared our estimates to the Company's estimates.

/s/ DELOITTE & TOUCHE LLP

February 26, 2020

We have served as the Company's auditor since 2008.

New Mountain Finance Corporation

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

	December 31, 2019	December 31, 2018
Assets		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of $2,619,408 and $1,868,785, respectively)	$ 2,613,801	$ 1,861,323
Non-controlled/affiliated investments (cost of $82,825 and $78,438, respectively)	73,527	77,493
Controlled investments (cost of $449,308 and $382,503, respectively)	472,952	403,137
Total investments at fair value (cost of $3,151,541 and $2,329,726, respectively)	3,160,280	2,341,953
Securities purchased under collateralized agreements to resell (cost of $30,000 and $30,000, respectively)	21,422	23,508
Cash and cash equivalents	48,574	49,664
Interest and dividend receivable	31,800	30,081
Receivable from affiliates	277	288
Other assets	3,702	3,172
Total assets	$ 3,266,055	$ 2,448,666
Liabilities		
Borrowings		
Holdings Credit Facility	$ 661,563	$ 512,563
Unsecured Notes	453,250	336,750
DB Credit Facility	230,000	57,000
SBA-guaranteed debentures	225,000	165,000
Convertible Notes	201,623	270,301
NMFC Credit Facility	188,500	60,000
Deferred financing costs (net of accumulated amortization of $28,390 and $22,234, respectively)	(17,640)	(17,515)
Net borrowings	1,942,296	1,384,099
Interest payable	16,484	12,397
Management fee payable	10,298	8,392
Incentive fee payable	7,646	6,864
Payable for unsettled securities purchased	1,780	20,147
Deferred tax liability	912	1,006
Payable to affiliates	673	1,021
Other liabilities	2,498	8,471
Total liabilities	1,982,587	1,442,397
Commitments and contingencies (See Note 9)		
Net assets		
Preferred stock, par value $0.01 per share, 2,000,000 shares authorized, none issued	—	—
Common stock, par value $0.01 per share, 200,000,000 and 100,000,000 shares authorized, respectively, and 96,827,342 and 76,106,372 shares issued and outstanding, respectively	968	761
Paid in capital in excess of par	1,287,853	1,035,629
Accumulated overdistributed earnings	(5,353)	(30,121)
Total net assets	$ 1,283,468	$ 1,006,269
Total liabilities and net assets	$ 3,266,055	$ 2,448,666
Number of shares outstanding	96,827,342	76,106,372
Net asset value per share	$ 13.26	$ 13.22

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

New Mountain Finance Corporation

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

	Year Ended December 31,		
	2019	2018	2017
Investment income			
From non-controlled/non-affiliated investments:			
Interest income	$ 194,028	$ 153,645	$ 145,283
Dividend income	—	486	159
Non-cash dividend income	8,561	5,912	811
Other income	12,150	12,174	8,751
From non-controlled/affiliated investments:			
Interest income	4,166	2,028	2,808
Dividend income	3,073	6,714	3,498
Non-cash dividend income	1,219	12,333	12,627
Other income	1,236	1,832	1,186
From controlled investments:			
Interest income	10,528	6,226	1,709
Dividend income	32,011	21,731	15,740
Non-cash dividend income	8,918	6,648	4,415
Other income	617	1,736	819
Total investment income	276,507	231,465	197,806
Expenses			
Interest and other financing expenses	84,297	57,050	37,094
Management fee	49,115	38,530	32,694
Incentive fee	29,288	26,508	25,101
Administrative expenses	4,046	3,629	2,779
Professional fees	3,065	4,497	3,658
Other general and administrative expenses	1,796	1,913	1,636
Total expenses	171,607	132,127	102,962
Less: management and incentive fees waived (see Note 5)	(12,012)	(6,709)	(7,442)
Less: expenses waived and reimbursed (see Note 5)	(335)	(276)	(474)
Net expenses	159,260	125,142	95,046
Net investment income before income taxes	117,247	106,323	102,760
Income tax expense	94	291	556
Net investment income	117,153	106,032	102,204
Net realized gains (losses):			
Non-controlled/non-affiliated investments	872	(18,047)	(39,734)
Non-controlled/affiliated investments	—	8,387	—
Controlled investments	18	3	—
Net change in unrealized appreciation (depreciation):			
Non-controlled/non-affiliated investments	1,855	(30,758)	56,340
Non-controlled/affiliated investments	(8,353)	(2,344)	(4,748)
Controlled investments	3,010	10,896	(798)
Securities purchased under collateralized agreements to resell	(2,086)	(1,704)	(4,006)
Benefit (provision) for taxes	94	(112)	140
Net realized and unrealized (losses) gains	(4,590)	(33,679)	7,194
Net increase in net assets resulting from operations	$ 112,563	$ 72,353	$ 109,398
Basic earnings per share	$ 1.32	$ 0.95	$ 1.47
Weighted average shares of common stock outstanding—basic (See Note 12)	85,209,378	76,022,375	74,171,268
Diluted earnings per share	$ 1.22	$ 0.91	$ 1.38
Weighted average shares of common stock outstanding—diluted (See Note 12)	100,464,045	88,627,741	83,995,395
Distributions declared and paid per share	$ 1.36	$ 1.36	$ 1.36

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

New Mountain Finance Corporation

Consolidated Statements of Changes in Net Assets
(in thousands, except share data)

	Year Ended December 31,		
	2019	**2018**	**2017**
Increase (decrease) in net assets resulting from operations:			
Net investment income	$ 117,153	$ 106,032	$ 102,204
Net realized gains (losses) on investments	890	(9,657)	(39,734)
Net change in unrealized (depreciation) appreciation of investments	(3,488)	(22,206)	50,794
Net change in unrealized depreciation of securities purchased under collateralized agreements to resell	(2,086)	(1,704)	(4,006)
Benefit (provision) for taxes	94	(112)	140
Net increase in net assets resulting from operations	112,563	72,353	109,398
Capital transactions			
Net proceeds from shares sold	278,602	—	81,478
Deferred offering costs	(829)	—	(172)
Other	—	—	(81)
Distributions declared to stockholders from net investment income	(117,374)	(103,388)	(100,905)
Reinvestment of distributions	4,237	2,329	6,695
Total net increase (decrease) in net assets resulting from capital transactions	164,636	(101,059)	(12,985)
Net increase (decrease) in net assets	277,199	(28,706)	96,413
Net assets at the beginning of the period	1,006,269	1,034,975	938,562
Net assets at the end of the period	$ 1,283,468	$ 1,006,269	$ 1,034,975
Capital share activity			
Shares sold	20,412,500	—	5,750,000
Shares issued from reinvestment of distributions	308,470	171,279	429,706
Shares reissued from repurchase program in connection with reinvestment of distributions	—	—	37,573
Net increase in shares outstanding	20,720,970	171,279	6,217,279

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

New Mountain Finance Corporation

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
Cash flows from operating activities			
Net increase in net assets resulting from operations	$ 112,563	$ 72,353	$ 109,398
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:			
Net realized (gains) losses on investments	(890)	9,657	39,734
Net change in unrealized depreciation (appreciation) of investments	3,488	22,206	(50,794)
Net change in unrealized depreciation of securities purchased under collateralized agreements to resell	2,086	1,704	4,006
Amortization of purchase discount	(5,150)	(5,198)	(9,202)
Amortization of deferred financing costs	6,156	5,656	4,299
Amortization of premium on Convertible Notes	(109)	(111)	(111)
Non-cash investment income	(30,713)	(20,336)	(9,367)
(Increase) decrease in operating assets:			
Purchase of investments and delayed draw facilities	(1,105,171)	(1,311,002)	(1,000,229)
Proceeds from sales and paydowns of investments	328,146	802,964	767,360
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	286	1,074	552
Cash paid for purchase of drawn portion of revolving credit facilities	(416)	(11,631)	—
Cash paid for drawn revolvers	(26,135)	(28,633)	(24,615)
Cash repayments on drawn revolvers	18,228	24,606	19,718
Interest and dividend receivable	(1,719)	1,763	(14,011)
Receivable from affiliates	11	55	3
Receivable from unsettled securities sold	—	—	990
Other assets	(770)	6,043	(6,523)
Increase (decrease) in operating liabilities:			
Interest payable	4,087	7,290	1,935
Management fee payable	1,906	1,327	1,213
Incentive fee payable	782	193	926
Payable for unsettled securities purchased	(18,367)	20,147	(2,740)
Deferred tax (benefit) liability	(94)	112	(140)
Payable to affiliates	(348)	158	727
Other liabilities	(6,366)	6,114	558
Net cash flows used in operating activities	(718,509)	(393,489)	(166,313)
Cash flows from financing activities			
Net proceeds from shares sold	278,602	—	81,478
Distributions paid	(113,137)	(101,059)	(94,210)
Offering costs paid	(821)	—	(441)
Proceeds from Holdings Credit Facility	246,500	466,800	505,450
Repayment of Holdings Credit Facility	(97,500)	(266,600)	(526,600)
Proceeds from Unsecured Notes	116,500	191,750	55,000
Proceeds from Convertible Notes	86,681	115,000	—
Repayment of Convertible Notes	(155,250)	—	—
Proceeds from SBA-guaranteed debentures	60,000	15,000	28,255
Proceeds from NMFC Credit Facility	403,500	255,000	354,600
Repayment of NMFC Credit Facility	(275,000)	(317,500)	(242,100)
Proceeds from DB Credit Facility	260,000	60,000	—
Repayment of DB Credit Facility	(87,000)	(3,000)	—
Proceeds from NMNLC Credit Facility	29,708	21,617	—
Repayment of NMNLC Credit Facility	(29,708)	(21,617)	—
Deferred financing costs paid	(5,656)	(7,174)	(6,030)
Other	—	—	(81)
Net cash flows provided by financing activities	717,419	408,217	155,321
Net (decrease) increase in cash and cash equivalents	(1,090)	14,728	(10,992)
Cash and cash equivalents at the beginning of the period	49,664	34,936	45,928
Cash and cash equivalents at the end of the period	$ 48,574	$ 49,664	$ 34,936
Supplemental disclosure of cash flow information			
Cash interest paid	$ 74,341	$ 43,118	$ 29,658
Income taxes paid	57	521	414
Non-cash operating activities:			

Non-cash activity on investments	$ —	$ 16,622	$ 12,858
Non-cash financing activities:			
Value of shares issued in connection with reinvestment of distributions	$ 4,237	$ 2,329	$ 6,135
Value of shares reissued from repurchase program in connection with reinvestment of distributions	—	—	560
Accrual for offering costs	64	272	944
Accrual for deferred financing costs	787	186	103

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

New Mountain Finance Corporation

Consolidated Schedule of Investments
December 31, 2019
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments								
Funded Debt Investments - Canada								
Dentalcorp Health Services ULC (fka Dentalcorp Perfect Smile ULC)**								
Healthcare Services	Second lien (3)	9.30% (L + 7.50%/M)	6/1/2018	6/8/2026	$ 28,613	$ 28,390	$ 27,754	
	Second lien (8)	9.30% (L + 7.50%/M)	6/1/2018	6/8/2026	7,500	7,445	7,275	
					36,113	35,835	35,029	2.73 %
Wolfpack IP Co.**								
Software	First lien (2)(9)	8.29% (L + 6.50%/M)	6/14/2019	6/13/2025	9,091	9,007	9,000	0.70 %
Total Funded Debt Investments - Canada					**$ 45,204**	**$ 44,842**	**$ 44,029**	**3.43 %**
Funded Debt Investments - United Arab Emirates								
GEMS Menasa (Cayman) Limited**								
Education	First lien (8)	6.91% (L + 5.00%/Q)	7/30/2019	7/31/2026	$ 33,405	$ 33,240	$ 33,488	2.61 %
Total Funded Debt Investments - United Arab Emirates					**$ 33,405**	**$ 33,240**	**$ 33,488**	**2.61 %**
Funded Debt Investments - United Kingdom								
Shine Acquisition Co. S.à.r.l / Boing US Holdco Inc.**								
Consumer Services	Second lien (2)	9.24% (L + 7.50%/M)	9/25/2017	10/3/2025	$ 37,853	$ 37,671	$ 36,717	
	Second lien (8)	9.24% (L + 7.50%/M)	9/25/2017	10/3/2025	6,000	5,971	5,820	
					43,853	43,642	42,537	3.32 %
Aston FinCo S.a r.l. / Aston US Finco, LLC**								
Software	Second lien (8)(9)	10.26% (L + 8.25%/Q)	10/8/2019	10/8/2027	34,459	34,187	34,201	2.66 %
Total Funded Debt Investments - United Kingdom					**$ 78,312**	**$ 77,829**	**$ 76,738**	**5.98 %**
Funded Debt Investments - United States								
Benevis Holding Corp.								
Healthcare Services	First lien (2)(9)	8.25% (L + 6.32%/Q)	3/15/2018	3/15/2024	$ 62,731	$ 62,731	$ 62,323	
	First lien (8)(9)	8.25% (L + 6.32%/Q)	3/15/2018	3/15/2024	15,391	15,391	15,291	
	First lien (3)(9)	8.25% (L + 6.32%/Q)	3/29/2019	3/15/2024	7,743	7,743	7,693	
					85,865	85,865	85,307	6.64 %
PhyNet Dermatology LLC								
Healthcare Services	First lien (2)(9)	7.30% (L + 5.50%/M)	9/17/2018	8/16/2024	50,368	49,956	50,368	
	First lien (3)(9)(10) - Drawn	7.30% (L + 5.50%/M)	9/17/2018	8/16/2024	28,139	28,009	28,139	
					78,507	77,965	78,507	6.11 %
Kronos Incorporated								
Software	Second lien (2)	10.16% (L + 8.25%/Q)	10/26/2012	11/1/2024	49,210	48,955	50,563	
	Second lien (8)	10.16% (L + 8.25%/Q)	10/26/2012	11/1/2024	11,147	11,147	11,453	
					60,357	60,102	62,016	4.83 %
Associations, Inc.								
Business Services	First lien (2)(9)	9.09% (L + 4.00% + 3.00% PIK/Q)*	7/30/2018	7/30/2024	44,557	44,332	44,557	
	First lien (8)(9)	9.09% (L + 4.00% + 3.00% PIK/Q)*	7/30/2018	7/30/2024	5,115	5,090	5,115	
	First lien (3)(9)(10) - Drawn	9.06% (L + 4.00% + 3.00% PIK/Q)*	7/30/2018	7/30/2024	7,171	7,133	7,171	
					56,843	56,555	56,843	4.43 %

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2019
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Nomad Buyer, Inc.								
Healthcare Services	First lien (2)	6.74% (L + 5.00%/M)	8/3/2018	8/1/2025	$ 56,439	$ 54,867	$ 56,298	4.39 %
GS Acquisitionco, Inc.								
Software	First lien (2)(9)	7.55% (L + 5.75%/M)	8/7/2019	5/24/2024	26,894	26,738	26,725	
	First lien (5)(9)	7.55% (L + 5.75%/M)	8/7/2019	5/24/2024	22,406	22,276	22,266	
	First lien (3)(9)(10) - Drawn	7.55% (L + 5.75%/M)	8/7/2019	5/25/2024	3,720	3,698	3,697	
	First lien (3)(9)(10) - Drawn	7.55% (L + 5.75%/M)	8/7/2019	5/25/2024	3,510	3,488	3,488	
					56,530	56,200	56,176	4.38 %
iCIMS, Inc.								
Software	First lien (8)(9)	8.29% (L + 6.50%/M)	9/12/2018	9/12/2024	46,636	46,229	46,636	
	First lien (8)(9)	8.29% (L + 6.50%/M)	6/14/2019	9/12/2024	8,667	8,587	8,667	
					55,303	54,816	55,303	4.31 %
ConnectWise, LLC								
Software	First lien (2)(9)	7.94% (L + 6.00%/Q)	11/26/2019	2/28/2025	55,613	55,270	55,265	4.31 %
CentralSquare Technologies, LLC								
Software	Second lien (3)	9.30% (L + 7.50%/M)	8/15/2018	8/31/2026	47,838	47,297	45,087	
	Second lien (8)	9.30% (L + 7.50%/M)	8/15/2018	8/31/2026	7,500	7,415	7,069	
					55,338	54,712	52,156	4.06 %
Dealer Tire, LLC								
Distribution & Logistics	First lien (2)	7.30% (L + 5.50%/M)	12/4/2018	12/12/2025	51,386	50,251	51,577	4.02 %
Salient CRGT Inc.								
Federal Services	First lien (2)	8.29% (L + 6.50%/M)	1/6/2015	2/28/2022	39,312	39,049	37,445	
	First lien (8)	8.29% (L + 6.50%/M)	6/6/2019	2/28/2022	13,434	12,987	12,795	
					52,746	52,036	50,240	3.91 %
NM GRC Holdco, LLC								
Business Services	First lien (2)(9)	7.94% (L + 6.00%/Q)	2/9/2018	2/9/2024	38,346	38,206	38,346	
	First lien (2)(9)(10) - Drawn	7.94% (L + 6.00%/Q)	2/9/2018	2/9/2024	10,658	10,616	10,658	
					49,004	48,822	49,004	3.82 %
Frontline Technologies Group Holdings, LLC								
Education	First lien (4)(9)	7.55% (L + 5.75%/M)	9/18/2017	9/18/2023	22,162	22,050	22,162	
	First lien (2)(9)	7.55% (L + 5.75%/M)	9/18/2017	9/18/2023	18,677	18,619	18,677	
	First lien (2)(9)	7.55% (L + 5.75%/M)	9/18/2017	9/18/2023	7,710	7,658	7,710	
					48,549	48,327	48,549	3.78 %
Integro Parent Inc.								
Business Services	First lien (2)(9)	7.54% (L + 5.75%/M)	10/9/2015	10/31/2022	35,024	34,892	35,024	
	Second lien (8)(9)	11.04% (L + 9.25%/M)	10/9/2015	10/30/2023	10,000	9,941	10,000	
					45,024	44,833	45,024	3.51 %
Brave Parent Holdings, Inc.								
Software	Second lien (5)	9.43% (L + 7.50%/Q)	4/17/2018	4/17/2026	22,500	22,404	21,825	
	Second lien (2)	9.43% (L + 7.50%/Q)	4/17/2018	4/17/2026	16,624	16,480	16,125	
	Second lien (8)	9.43% (L + 7.50%/Q)	4/17/2018	4/17/2026	6,000	5,948	5,820	
					45,124	44,832	43,770	3.41 %
Quest Software US Holdings Inc.								
Software	Second lien (2)	10.18% (L + 8.25%/Q)	5/17/2018	5/18/2026	43,697	43,320	42,851	3.35 %

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2019
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Symplr Software Intermediate Holdings, Inc. (23)								
Symplr Software, Inc. (fka Caliper Software, Inc.)								
Healthcare Information Technology	First lien (2)(9)	7.94% (L + 6.00%/Q)	11/30/2018	11/28/2025	$ 25,561	$ 25,387	$ 25,561	
	First lien (4)(9)	7.94% (L + 6.00%/Q)	11/30/2018	11/28/2025	14,850	14,752	14,850	
					40,411	40,139	40,411	3.15 %
Tenawa Resource Holdings LLC (13)								
Tenawa Resource Management LLC								
Energy	First lien (3)(9)	10.50% (Base + 8.00%/Q)	5/12/2014	10/30/2024	39,000	38,950	39,000	3.04 %
KAMC Holdings, Inc								
Business Services	Second lien (2)(9)	9.91% (L + 8.00%/Q)	8/14/2019	8/13/2027	18,750	18,614	18,609	
	Second lien (8)(9)	9.91% (L + 8.00%/Q)	8/14/2019	8/13/2027	18,750	18,614	18,609	
					37,500	37,228	37,218	2.90 %
Trader Interactive, LLC								
Business Services	First lien (2)(9)	8.30% (L + 6.50%/M)	6/15/2017	6/17/2024	31,932	31,776	31,932	
	First lien (8)(9)	8.30% (L + 6.50%/M)	6/15/2017	6/17/2024	4,949	4,925	4,949	
					36,881	36,701	36,881	2.87 %
Peraton Holding Corp. (fka MHVC Acquisition Corp.)								
Federal Services	First lien (2)	7.05% (L + 5.25%/M)	4/25/2017	4/29/2024	36,907	36,781	36,745	2.86 %
Apptio, Inc.								
Software	First lien (8)(9)	8.96% (L + 7.25%/M)	1/10/2019	1/10/2025	34,076	33,473	33,394	2.60 %
Definitive Healthcare Holdings, LLC								
Healthcare Information Technology	First lien (8)(9)	8.40% (L + 5.50% + 1.00% PIK/Q)*	8/7/2019	7/16/2026	33,402	33,244	33,234	2.59 %
Finalsite Holdings, Inc.								
Software	First lien (4)(9)	6.93% (L + 5.00%/Q)	9/28/2018	9/25/2024	22,219	22,081	22,219	
	First lien (2)(9)	6.93% (L + 5.00%/Q)	9/28/2018	9/25/2024	10,974	10,906	10,974	
					33,193	32,987	33,193	2.59 %
TDG Group Holding Company								
Consumer Services	First lien (2)(9)	7.44% (L + 5.50%/Q)	5/22/2018	5/31/2024	24,860	24,763	24,860	
	First lien (8)(9)	7.44% (L + 5.50%/Q)	5/22/2018	5/31/2024	4,950	4,931	4,950	
	First lien (2)(9)	7.44% (L + 5.50%/Q)	5/22/2018	5/31/2024	3,321	3,307	3,321	
					33,131	33,001	33,131	2.58 %
CoolSys, Inc.								
Industrial Services	First lien (5)	7.80% (L + 6.00%/M)	11/20/2019	11/20/2026	22,500	22,388	22,388	
	First lien (2)	7.80% (L + 6.00%/M)	11/20/2019	11/20/2026	10,400	10,348	10,348	
					32,900	32,736	32,736	2.55 %
Ansira Holdings, Inc.								
Business Services	First lien (8)	7.55% (L + 5.75%/M)	12/19/2016	12/20/2022	28,455	28,378	27,032	
	First lien (3)(10) - Drawn	7.51% (L + 5.75%/M)	12/19/2016	12/20/2022	4,743	4,731	4,506	
					33,198	33,109	31,538	2.46 %
DCA Investment Holding, LLC								
Healthcare Services	First lien (2)(9)	7.19% (L + 5.25%/Q)	7/2/2015	7/2/2021	17,095	17,046	17,095	
	First lien (3)(9)	7.19% (L + 5.25%/Q)	12/20/2017	7/2/2021	8,890	8,834	8,890	
	First lien (2)(9)	7.19% (L + 5.25%/Q)	12/20/2017	7/2/2021	4,184	4,163	4,184	
	First lien (3)(9)(10) - Drawn	9.00% (P + 4.25%/Q)	7/2/2015	7/2/2021	608	602	608	
					30,777	30,645	30,777	2.40 %

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Integral Ad Science, Inc.								
Software	First lien (8)(9)	9.05% (L + 6.00% + 1.25% PIK/M)*	7/19/2018	7/19/2024	$ 26,843	$ 26,616	$ 26,843	
	First lien (3)(9)	9.05% (L + 6.00% + 1.25% PIK/M)*	8/27/2019	7/19/2024	3,507	3,474	3,507	
					30,350	30,090	30,350	2.36 %
Conservice, LLC								
Business Services	First lien (2)(9)	7.05% (L + 5.25%/M)	1/3/2019	11/29/2024	25,311	25,202	25,184	
	First lien (3)(9)(10) - Drawn	7.05% (L + 5.25%/M)	1/3/2019	11/29/2024	4,418	4,398	4,396	
					29,729	29,600	29,580	2.30 %
Kaseya Traverse Inc.								
Software	First lien (8)(9)	8.72% (L + 5.50% + 1.00% PIK/S)*	5/9/2019	5/2/2025	27,525	27,274	27,250	
	First lien (3)(9)(10) - Drawn	8.45% (L + 6.50%/Q)	5/9/2019	5/2/2025	1,321	1,308	1,308	
	First lien (3)(9)(10) - Drawn	8.69% (L + 5.50% + 1.00% PIK/S)*	5/9/2019	5/2/2025	430	426	426	
					29,276	29,008	28,984	2.26 %
Clarkson Eyecare, LLC								
Healthcare Services	First lien (2)	8.05% (L + 6.25%/M)	8/21/2019	4/2/2021	17,300	17,149	17,300	
	First lien (2)	8.05% (L + 6.25%/M)	9/11/2019	4/2/2021	11,533	11,433	11,533	
					28,833	28,582	28,833	2.25 %
Keystone Acquisition Corp.								
Healthcare Services	First lien (2)	7.19% (L + 5.25%/Q)	5/10/2017	5/1/2024	24,482	24,369	23,992	
	Second lien (2)	11.19% (L + 9.25%/Q)	5/10/2017	5/1/2025	4,500	4,465	4,399	
					28,982	28,834	28,391	2.21 %
Sovos Brands Intermediate, Inc.								
Food & Beverage	First lien (2)	6.80% (L + 5.00%/M)	11/16/2018	11/20/2025	27,957	27,834	27,957	2.18 %
Affinity Dental Management, Inc.								
Healthcare Services	First lien (4)(9)	8.07% (L + 6.00%/S)	9/17/2019	9/15/2023	10,945	10,945	10,945	
	First lien (2)(9)	8.01% (L + 6.00%/S)	9/15/2017	9/15/2023	11,316	11,288	11,316	
	First lien (3)(9)	8.00% (L + 6.00%/S)	9/15/2017	9/15/2023	5,224	5,194	5,224	
					27,485	27,427	27,485	2.14 %
Confluent Health, LLC								
Healthcare Services	First lien (2)	6.80% (L + 5.00%/M)	6/21/2019	6/24/2026	27,363	27,233	27,363	2.13 %
TMK Hawk Parent, Corp.								
Distribution & Logistics	First lien (2)	5.30% (L + 3.50%/M)	6/24/2019	8/28/2024	16,908	14,483	13,865	
	First lien (8)	5.30% (L + 3.50%/M)	10/23/2019	8/28/2024	16,308	13,388	13,373	
					33,216	27,871	27,238	2.12 %
HS Purchaser, LLC / Help/Systems Holdings, Inc.								
Software	Second lien (5)	9.80% (L + 8.00%/M)	11/14/2019	11/19/2027	22,500	22,380	22,388	
	Second lien (2)	9.80% (L + 8.00%/M)	11/14/2019	11/19/2027	4,208	4,166	4,187	
					26,708	26,546	26,575	2.07 %
GC Waves Holdings, Inc.**								
Business Services	First lien (5)(9)	7.55% (L + 5.75%/M)	10/31/2019	10/31/2025	22,500	22,335	22,331	
	First lien (2)(9)	7.55% (L + 5.75%/M)	10/31/2019	10/31/2025	3,673	3,646	3,645	
					26,173	25,981	25,976	2.02 %
Spring Education Group, Inc (fka SSH Group Holdings, Inc.)								
Education	Second lien (2)	10.19% (L + 8.25%/Q)	7/26/2018	7/30/2026	24,533	24,476	24,488	1.91 %

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AAC Holding Corp.								
Education	First lien (2)(9)	9.95% (L + 8.25%/M)	9/30/2015	9/30/2022	$ 24,956	$ 24,866	$ 23,110	1.80 %
Idera, Inc.								
Software	Second lien (4)	10.80% (L + 9.00%/M)	6/27/2019	6/28/2027	22,500	22,338	22,612	1.76 %
Convey Health Solutions, Inc.								
Healthcare Services	First lien (4)(9)	6.94% (L + 5.25%/M)	9/9/2019	9/4/2026	22,444	22,200	22,191	1.73 %
Avatar Topco, Inc. (22)								
EAB Global, Inc.								
Education	Second lien (3)	9.49% (L + 7.50%/S)	11/17/2017	11/17/2025	13,950	13,782	13,950	
	Second lien (8)	9.49% (L + 7.50%/S)	11/17/2017	11/17/2025	7,500	7,410	7,500	
					21,450	21,192	21,450	1.67 %
CRCI Longhorn Holdings, Inc.								
Business Services	Second lien (3)	8.99% (L + 7.25%/M)	8/2/2018	8/10/2026	14,349	14,301	14,062	
	Second lien (8)	8.99% (L + 7.25%/M)	8/2/2018	8/10/2026	7,500	7,475	7,350	
					21,849	21,776	21,412	1.67 %
National Mentor Holdings, Inc. (aka Civitas Solutions, Inc.)								
Healthcare Services	Second lien (2)	10.30% (L + 8.50%/M)	2/5/2019	3/8/2027	21,051	20,609	20,999	1.64 %
MED Parentco, LP								
Healthcare Services	Second lien (8)	10.05% (L + 8.25%/M)	8/2/2019	8/30/2027	20,857	20,703	20,753	1.62 %
Institutional Shareholder Services, Inc.								
Business Services	Second lien (3)	10.44% (L + 8.50%/Q)	3/5/2019	3/5/2027	20,372	20,087	19,557	1.52 %
DiversiTech Holdings, Inc.								
Distribution & Logistics	Second lien (2)	9.44% (L + 7.50%/Q)	5/18/2017	6/2/2025	12,000	11,909	11,760	
	Second lien (8)	9.44% (L + 7.50%/Q)	5/18/2017	6/2/2025	7,500	7,443	7,350	
					19,500	19,352	19,110	1.49 %
Xactly Corporation								
Software	First lien (4)(9)	9.05% (L + 7.25%/M)	7/31/2017	7/29/2022	19,047	18,925	19,047	1.48 %
FR Arsenal Holdings II Corp.								
Business Services	First lien (2)(9)	9.19% (L + 7.25%/Q)	9/29/2016	9/8/2022	18,355	18,249	18,355	1.43 %
YLG Holdings, Inc.								
Business Services	First lien (5)	7.66% (L + 5.75%/Q)	11/1/2019	10/31/2025	18,413	18,323	18,321	1.43 %
Geo Parent Corporation								
Business Services	First lien (2)	7.05% (L + 5.25%/M)	12/13/2018	12/19/2025	18,364	18,282	18,318	1.43 %
Bluefin Holding, LLC								
Software	Second lien (8)(9)	9.64% (L + 7.75%/Q)	9/6/2019	9/6/2027	18,000	18,000	18,000	1.40 %
Bullhorn, Inc.								
Software	First lien (2)(9)	7.44% (L + 5.50%/Q)	9/24/2019	10/1/2025	17,174	17,049	17,045	
	First lien (3)(9)(10) - Drawn	7.46% (L + 5.50%/Q)	9/24/2019	10/1/2025	284	282	282	
					17,458	17,331	17,327	1.35 %
The Kleinfelder Group, Inc.								
Business Services	First lien (4)(9)	6.37% (L + 4.75%/W)	12/18/2018	11/29/2024	17,325	17,251	17,325	1.35 %
TIBCO Software Inc.								
Software	Subordinated (3)	11.38%/S	11/24/2014	12/1/2021	15,000	14,844	15,554	1.21 %
Hill International, Inc.**								
Business Services	First lien (2)(9)	7.55% (L + 5.75%/M)	6/21/2017	6/21/2023	15,405	15,356	15,405	1.20 %
Bleriot US Bidco Inc.								
Federal Services	Second lien (2)	10.44% (L + 8.50%/Q)	10/24/2019	10/29/2027	15,000	14,852	14,981	1.17 %

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Netsmart Inc. / Netsmart Technologies, Inc.								
Healthcare Information Technology	Second lien (2)	9.30% (L + 7.50%/M)	4/18/2016	10/19/2023	$ 15,000	$ 14,774	$ 14,925	1.16 %
Pathway Vet Alliance LLC								
Consumer Services	First lien (4)(9)(10) - Drawn	6.30% (L + 4.50%/M)	11/14/2019	12/20/2024	3,670	3,652	3,652	
	First lien (3)(9)(10) - Drawn	6.30% (L + 4.50%/M)	11/14/2019	12/20/2024	1,223	1,217	1,217	
	Second lien (4)(9)(10) - Drawn	10.30% (L + 8.50%/M)	11/14/2019	12/19/2025	7,547	7,490	7,490	
	Second lien (3)(9)(10) - Drawn	10.30% (L + 8.50%/M)	11/14/2019	12/19/2025	2,516	2,497	2,497	
					14,956	14,856	14,856	1.16 %
Diligent Corporation								
Software	First lien (2)(9)	7.56% (L + 5.50%/S)	10/30/2019	4/14/2022	6,842	6,777	6,842	
	First lien (2)(9)	7.56% (L + 5.50%/S)	10/30/2019	4/14/2022	140	139	140	
	First lien (3)(9)(10) - Drawn	7.54% (L + 5.50%/S)	12/19/2018	4/14/2022	7,431	7,391	7,431	
					14,413	14,307	14,413	1.12 %
Alegeus Technologies Holding Corp.								
Healthcare Services	First lien (8)(9)	8.28% (L + 6.25%/Q)	9/5/2018	9/5/2024	13,444	13,388	13,444	1.05 %
JAMF Holdings, Inc.								
Software	First lien (8)(9)	8.91% (L + 7.00%/Q)	11/13/2017	11/11/2022	8,757	8,702	8,757	
	First lien (2)(9)	8.91% (L + 7.00%/Q)	11/8/2019	11/11/2022	4,582	4,549	4,582	
					13,339	13,251	13,339	1.04 %
BackOffice Associates Holdings, LLC								
Business Services	First lien (2)(9)	12.70% (L + 7.50% + 3.00% PIK/S)*	8/25/2017	8/25/2023	13,047	12,973	12,425	
	First lien (3)(9)(10) - Drawn	12.68% (L + 7.50% + 3.00% PIK/Q)*	8/25/2017	8/25/2023	894	886	851	
					13,941	13,859	13,276	1.03 %
Castle Management Borrower LLC								
Business Services	First lien (2)(9)	8.16% (L + 6.25%/Q)	5/31/2018	2/15/2024	13,217	13,166	13,217	1.03 %
Ministry Brands, LLC								
Software	First lien (2)(9)	5.85% (L + 4.00%/M)	12/7/2016	12/2/2022	2,932	2,924	2,932	
	Second lien (8)(9)	11.08% (L + 9.25%/M)	12/7/2016	6/2/2023	7,840	7,804	7,840	
	Second lien (3)(9)	11.08% (L + 9.25%/M)	12/7/2016	6/2/2023	2,160	2,150	2,160	
	First lien (3)(9)(10) - Drawn	6.95% (L + 5.00%/Q)	12/7/2016	12/2/2022	200	199	200	
					13,132	13,077	13,132	1.02 %
Transcendia Holdings, Inc.								
Packaging	Second lien (8)(9)	9.80% (L + 8.00%/M)	6/28/2017	5/30/2025	14,500	14,348	12,476	0.97 %
OEConnection LLC								
Business Services	Second lien (2)(9)	10.04% (L + 8.25%/M)	9/25/2019	9/25/2027	12,044	11,926	11,924	0.93 %
CFS Management, LLC								
Healthcare Services	First lien (2)(9)	7.95% (L + 5.75%/S)	8/6/2019	7/1/2024	11,733	11,678	11,674	0.91 %
CHA Holdings, Inc.								
Business Services	Second lien (4)	10.69% (L + 8.75%/Q)	4/3/2018	4/10/2026	7,012	6,952	7,082	
	Second lien (3)	10.69% (L + 8.75%/Q)	4/3/2018	4/10/2026	4,453	4,415	4,497	
					11,465	11,367	11,579	0.90 %

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Alert Holding Company, Inc. (14)								
Appriss Holdings, Inc.								
Business Services	First lien (8)	7.44% (L + 5.50%/Q)	5/24/2019	5/29/2026	$ 11,054	$ 10,965	$ 10,888	0.86 %
PaySimple, Inc.								
Software	First lien (2)	7.30% (L + 5.50%/M)	8/19/2019	8/25/2025	9,857	9,763	9,808	
	First lien (3)(10) - Drawn	7.31% (L + 5.50%/M)	8/19/2019	8/25/2025	934	916	930	
					10,791	10,679	10,738	0.84 %
Vectra Co.								
Business Products	Second lien (8)	9.05% (L + 7.25%/M)	2/23/2018	3/8/2026	10,788	10,754	10,518	0.82 %
NorthStar Financial Services Group, LLC								
Software	Second lien (5)	9.30% (L + 7.50%/M)	5/23/2018	5/25/2026	10,607	10,585	10,501	0.82 %
PPVA Black Elk (Equity) LLC								
Business Services	Subordinated (3)(9)	—	5/3/2013	—	14,500	14,500	10,354	0.81 %
Masergy Holdings, Inc.								
Business Services	Second lien (2)	9.46% (L + 7.50%/Q)	12/14/2016	12/16/2024	10,500	10,458	10,264	0.80 %
VT Topco, Inc.								
Business Services	Second lien (4)	8.94% (L + 7.00%/Q)	8/14/2018	7/31/2026	10,000	9,978	10,025	0.78 %
Quartz Holding Company								
Software	Second lien (3)	9.71% (L + 8.00%/M)	4/2/2019	4/2/2027	10,000	9,813	9,975	0.78 %
AG Parent Holdings, LLC								
Healthcare Services	First lien (2)	6.91% (L + 5.00%/Q)	7/30/2019	7/31/2026	10,000	9,952	9,925	0.77 %
Stats Intermediate Holdings, LLC**								
Business Services	First lien (2)	7.30% (L + 5.25%/S)	5/22/2019	7/10/2026	10,000	9,881	9,775	0.76 %
Affordable Care Holding Corp.								
Healthcare Services	First lien (2)	6.59% (L + 4.75%/M)	3/18/2019	10/24/2022	9,897	9,738	9,649	0.75 %
Teneo Holdings, LLC								
Business Services	First lien (2)	6.99% (L + 5.25%/M)	7/15/2019	7/11/2025	9,975	9,788	9,476	0.74 %
AgKnowledge Holdings Company, Inc.								
Business Services	First lien (4)	6.55% (L + 4.75%/M)	11/30/2018	7/21/2023	9,355	9,318	9,332	0.73 %
Wrike, Inc.								
Software	First lien (8)(9)	8.55% (L + 6.75%/M)	12/31/2018	12/31/2024	9,067	8,988	9,067	0.71 %
WD Wolverine Holdings, LLC								
Healthcare Services	First lien (2)	7.30% (L + 5.50%/M)	2/22/2017	8/16/2022	9,014	8,859	9,014	0.70 %
Amerijet Holdings, Inc.								
Distribution & Logistics	First lien (4)(9)	9.80% (L + 8.00%/M)	7/15/2016	7/15/2021	7,674	7,653	7,674	
	First lien (4)(9)	9.80% (L + 8.00%/M)	7/15/2016	7/15/2021	1,279	1,276	1,279	
					8,953	8,929	8,953	0.70 %
Zywave, Inc.								
Software	Second lien (4)(9)	10.95% (L + 9.00%/Q)	11/22/2016	11/17/2023	6,980	6,946	6,980	
	Second lien (4)(9)	10.84% (L + 9.00%/M)	12/3/2019	11/17/2023	600	596	600	
	First lien (3)(9)(10) - Drawn	6.80% (L + 5.00%/M)	11/22/2016	11/17/2022	670	665	670	
					8,250	8,207	8,250	0.64 %
DealerSocket, Inc.								
Software	First lien (2)	6.66% (L + 4.75%/Q)	4/16/2018	4/26/2023	6,610	6,576	6,544	
	First lien (3)(10) - Drawn	7.05% (L + 5.25%/M)	4/16/2018	4/26/2023	168	167	166	
					6,778	6,743	6,710	0.52 %

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Restaurant Technologies, Inc.								
Business Services	Second lien (4)	8.30% (L + 6.50%/M)	9/24/2018	10/1/2026	$ 6,722	$ 6,707	$ 6,705	0.52 %
CP VI Bella Midco, LLC								
Healthcare Services	Second lien (3)	8.55% (L + 6.75%/M)	1/25/2018	12/29/2025	6,732	6,705	6,657	0.52 %
DG Investment Intermediate Holdings 2, Inc. (aka Convergint Technologies Holdings, LLC)								
Business Services	Second lien (3)	8.55% (L + 6.75%/M)	1/29/2018	2/2/2026	6,732	6,705	6,530	0.51 %
Recorded Future, Inc.								
Software	First lien (8)(9)	8.55% (L + 6.75%/M)	8/26/2019	7/3/2025	6,250	6,220	6,219	0.48 %
Solera LLC / Solera Finance, Inc.								
Software	Subordinated (3)	10.50%/S	2/29/2016	3/1/2024	5,000	4,844	5,316	0.41 %
ADG, LLC								
Healthcare Services	Second lien (3)(9)	11.92% (L + 10.00%/S)	10/3/2016	3/28/2024	5,264	5,215	4,213	0.33 %
Sphera Solutions, Inc.								
Software	First lien (2)(9)	9.00% (L + 7.00%/Q)	9/10/2019	6/14/2022	2,489	2,466	2,464	0.19 %
First American Payment Systems, L.P.								
Business Services	First lien (2)	6.81% (L + 4.75%/Q)	1/3/2017	1/5/2024	2,034	2,021	2,020	0.16 %
Education Management Corporation (12)								
Education Management II LLC								
Education	First lien (2)	10.25% (P + 5.50%/Q)(24)	1/5/2015	7/2/2020	208	202	2	
	First lien (3)	10.25% (P + 5.50%/Q)(24)	1/5/2015	7/2/2020	117	114	1	
	First lien (2)	14.00% (P + 8.50%/M)(24)	1/5/2015	7/2/2020	300	292	—	
	First lien (3)	14.00% (P + 8.50%/M)(24)	1/5/2015	7/2/2020	169	165	—	
	First lien (2)	13.25% (P + 8.50%/M)(24)	1/5/2015	7/2/2020	142	117	—	
	First lien (2)	13.25% (P + 8.50%/M)(24)	1/5/2015	7/2/2020	4	3	—	
	First lien (3)	13.25% (P + 8.50%/M)(24)	1/5/2015	7/2/2020	80	66	—	
	First lien (3)	13.25% (P + 8.50%/M)(24)	1/5/2015	7/2/2020	2	2	—	
					1,022	961	3	— %
PPVA Fund, L.P.								
Business Services	Collateralized Financing (24)(25)	—	11/7/2014	—	—	—	—	— %
Total Funded Debt Investments - United States					**$ 2,408,610**	**$ 2,385,761**	**$ 2,375,987**	**185.12 %**
Total Funded Debt Investments					**$ 2,565,531**	**$ 2,541,672**	**$ 2,530,242**	**197.14 %**
Equity - Hong Kong								
Bach Special Limited (Bach Preference Limited)**								
Education	Preferred shares (3)(9)(21)	—	9/1/2017	—	75,184	$ 7,439	$ 7,518	0.59 %
Total Shares - Hong Kong						**$ 7,439**	**$ 7,518**	**0.59 %**
Equity - United States								
Avatar Topco, Inc.								
Education	Preferred shares (3)(9)(22)	—	11/17/2017	—	35,750	$ 46,093	$ 47,165	3.67 %

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

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Symplr Software Intermediate Holdings, Inc.(23)								
Healthcare Information Technology	Preferred shares (4)(9)	—	11/30/2018	—	7,500	$ 8,502	$ 8,571	
	Preferred shares (3)(9)	—	11/30/2018	—	2,586	2,931	2,955	
						11,433	11,526	0.90 %
Tenawa Resource Holdings LLC (13)								
QID NGL LLC	Ordinary shares (6)(9)	—	5/12/2014	—	5,290,997	5,291	8,445	
Energy	Preferred shares (6)(9)	—	10/30/2017	—	1,623,385	1,623	2,727	
						6,914	11,172	0.87 %
Alert Holding Company, Inc. (14)								
Alert Intermediate Holdings I, Inc.								
Business Services	Preferred shares (3)(9)	—	5/31/2019	—	6,111	6,459	6,452	0.50 %
Education Management Corporation(12)								
Education	Preferred shares (2)	—	1/5/2015	—	3,331	200	—	
	Preferred shares (3)	—	1/5/2015	—	1,879	113	—	
	Ordinary shares (2)	—	1/5/2015	—	2,994,065	100	—	
	Ordinary shares (3)	—	1/5/2015	—	1,688,976	56	—	
						469	—	— %
Total Shares - United States						**$ 71,368**	**$ 76,315**	**5.94 %**
Total Shares						**$ 78,807**	**$ 83,833**	**6.53 %**
Warrants - United States								
ASP LCG Holdings, Inc.								
Education	Warrants (3)(9)	—	5/5/2014	5/5/2026	622	$ 37	$ 898	0.07 %
Total Warrants - United States						**$ 37**	**$ 898**	**0.07 %**
Total Funded Investments						**$ 2,620,516**	**$ 2,614,973**	**203.74 %**
Unfunded Debt Investments - Canada								
Wolfpack IP Co.**								
Software	First lien (3)(9)(10) - Undrawn	—	6/14/2019	6/13/2025	$ 909	$ (9)	$ (9)	(0.00)%
Total Unfunded Debt Investments - Canada					**$ 909**	**$ (9)**	**$ (9)**	**(0.00)%**
Unfunded Debt Investments - United States								
NM GRC Holdco, LLC								
Business Services	First lien (2)(9)(10) - Undrawn	—	2/9/2018	2/9/2020	$ 771	$ (2)	$ —	— %
Ministry Brands, LLC								
Software	First lien (3)(9)(10) - Undrawn	—	12/7/2016	12/2/2022	800	(4)	—	— %
Wrike, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	12/31/2018	12/31/2024	933	(9)	—	— %
Xactly Corporation								
Software	First lien (3)(9)(10) - Undrawn	—	7/31/2017	7/29/2022	992	(10)	—	— %

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Zywave, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	11/22/2016	11/17/2022	$ 1,330	$ (10)	$ —	— %
JAMF Holdings, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	11/13/2017	11/11/2022	1,086	(10)	—	— %
Trader Interactive, LLC								
Business Services	First lien (3)(9)(10) - Undrawn	—	6/15/2017	6/15/2023	1,673	(13)	—	— %
DCA Investment Holding, LLC								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	4/16/2019	4/16/2021	20,426	—	—	
	First lien (3)(9)(10) - Undrawn	—	7/2/2015	7/2/2021	1,492	(15)	—	
					21,918	(15)	—	— %
Affinity Dental Management, Inc.								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	9/15/2017	3/15/2023	1,738	(17)	—	— %
Integral Ad Science, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	7/19/2018	7/19/2023	1,807	(18)	—	— %
Finalsite Holdings, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	9/25/2018	9/25/2024	2,521	(19)	—	— %
TDG Group Holding Company								
Consumer Services	First lien (3)(9)(10) - Undrawn	—	5/22/2018	5/31/2024	5,044	(25)	—	— %
iCIMS, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	9/12/2018	9/12/2024	2,915	(29)	—	— %
Associations, Inc.								
Business Services	First lien (3)(9)(10) - Undrawn	—	7/30/2018	7/30/2021	3,161	(20)	—	
	First lien (3)(9)(10) - Undrawn	—	7/30/2018	7/30/2024	2,033	(13)	—	
					5,194	(33)	—	— %
Integro Parent Inc.								
Business Services	First lien (3)(9)(10) - Undrawn	—	6/8/2018	4/30/2022	6,743	(34)	—	— %
Diligent Corporation								
Software	First lien (3)(9)(10) - Undrawn	—	12/19/2018	12/19/2020	5,977	(37)	—	— %
PhyNet Dermatology LLC								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	9/17/2018	8/16/2020	17,077	(85)	—	— %
AgKnowledge Holdings Company, Inc.								
Business Services	First lien (3)(10) - Undrawn	—	11/30/2018	7/21/2023	526	(3)	(1)	(0.00)%
DealerSocket, Inc.								
Software	First lien (3)(10) - Undrawn	—	4/16/2018	4/26/2023	392	(3)	(4)	(0.00)%

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Recorded Future, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	8/26/2019	1/3/2021	$ 500	$ (3)	$ (3)	
	First lien (3)(9)(10) - Undrawn	—	8/26/2019	7/3/2025	750	(4)	(4)	
					1,250	(7)	(7)	(0.00)%
PaySimple, Inc.								
Software	First lien (3)(10) - Undrawn	—	8/19/2019	8/24/2020	2,289	—	(11)	(0.00)%
Alert Holding Company, Inc. (14)								
Appriss Holdings, Inc.								
Business Services	First lien (3)(10) - Undrawn	—	5/24/2019	5/30/2025	930	(9)	(14)	(0.00)%
Bullhorn, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	9/24/2019	10/1/2021	1,135	(9)	(9)	
	First lien (3)(9)(10) - Undrawn	—	9/24/2019	10/1/2025	852	(6)	(6)	
					1,987	(15)	(15)	(0.00)%
Bluefin Holding, LLC								
Software	First lien (3)(10) - Undrawn	—	9/6/2019	9/6/2024	1,515	(23)	(15)	(0.00)%
CFS Management, LLC								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	8/6/2019	7/1/2024	3,468	(17)	(17)	(0.00)%
Conservice, LLC								
Business Services	First lien (3)(9)(10) - Undrawn	—	1/3/2019	11/29/2024	1,360	(7)	(7)	
	First lien (3)(9)(10) - Undrawn	—	1/3/2019	6/30/2020	2,283	—	(11)	
					3,643	(7)	(18)	(0.00)%
ConnectWise, LLC								
Software	First lien (3)(9)(10) - Undrawn	—	11/26/2019	2/28/2025	4,248	(27)	(27)	(0.00)%
CoolSys, Inc.								
Industrial Services	First lien (3)(10) - Undrawn	—	11/20/2019	11/19/2021	5,600	—	(28)	(0.00)%
YLG Holdings, Inc.								
Business Services	First lien (5)(10) - Undrawn	—	11/1/2019	4/30/2021	2,381	—	(12)	
	First lien (3)(10) - Undrawn	—	11/1/2019	10/31/2025	3,968	(20)	(20)	
					6,349	(20)	(32)	(0.00)%
Kaseya Traverse Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	5/9/2019	5/3/2021	2,873	—	(29)	
	First lien (3)(9)(10) - Undrawn	—	5/9/2019	5/2/2025	991	(10)	(10)	
					3,864	(10)	(39)	(0.00)%
Apptio, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	1/10/2019	1/10/2025	2,066	(41)	(41)	(0.00)%

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Definitive Healthcare Holdings, LLC								
Healthcare Information Technology	First lien (3)(9)(10) - Undrawn	—	8/7/2019	7/16/2021	$ 7,391	$ —	$ (37)	
	First lien (3)(9)(10) - Undrawn	—	8/7/2019	7/16/2024	1,848	(9)	(9)	
					9,239	(9)	(46)	(0.01)%
Pathway Vet Alliance LLC								
Consumer Services	First lien (4)(9)(10) - Undrawn	—	11/14/2019	10/11/2021	3,821	—	(19)	
	First lien (3)(9)(10) - Undrawn	—	11/14/2019	10/11/2021	1,274	—	(6)	
	Second lien (4)(9)(10) - Undrawn	—	11/14/2019	10/11/2021	7,453	—	(56)	
	Second lien (3)(9)(10) - Undrawn	—	11/14/2019	10/11/2021	2,484	—	(19)	
					15,032	—	(100)	(0.01)%
GC Waves Holdings, Inc.**								
Business Services	First lien (3)(9)(10) - Undrawn	—	10/31/2019	11/1/2021	9,877	—	(74)	
	First lien (3)(9)(10) - Undrawn	—	10/31/2019	10/31/2025	3,951	(30)	(30)	
					13,828	(30)	(104)	(0.01)%
Ansira Holdings, Inc.								
Business Services	First lien (3)(10) - Undrawn	—	12/19/2016	4/16/2020	2,437	(6)	(122)	(0.01)%
GS Acquisitionco, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	8/7/2019	8/2/2021	35,103	—	(219)	
	First lien (3)(9)(10) - Undrawn	—	8/7/2019	5/25/2024	1,975	(12)	(12)	
					37,078	(12)	(231)	(0.02)%
Salient CRGT Inc.								
Federal Services	First lien (3)(10) - Undrawn	—	6/26/2018	11/29/2021	6,125	(490)	(291)	(0.03)%
Total Unfunded Debt Investments - United States					**$ 200,385**	**$ (1,099)**	**$ (1,163)**	**(0.09)%**
Total Unfunded Debt Investments					**$ 201,294**	**$ (1,108)**	**$ (1,172)**	**(0.09)%**
Total Non-Controlled/Non-Affiliated Investments						**$ 2,619,408**	**$2,613,801**	**203.65 %**

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Non-Controlled/Affiliated Investments(26)								
Funded Debt Investments - United States								
Permian Holdco 1, Inc.								
Permian Holdco 2, Inc.								
Permian Holdco 3, Inc.								
Energy	First lien (3)(9)	14.28% (L + 7.50% + 5.00% PIK/Q)*	6/14/2018	6/30/2022	$ 10,523	$ 10,523	$ 10,523	
	First lien (3)(9)(10) - Drawn	8.24% (L + 6.50%/M)	6/14/2018	6/30/2022	17,750	17,750	17,750	
	Subordinated (3)(9)	18.00% PIK/Q*	12/26/2018	6/30/2022	2,876	2,876	2,732	
	Subordinated (3)(9)	14.00% PIK/Q*	10/31/2016	10/15/2021	2,642	2,642	2,246	
	Subordinated (3)(9)	14.00% PIK/Q*	10/31/2016	10/15/2021	1,361	1,361	1,157	
					35,152	35,152	34,408	2.68 %
Sierra Hamilton Holdings Corporation								
Energy	Second lien (3)(9)	15.00% PIK/Q*	9/12/2019	9/12/2023	1,442	1,410	1,406	0.11 %
Total Funded Debt Investments - United States					**$ 36,594**	**$ 36,562**	**$ 35,814**	**2.79 %**
Equity - United States								
NMFC Senior Loan Program I LLC**								
Investment Fund	Membership interest (3)(9)	—	6/13/2014	—	—	$ 23,000	$ 23,000	1.80 %
Sierra Hamilton Holdings Corporation								
Energy	Ordinary shares (2)(9)	—	7/31/2017	—	25,000,000	11,501	7,648	
	Ordinary shares (3)(9)	—	7/31/2017	—	2,786,000	1,281	852	
						12,782	8,500	0.66 %
Permian Holdco 1, Inc.								
Energy	Preferred shares (3)(9)(16)(24)	—	10/31/2016	—	1,987,848	9,131	6,013	
	Ordinary shares (3)(9)	—	10/31/2016	—	1,366,452	1,350	200	
						10,481	6,213	0.48 %
Total Shares - United States						**$ 46,263**	**$ 37,713**	**2.94 %**
Total Funded Investments						**$ 82,825**	**$ 73,527**	**5.73 %**
Unfunded Debt Investments - United States								
Permian Holdco 3, Inc.								
Energy	First lien (3)(9)(10) - Undrawn	—	6/14/2018	6/30/2022	$ 2,250	$ —	$ —	— %
Total Unfunded Debt Investments - United States					**$ 2,250**	**$ —**	**$ —**	**— %**
Total Non-Controlled/Affiliated Investments						**$ 82,825**	**$ 73,527**	**5.73 %**

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Controlled Investments(27)								
Funded Debt Investments - United States								
Edmentum Ultimate Holdings, LLC (15)								
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)								
Education	First lien (2)	10.43% (L + 4.50% + 4.00% PIK/Q)*	8/6/2018	6/9/2021	$ 10,112	$ 9,173	$ 10,112	
	Second lien (3)(9)	7.00% PIK/Q*	2/23/2018	12/9/2021	11,999	11,579	11,999	
	Second lien (3)(9)(10) - Drawn	5.00% PIK/Q*	6/9/2015	12/9/2021	7,586	7,586	7,586	
	Subordinated (3)(9)	8.50% PIK/Q*	6/9/2015	12/9/2021	5,326	5,324	5,326	
	Subordinated (2)(9)	10.00% PIK/Q*	6/9/2015	12/9/2021	20,476	20,476	19,333	
	Subordinated (3)(9)	10.00% PIK/Q*	6/9/2015	12/9/2021	5,037	5,037	4,756	
					60,536	59,175	59,112	4.61 %
NHME Holdings Corp. (20)								
National HME, Inc.								
Healthcare Services	Second lien (3)(9)	12.00% PIK/Q*	11/27/2018	5/27/2024	16,532	13,054	11,985	
	Second lien (3)(9)	12.00% PIK/Q*	11/27/2018	5/27/2024	9,136	8,279	7,994	
					25,668	21,333	19,979	1.56 %
UniTek Global Services, Inc.								
Business Services	First lien (2)(9)	8.41% (L + 5.50% + 1.00% PIK/Q)*	6/29/2018	8/20/2024	12,448	12,448	11,068	
	First lien (2)(9)	8.41% (L + 5.50% + 1.00% PIK/Q)*	6/29/2018	8/20/2024	2,490	2,490	2,214	
					14,938	14,938	13,282	1.03 %
Total Funded Debt Investments - United States					**$ 101,142**	**$ 95,446**	**$ 92,373**	**7.20 %**
Equity - Canada								
NM APP Canada Corp.**								
Net Lease	Membership interest (7) (9)	—	9/13/2016	—	—	$ 7,345	$ 10,774	0.84 %
Total Shares - Canada						**$ 7,345**	**$ 10,774**	**0.84 %**
Equity - United States								
NMFC Senior Loan Program III LLC**								
Investment Fund	Membership interest (3) (9)	—	5/4/2018	—	—	$ 100,000	$ 100,000	7.80 %
NMFC Senior Loan Program II LLC**								
Investment Fund	Membership interest (3) (9)	—	5/3/2016	—	—	79,400	79,400	6.20 %

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UniTek Global Services, Inc.								
Business Services	Preferred shares (3)(9)(19)	—	8/29/2019	—	3,492,227	$ 3,492	$ 3,347	
	Preferred shares (3)(9)(19)	—	8/17/2018	—	8,594,292	8,594	7,979	
	Preferred shares (3)(9)(18)	—	6/30/2017	—	15,747,272	15,747	13,909	
	Preferred shares (2)(9)(17)	—	1/13/2015	—	28,369,088	25,989	22,766	
	Preferred shares (3)(9)(17)	—	1/13/2015	—	7,839,866	7,182	6,292	
	Ordinary shares (2)(9)	—	1/13/2015	—	2,096,477	1,925	270	
	Ordinary shares (3)(9)	—	1/13/2015	—	1,993,749	532	256	
						63,461	54,819	4.27 %
NM NL Holdings, L.P.**								
Net Lease	Membership interest (7)(9)	—	6/20/2018	—	—	44,070	48,308	3.76 %
NM GLCR LP								
Net Lease	Membership interest (7)(9)	—	2/1/2018	—	—	14,750	23,800	1.85 %
NM CLFX LP								
Net Lease	Membership interest (7)(9)	—	10/6/2017	—	—	12,538	12,723	0.99 %
NM APP US LLC								
Net Lease	Membership interest (7)(9)	—	9/13/2016	—	—	5,080	6,834	0.53 %
NM YI, LLC								
Net Lease	Membership interest (7)(9)	—	9/30/2019	—	—	6,272	6,339	0.49 %
NM DRVT LLC								
Net Lease	Membership interest (7)(9)	—	11/18/2016	—	—	5,152	6,016	0.46 %
NHME Holdings Corp.(20)								
Healthcare Services	Ordinary shares (3)(9)	—	11/27/2018	—	640,000	4,000	4,000	0.31 %
NM JRA LLC								
Net Lease	Membership interest (7)(9)	—	8/12/2016	—	—	2,043	3,700	0.29 %
Edmentum Ultimate Holdings, LLC (15)								
Education	Ordinary shares (3)(9)	—	6/9/2015	—	123,968	11	1,806	
	Ordinary shares (2)(9)	—	6/9/2015	—	107,143	9	1,561	
						20	3,367	0.26 %
NM KRLN LLC								
Net Lease	Membership interest (7)(9)	—	11/15/2016	—	—	7,510	2,379	0.19 %
NM GP Holdco, LLC**								
Net Lease	Membership interest (7)(9)	—	6/20/2018	—	—	452	487	0.04 %
Total Shares - United States						**$ 344,748**	**$ 352,172**	**27.44 %**
Total Shares						**$ 352,093**	**$ 362,946**	**28.28 %**

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Warrants - United States								
Edmentum Ultimate Holdings, LLC(15)								
Education	Warrants (3)(9)	—	2/23/2018	5/5/2026	1,141,846	$ 769	$ 16,633	1.29 %
NHME Holdings Corp.(20)								
Healthcare Services	Warrants (3)(9)	—	11/27/2018	—	160,000	1,000	1,000	0.08 %
Total Warrants - United States						**$ 1,769**	**$ 17,633**	**1.37 %**
Total Funded Investments						**$ 449,308**	**$ 472,952**	**36.85 %**
Unfunded Debt Investments - United States								
Edmentum Ultimate Holdings, LLC (15)								
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)								
Education	Second lien (3)(9)(10) - Undrawn	—	6/9/2015	12/9/2021	$ 298	$ —	$ —	— %
Total Unfunded Debt Investments - United States					**$ 298**	**$ —**	**$ —**	**— %**
Total Controlled Investments						**$ 449,308**	**$ 472,952**	**36.85 %**
Total Investments						**$ 3,151,541**	**$3,160,280**	**246.23 %**

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

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

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

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

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

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

(7) Investment is held in New Mountain Net Lease Corporation.

(8) Investment is pledged as collateral for the DB Credit Facility, a revolving credit facility among New Mountain Finance DB, L.L.C as the Borrower and Deutsche Bank AG, New York Branch as the Facility Agent. See Note 7. *Borrowings*, for details.

(9) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4. *Fair Value,* for details.

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

(11) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets daily (D), weekly (W), monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of December 31, 2019.

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

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

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
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(14) The Company holds investments in two wholly-owned subsidiaries of Alert Holding Company, Inc. The Company holds a first lien term loan and a first lien revolver in Appriss Holdings, Inc. and preferred equity in Alert Intermediate Holdings I, Inc. The preferred equity is entitled to receive preferential dividends at a rate of L + 10.0% per annum.

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

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

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

(18) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.

(19) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to received cumulative preferential dividends at a rate of 20.0% per annum payable in additional shares.

(20) The Company holds ordinary shares and warrants in NHME Holdings Corp., as well as second lien term loans in National HME, Inc., a wholly-owned subsidiary of NHME Holdings Corp.

(21) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.

(22) The Company holds preferred equity in Avatar Topco, Inc. and holds a second lien term loan investment in EAB Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.

(23) The Company holds preferred equity in Symplr Software Intermediate Holdings, Inc. and holds a first lien term loan investment in Symplr Software, Inc. (fka Caliper Software, Inc.), a wholly-owned subsidiary of Symplr Software Intermediate Holdings, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 10.50% per annum.

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

(25) The Company holds one security purchased under a collateralized agreement to resell on its Consolidated Statement of Assets and Liabilities with a cost basis of $30,000 and a fair value of $21,422 as of December 31, 2019. See Note 2. *Summary of Significant Accounting Policies*, for details.

(26) Denotes investments in which the Company is an “Affiliated Person”, as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), due to owning or holding the power to vote 5.0% or more of the outstanding voting securities of the investment but not controlling the company. Fair value as of December 31, 2019 and December 31, 2018 along with transactions during the year ended December 31, 2019 in which the issuer was a non-controlled/affiliated investment is as follows:

Portfolio Company	**Fair Value at December 31, 2018**	**Gross Additions (A)**	**Gross Redemptions (B)**	**Net Realized Gains (Losses)**	**Net Change In Unrealized Appreciation (Depreciation)**	**Fair Value at December 31, 2019**	**Interest Income**	**Dividend Income**	**Other Income**
NMFC Senior Loan Program I LLC	$ 23,000	$ —	$ —	$ —	$ —	$ 23,000	$ —	$ 3,073	$ 1,142
Permian Holdco 1, Inc. / Permian Holdco 2, Inc. / Permian Holdco 3, Inc.	41,966	3,077	(100)	—	(4,322)	40,621	4,101	1,219	49
Sierra Hamilton Holdings Corporation	12,527	1,410	—	—	(4,031)	9,906	65	—	45
Total Non-Controlled/Affiliated Investments	**$ 77,493**	**$ 4,487**	**$ (100)**	**$ —**	**$ (8,353)**	**$ 73,527**	**$ 4,166**	**$ 4,292**	**$ 1,236**

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

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

New Mountain Finance Corporation

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

Portfolio Company	Fair Value at December 31, 2018	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2019	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	$ 45,011	$ 14,850	$ (3,129)	$ 18	$ 22,380	$ 79,112	$ 5,781	$ —	$ 17
National HME, Inc./NHME Holdings Corp.	22,722	3,501	—	—	(1,244)	24,979	3,501	—	—
NM APP Canada, Corp.	9,727	—	—	—	1,047	10,774	—	920	—
NM APP US LLC	5,912	—	—	—	922	6,834	—	527	—
NM CLFX LP	12,770	—	—	—	(47)	12,723	—	1,550	—
NM DRVT LLC	5,619	—	—	—	397	6,016	—	565	—
NM JRA LLC	2,537	—	—	—	1,163	3,700	—	252	—
NM GLCR LP	20,343	—	—	—	3,457	23,800	—	1,761	—
NM KRLN LLC	4,205	—	—	—	(1,826)	2,379	—	832	—
NM NL Holdings, L.P.	33,392	11,492	—	—	3,424	48,308	—	3,692	—
NM GP Holdco, LLC	311	145	—	—	31	487	—	36	—
NM YI, LLC	—	6,272	—	—	67	6,339	—	240	—
NMFC Senior Loan Program II LLC	79,400	—	—	—	—	79,400	—	11,116	—
NMFC Senior Loan Program III LLC	78,400	21,600	—	—	—	100,000	—	10,520	—
UniTek Global Services, Inc.	82,788	12,225	(151)	—	(26,761)	68,101	1,246	8,918	600
Total Controlled Investments	**$ 403,137**	**$ 70,085**	**$ (3,280)**	**$ 18**	**$ 3,010**	**$ 472,952**	**$ 10,528**	**$ 40,929**	**$ 617**

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

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

* All or a portion of interest contains PIK interest.

** Indicates assets that the Company deems to be "non-qualifying assets" under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70.0% of the Company's total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2019, 14.5% of the Company's total assets are represented by investments at fair value that are considered non-qualifying assets.

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2019

Investment Type	December 31, 2019 Percent of Total Investments at Fair Value
First lien	57.01 %
Second lien	24.96 %
Subordinated	2.11 %
Equity and other	15.92 %
Total investments	100.00 %

Industry Type	December 31, 2019 Percent of Total Investments at Fair Value
Software	24.22 %
Business Services	20.58 %
Healthcare Services	17.45 %
Education	9.04 %
Investment Funds (includes investments in joint ventures)	6.40 %
Net Lease	3.84 %
Distribution & Logistics	3.38 %
Federal Services	3.22 %
Energy	3.19 %
Healthcare Information Technology	3.17 %
Consumer Services	2.86 %
Industrial Services	1.03 %
Food & Beverage	0.89 %
Packaging	0.40 %
Business Products	0.33 %
Total investments	100.00 %

Interest Rate Type	December 31, 2019 Percent of Total Investments at Fair Value
Floating rates	94.44 %
Fixed rates	5.56 %
Total investments	100.00 %

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

New Mountain Finance Corporation

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

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

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

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

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

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Symplr Software Intermediate Holdings, Inc. (23)								
Caliper Software, Inc.								
Healthcare Information Technology	First lien (4)(9)	8.02% (L + 5.50%/M)	11/30/2018	11/28/2025	$ 15,000	$ 14,888	$ 14,888	
	First lien (2)(9)	8.02% (L + 5.50%/M)	11/30/2018	11/28/2025	5,171	5,133	5,132	
					20,171	20,021	20,020	1.99 %
SSH Group Holdings, Inc.								
Education	Second lien (2)	10.77% (L + 8.25%/Q)	7/26/2018	7/30/2026	20,116	20,019	19,960	1.98 %
DiversiTech Holdings, Inc.								
Distribution & Logistics	Second lien (3)	10.30% (L + 7.50%/Q)	5/18/2017	6/2/2025	12,000	11,897	11,580	
	Second lien (8)	10.30% (L + 7.50%/Q)	5/18/2017	6/2/2025	7,500	7,436	7,238	
					19,500	19,333	18,818	1.87 %
FR Arsenal Holdings II Corp.								
Business Services	First lien (2)(9)	10.06% (L + 7.25%/Q)	9/29/2016	9/8/2022	18,545	18,404	18,545	1.84 %
Integral Ad Science, Inc.								
Software	First lien (8)(9)	9.78% (L + 6.00% + 1.25% PIK/M)*	7/19/2018	7/19/2024	18,678	18,503	18,491	1.84 %
The Kleinfelder Group, Inc.								
Business Services	First lien (4)	7.17% (L + 4.75%/M)	12/18/2018	11/29/2024	17,500	17,413	17,413	1.73 %
Navex Topco, Inc.								
Software	Second lien (2)	9.53% (L + 7.00%/M)	8/9/2018	9/4/2026	16,807	16,725	16,218	1.61 %
TIBCO Software Inc.								
Software	Subordinated (3)	11.38%/S	11/24/2014	12/1/2021	15,000	14,776	15,750	1.57 %
Hill International, Inc.**								
Business Services	First lien (2)(9)	8.55% (L + 5.75%/Q)	6/21/2017	6/21/2023	15,563	15,502	15,563	1.55 %
QC McKissock Investment, LLC (14)								
McKissock, LLC								
Education	First lien (2)(9)	8.55% (L + 5.75%/Q)	8/6/2014	8/5/2021	6,351	6,330	6,351	
	First lien (2)(9)	8.55% (L + 5.75%/Q)	8/24/2018	8/5/2021	3,649	3,616	3,649	
	First lien (2)(9)	8.55% (L + 5.75%/Q)	8/6/2014	8/5/2021	3,028	3,019	3,028	
	First lien (2)(9)	8.55% (L + 5.75%/Q)	8/6/2014	8/5/2021	977	974	977	
	First lien (2)(9)	8.55% (L + 5.75%/Q)	8/3/2018	8/5/2021	842	835	842	
	First lien (2)(9)	8.55% (L + 5.75%/Q)	5/23/2018	8/5/2021	572	564	572	
					15,419	15,338	15,419	1.53 %
OEConnection LLC								
Business Services	Second lien (3)	10.53% (L + 8.00%/M)	11/22/2017	11/22/2025	7,660	7,564	7,602	
	Second lien (8)	10.53% (L + 8.00%/M)	11/22/2017	11/22/2025	7,500	7,407	7,443	
					15,160	14,971	15,045	1.49 %
Netsmart Inc. / Netsmart Technologies, Inc.								
Healthcare Information Technology	Second lien (2)	10.03% (L + 7.50%/Q)	4/18/2016	10/19/2023	15,000	14,727	14,925	1.48 %
Xactly Corporation								
Software	First lien (4)(9)	9.78% (L + 7.25%/M)	7/31/2017	7/29/2022	14,690	14,577	14,690	1.46 %

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Transcendia Holdings, Inc.								
Packaging	Second lien (8)	10.52% (L + 8.00%/M)	6/28/2017	5/30/2025	$ 7,500	$ 7,411	$ 7,385	
	Second lien (3)	10.52% (L + 8.00%/M)	6/28/2017	5/30/2025	7,000	6,917	6,893	
					14,500	14,328	14,278	1.42 %
Alegeus Technologies Holdings Corp.								
Healthcare Services	First lien (2)(9)	8.66% (L + 6.25%/Q)	9/5/2018	9/5/2024	13,444	13,378	13,376	1.33 %
NorthStar Financial Services Group, LLC								
Software	Second lien (5)	10.10% (L + 7.50%/M)	5/23/2018	5/25/2026	13,450	13,418	13,316	1.32 %
Project Accelerate Parent, LLC								
Business Services	Second lien (8)(9)	10.89% (L + 8.50%/M)	1/2/2018	1/2/2026	7,500	7,414	7,406	
	Second lien (3)(9)	10.89% (L + 8.50%/M)	1/2/2018	1/2/2026	5,973	5,905	5,898	
					13,473	13,319	13,304	1.32 %
Castle Management Borrower LLC								
Business Services	First lien (2)(9)	8.87% (L + 6.25%/Q)	5/31/2018	2/15/2024	13,347	13,286	13,281	1.32 %
Ministry Brands, LLC								
Software	First lien (2)	6.52% (L + 4.00%/M)	12/7/2016	12/2/2022	2,962	2,952	2,962	
	Second lien (8)(9)	11.77% (L + 9.25%/M)	12/7/2016	6/2/2023	7,840	7,796	7,840	
	Second lien (3)(9)	11.77% (L + 9.25%/M)	12/7/2016	6/2/2023	2,160	2,148	2,160	
					12,962	12,896	12,962	1.29 %
BackOffice Associates Holdings, LLC								
Business Services	First lien (2)(9)	13.03% (L + 10.50%/M)	8/25/2017	8/25/2023	13,262	13,169	12,477	
	First lien (3)(9)(10) - Drawn	13.03% (L + 7.50% + 3.00% PIK/M)*	8/25/2017	8/25/2023	17	17	16	
					13,279	13,186	12,493	1.24 %
Zywave, Inc.								
Software	Second lien (4)(9)	11.65% (L + 9.00%/Q)	11/22/2016	11/17/2023	11,000	10,936	11,000	
	First lien (3)(9)(10) - Drawn	7.52% (L + 5.00%/M)	11/22/2016	11/17/2022	1,200	1,191	1,200	
					12,200	12,127	12,200	1.21 %
CHA Holdings, Inc.								
Business Services	Second lien (4)	11.55% (L + 8.75%/Q)	4/3/2018	4/10/2026	7,012	6,946	7,103	
	Second lien (3)	11.55% (L + 8.75%/Q)	4/3/2018	4/10/2026	4,453	4,411	4,511	
					11,465	11,357	11,614	1.15 %
PPVA Black Elk (Equity) LLC								
Business Services	Subordinated (3)(9)	—	5/3/2013	—	14,500	14,500	11,362	1.13 %
Amerijet Holdings, Inc.								
Distribution & Logistics	First lien (4)(9)	10.52% (L + 8.00%/M)	7/15/2016	7/15/2021	8,972	8,935	8,972	
	First lien (4)(9)	10.52% (L + 8.00%/M)	7/15/2016	7/15/2021	1,495	1,489	1,495	
					10,467	10,424	10,467	1.04 %
Vectra Co.								
Business Products	Second lien (8)	9.77% (L + 7.25%/M)	2/23/2018	3/8/2026	10,788	10,751	10,465	1.04 %
Masergy Holdings, Inc.								
Business Services	Second lien (2)	10.31% (L + 7.50%/Q)	12/14/2016	12/16/2024	10,500	10,452	10,290	1.02 %
VT Topco, Inc.								
Business Services	Second lien (4)	9.80% (L + 7.00%/Q)	8/14/2018	7/31/2026	10,000	9,976	9,987	0.99 %

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Affinity Dental Management, Inc.								
Healthcare Services	First lien (2)(9)	8.57% (L + 6.00%/S)	9/15/2017	9/15/2023	$ 4,344	$ 4,308	$ 4,344	
	First lien (3)(9)(10) - Drawn	8.61% (L + 6.00%/S)	9/15/2017	9/15/2023	5,277	5,240	5,277	
					9,621	9,548	9,621	0.96 %
AgKnowledge Holdings Company, Inc.								
Business Services	First Lien (4)	7.27% (L + 4.75%/Q)	11/30/2018	7/23/2023	9,450	9,403	9,426	0.94 %
WD Wolverine Holdings, LLC								
Healthcare Services	First lien (2)	8.02% (L + 5.50%/M)	2/22/2017	8/16/2022	9,488	9,269	9,179	0.91 %
Wrike, Inc.								
Software	First lien (8)	9.28% (L + 6.75%/M)	12/31/2018	12/31/2024	9,067	8,976	8,976	0.89 %
JAMF Holdings, Inc.								
Software	First lien (8)(9)	10.61% (L + 8.00%/Q)	11/13/2017	11/11/2022	8,757	8,686	8,757	0.87 %
Idera, Inc.								
Software	Second lien (4)	11.53% (L + 9.00%/M)	6/27/2017	6/27/2025	8,000	7,895	8,020	0.80 %
J.D. Power (fka J.D. Power and Associates)								
Business Services	Second lien (3)	11.02% (L + 8.50%/M)	6/9/2016	9/7/2024	7,583	7,508	7,508	0.75 %
CP VI Bella Midco, LLC								
Healthcare Services	Second lien (3)	9.27% (L + 6.75%/M)	1/25/2018	12/29/2025	6,732	6,701	6,631	0.66 %
DealerSocket, Inc.								
Software	First lien (2)	7.27% (L + 4.75%/M)	4/16/2018	4/26/2023	6,678	6,633	6,597	0.66 %
MH Sub I, LLC (Micro Holding Corp.)								
Software	Second lien (2)	10.00% (L + 7.50%/M)	8/16/2017	9/15/2025	7,000	6,938	6,545	0.65 %
Restaurant Technologies, Inc.								
Business Services	Second lien (4)	8.90% (L + 6.50%/Q)	9/24/2018	10/1/2026	6,722	6,705	6,520	0.65 %
DG Investment Intermediate Holdings 2, Inc. (aka Convergint Technologies Holdings, LLC)								
Business Services	Second lien (3)	9.27% (L + 6.75%/M)	1/29/2018	2/2/2026	6,732	6,702	6,429	0.64 %
First American Payment Systems, L.P.								
Business Services	First lien (2)	7.29% (L + 4.75%/Q)	1/3/2017	1/5/2024	6,391	6,342	6,359	0.63 %
Solera LLC / Solera Finance, Inc.								
Software	Subordinated (3)	10.50%/S	2/29/2016	3/1/2024	5,000	4,816	5,350	0.53 %
ADG, LLC								
Healthcare Services	Second lien (3)(9)	11.88% (L + 9.00%/S)	10/3/2016	3/28/2024	5,000	4,942	4,578	0.45 %
York Risk Services Holding Corp.								
Business Services	Subordinated (3)	8.50%/S	9/17/2014	10/1/2022	3,000	3,000	2,100	0.20 %
Ensemble S Merger Sub, Inc.								
Software	Subordinated (3)	9.00%/S	9/21/2015	9/30/2023	2,000	1,953	2,010	0.20 %
Education Management Corporation (12)								
Education Management II LLC	First Lien (2)	11.00% (P + 5.50%/Q) (24)	1/5/2015	7/2/2020	211	205	15	
Education	First Lien (3)	11.00% (P + 5.50%/Q) (24)	1/5/2015	7/2/2020	119	116	8	
	First Lien (2)	14.00% (P + 8.50%/Q) (24)	1/5/2015	7/2/2020	475	437	19	
	First Lien (3)	14.00% (P + 8.50%/Q) (24)	1/5/2015	7/2/2020	268	246	11	
					1,073	1,004	53	0.01 %

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PPVA Fund, L.P.								
Business Services	Collateralized Financing (25)	—	11/7/2014	—	$ —	$ —	$ —	— %
Total Funded Debt Investments - United States					**$ 1,733,369**	**$ 1,719,771**	**$ 1,709,641**	**169.89 %**
Total Funded Debt Investments					**$ 1,819,774**	**$ 1,805,709**	**$ 1,793,598**	**178.24 %**
Equity - Hong Kong								
Bach Special Limited (Bach Preference Limited)**								
Education	Preferred shares (3)(9)(21)	—	9/1/2017	—	66,528	$ 6,573	$ 6,653	0.66 %
Total Shares - Hong Kong						**$ 6,573**	**$ 6,653**	**0.66 %**
Equity - United States								
Avatar Topco, Inc.								
Education	Preferred shares (3)(9)(22)	—	11/17/2017	—	35,750	$ 40,247	$ 39,890	3.96 %
Tenawa Resource Holdings LLC (13)								
QID NGL LLC	Preferred shares (6)(9)	—	10/30/2017	—	1,623,385	1,623	2,717	
Energy	Ordinary shares (6)(9)	—	5/12/2014	—	5,290,997	5,291	8,412	
						6,914	11,129	1.11 %
Symplr Software Intermediate Holdings, Inc.								
Healthcare Information Technology	Preferred Shares (4)(9)(23)	—	11/30/2018	—	7,500	7,470	7,469	
	Preferred Shares (3)(9)(23)	—	11/30/2018	—	2,586	2,575	2,575	
						10,045	10,044	1.00 %
Education Management Corporation (12)								
Education	Preferred shares (2)	—	1/5/2015	—	3,331	200	—	
	Preferred shares (3)	—	1/5/2015	—	1,879	113	—	
	Ordinary shares (2)	—	1/5/2015	—	2,994,065	100	—	
	Ordinary shares (3)	—	1/5/2015	—	1,688,976	56	—	
						469	—	— %
Total Shares - United States						**$ 57,675**	**$ 61,063**	**6.07 %**
Total Shares						**$ 64,248**	**$ 67,716**	**6.73 %**
Warrants - United States								
ASP LCG Holdings, Inc.								
Education	Warrants (3)(9)	—	5/5/2014	5/5/2026	622	$ 37	$ 664	0.07 %
Total Warrants - United States						**$ 37**	**$ 664**	**0.07 %**
Total Funded Investments						**$ 1,869,994**	**$ 1,861,978**	**185.04 %**
Unfunded Debt Investments - Canada								
Dentalcorp Perfect Smile ULC**								
Healthcare Services	Second lien (3)(10) - Undrawn	—	6/1/2018	6/6/2020	$ 2,110	$ 2	$ (32)	(0.00)%
Total Unfunded Debt Investments - Canada					**$ 2,110**	**$ 2**	**$ (32)**	**(0.00)%**

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Unfunded Debt Investments - United States								
DCA Investment Holding, LLC								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	12/20/2017	12/20/2019	$ 6,755	$ (59)	$ —	
	First lien (3)(9)(10) - Undrawn	—	7/2/2015	7/2/2021	1,956	(20)	—	
					8,711	(79)	—	— %
iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (3)(9)(10) - Undrawn	—	8/4/2015	8/4/2021	1,000	(10)	—	— %
Ministry Brands, LLC								
Software	First lien (3)(10) - Undrawn	—	12/7/2016	12/2/2022	1,000	(5)	—	— %
Zywave, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	11/22/2016	11/17/2022	800	(6)	—	— %
Trader Interactive, LLC								
Business Services	First lien (3)(9)(10) - Undrawn	—	6/15/2017	6/15/2023	1,673	(13)	—	— %
Xactly Corporation								
Software	First lien (3)(9)(10) - Undrawn	—	7/31/2017	7/29/2022	992	(10)	—	— %
Integro Parent Inc.								
Business Services	First lien (3)(9)(10) - Undrawn	—	6/8/2018	10/30/2021	4,686	(23)	—	— %
Affinity Dental Management, Inc.								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	9/15/2017	3/15/2019	6,307	(16)	—	
	First lien (3)(9)(10) - Undrawn	—	9/15/2017	3/15/2023	1,738	(17)	—	
					8,045	(33)	—	— %
Frontline Technologies Group Holdings, LLC								
Education	First lien (3)(9)(10) - Undrawn	—	9/18/2017	9/18/2019	7,738	(58)	—	— %
JAMF Holdings, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	11/13/2017	11/11/2022	750	(8)	—	— %
AgKnowledge Holdings Company, Inc.								
Business Services	First lien (3)(10) - Undrawn	—	11/30/2018	7/21/2023	526	(3)	(1)	(0.00)%
NM GRC Holdco, LLC								
Business Services	First lien (2)(9)(10) - Undrawn	—	2/9/2018	2/9/2020	771	(2)	(2)	(0.00)%
DealerSocket, Inc.								
Software	First lien (3)(10) - Undrawn	—	4/16/2018	4/26/2023	560	(4)	(7)	(0.00)%
Wrike, Inc.								
Software	First lien (3)(10) - Undrawn	—	12/31/2018	12/31/2024	933	(9)	(9)	(0.00)%
Integral Ad Science, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	7/19/2018	7/19/2023	1,429	(14)	(14)	(0.00)%

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Finalsite Holdings, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	9/25/2018	9/25/2024	$ 2,521	$ (19)	$ (19)	(0.00)%
TDG Group Holding Company								
Consumer Services	First lien (3)(9)(10) - Undrawn	—	5/22/2018	5/31/2024	3,783	(19)	(19)	(0.00)%
iCIMS, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	9/12/2018	9/12/2024	1,977	(20)	(20)	(0.00)%
Ansira Holdings, Inc.								
Business Services	First lien (3)(10) - Undrawn	—	12/19/2016	4/16/2020	5,433	(14)	(24)	(0.00)%
BackOffice Associates Holdings, LLC								
Business Services	First lien (3)(9)(10) - Undrawn	—	8/25/2017	8/25/2023	862	(7)	(51)	(0.01)%
Associations, Inc.								
Consumer Services	First lien (3)(9)(10) - Undrawn	—	7/30/2018	7/30/2021	6,557	(41)	(41)	
	First lien (3)(9)(10) - Undrawn	—	7/30/2018	7/30/2024	2,033	(13)	(13)	
					8,590	(54)	(54)	(0.01)%
Diligent Corporation								
Software	First lien (3)(9)(10) - Undrawn	—	12/19/2018	12/19/2020	13,431	(84)	(84)	(0.01)%
Salient CRGT Inc.								
Federal Services	First lien (3)(10) - Undrawn	—	6/26/2018	11/29/2021	6,125	(490)	(92)	(0.01)%
PhyNet Dermatology LLC								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	9/17/2018	8/16/2020	45,305	(227)	(227)	(0.02)%
Total Unfunded Debt Investments - United States					**$ 127,641**	**$ (1,211)**	**$ (623)**	**(0.06)%**
Total Unfunded Debt Investments					**$ 129,751**	**$ (1,209)**	**$ (655)**	**(0.06)%**
Total Non-Controlled/Non-Affiliated Investments						**$ 1,868,785**	**$ 1,861,323**	**184.98 %**
Non-Controlled/Affiliated Investments(26)								
Funded Debt Investments - United States								
Permian Holdco 1, Inc.								
Permian Holdco 2, Inc.								
Permian Holdco 3, Inc.								
Energy	First lien (3)(9)(10) - Drawn	8.87% (L + 6.50%/M)	6/14/2018	6/30/2022	$ 17,750	$ 17,750	$ 17,750	
	First lien (3)(9)	14.85% (L + 7.50% + 5.00% PIK/Q)*	6/14/2018	6/30/2022	10,101	10,101	10,101	
	Subordinated (3)(9)	14.00% PIK/Q*	10/31/2016	10/15/2021	2,303	2,303	2,187	
	Subordinated (3)(9)	18.00% PIK/Q*	12/26/2018	6/30/2022	2,054	2,054	2,054	
	Subordinated (3)(9)	14.00% PIK/Q*	10/31/2016	10/15/2021	1,186	1,186	1,127	
					33,394	33,394	33,219	3.30 %
Total Funded Debt Investments - United States					**$ 33,394**	**$ 33,394**	**$ 33,219**	**3.30 %**

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Equity - United States								
NMFC Senior Loan Program I LLC**								
Investment Fund	Membership interest (3)(9)	—	6/13/2014	—	—	$ 23,000	$ 23,000	2.29 %
Sierra Hamilton Holdings Corporation								
Energy	Ordinary shares (2)(9)	—	7/31/2017	—	25,000,000	11,501	11,271	
	Ordinary shares (3)(9)	—	7/31/2017	—	2,786,000	1,281	1,256	
						12,782	12,527	1.24 %
Permian Holdco 1, Inc.								
Energy	Preferred shares (3)(9)(16)	—	10/31/2016	—	1,766,177	7,912	8,257	
	Ordinary shares (3)(9)	—	10/31/2016	—	1,366,452	1,350	490	
						9,262	8,747	0.87 %
Total Shares - United States						**$ 45,044**	**$ 44,274**	**4.40 %**
Total Funded Investments						**$ 78,438**	**$ 77,493**	**7.70 %**
Unfunded Debt Investments - United States								
Permian Holdco 3, Inc.								
Energy	First lien (3)(9)(10) - Undrawn	—	6/14/2018	6/30/2022	$ 2,250	$ —	$ —	— %
Total Unfunded Debt Investments - United States					**$ 2,250**	**$ —**	**$ —**	**— %**
Total Non-Controlled/Affiliated Investments						**$ 78,438**	**$ 77,493**	**7.70 %**
Controlled Investments(27)								
Funded Debt Investments - United States								
Edmentum Ultimate Holdings, LLC (15)								
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)								
Education	First lien (2)	11.03% (L + 4.50% + 4.00% PIK/Q)*	8/6/2018	6/9/2021	$ 8,490	$ 7,245	$ 7,004	
	Second lien (3)(9)	7.00% PIK/Q*	2/23/2018	12/9/2021	11,184	10,569	10,346	
	Second lien (3)(9)(10) - Drawn	5.00% PIK/Q*	6/9/2015	12/9/2021	1,671	1,671	1,671	
	Subordinated (3)(9)	8.50% PIK/Q*	6/9/2015	6/9/2020	4,891	4,889	4,891	
	Subordinated (2)(9)	10.00% PIK/Q*	6/9/2015	6/9/2020	18,525	18,525	14,820	
	Subordinated (3)(9)	10.00% PIK/Q*	6/9/2015	6/9/2020	4,557	4,557	3,646	
					49,318	47,456	42,378	4.21 %
NHME Holdings Corp. (20)								
National HME, Inc.								
Healthcare Services	Second lien (3)(9)	12.00% PIK/Q*	11/27/2018	5/27/2024	14,664	10,718	10,631	
	Second lien (3)(9)	12.00% PIK/Q*	11/27/2018	5/27/2024	8,104	7,115	7,091	
					22,768	17,833	17,722	1.76 %
UniTek Global Services, Inc.								
Business Services	First lien (2)(9)	8.02% (L + 5.50%/M)	6/29/2018	8/20/2024	12,542	12,542	12,542	
	First lien (2)(9)	7.96% (L + 5.50%/M)	6/29/2018	8/20/2024	2,508	2,508	2,508	
					15,050	15,050	15,050	1.50 %
Total Funded Debt Investments - United States					**$ 87,136**	**$ 80,339**	**$ 75,150**	**7.47 %**

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

New Mountain Finance Corporation

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

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Equity - Canada								
NM APP Canada Corp.**								
Net Lease	Membership interest (7)(9)	—	9/13/2016	—	—	$ 7,345	$ 9,727	0.97 %
Total Shares - Canada						**$ 7,345**	**$ 9,727**	**0.97 %**
Equity - United States								
NMFC Senior Loan Program II LLC**								
Investment Fund	Membership interest (3)(9)	—	5/3/2016	—	—	$ 79,400	$ 79,400	7.89 %
NMFC Senior Loan Program III LLC**								
Investment Fund	Membership interest (3)(9)	—	5/4/2018	—	—	78,400	78,400	7.79 %
UniTek Global Services, Inc.								
Business Services	Preferred shares (2)(9)(17)	—	1/13/2015	—	24,841,813	22,462	22,012	
	Preferred shares (3)(9)(17)	—	1/13/2015	—	6,865,095	6,207	6,083	
	Preferred shares (3)(9)(18)	—	6/30/2017	—	13,079,442	13,079	13,036	
	Preferred shares (3)(9)(19)	—	8/17/2018	—	7,070,545	7,071	7,071	
	Ordinary shares (2)(9)	—	1/13/2015	—	2,096,477	1,925	10,013	
	Ordinary shares (3)(9)	—	1/13/2015	—	1,993,749	532	9,523	
						51,276	67,738	6.73 %
NM NL Holdings, L.P.**								
Net Lease	Membership interest (7)(9)	—	6/20/2018	—	—	32,575	33,392	3.32 %
NM GLCR LLC								
Net Lease	Membership interest (7)(9)	—	2/1/2018	—	—	14,750	20,343	2.02 %
NM CLFX LP								
Net Lease	Membership interest (7)(9)	—	10/6/2017	—	—	12,538	12,770	1.27 %
NM APP US LLC								
Net Lease	Membership interest (7)(9)	—	9/13/2016	—	—	5,080	5,912	0.59 %
NM DRVT LLC								
Net Lease	Membership interest (7)(9)	—	11/18/2016	—	—	5,152	5,619	0.56 %
NM KRLN LLC								
Net Lease	Membership interest (7)(9)	—	11/15/2016	—	—	7,510	4,205	0.42 %
NHME Holdings Corp. (20)								
Healthcare Services	Ordinary Shares (3)(9)	—	11/27/2018	—	640,000	4,000	4,000	0.40 %
NM JRA LLC								
Net Lease	Membership interest (7)(9)	—	8/12/2016	—	—	2,043	2,537	0.25 %
Edmentum Ultimate Holdings, LLC (15)								
Education	Ordinary shares (3)(9)	—	6/9/2015	—	123,968	11	238	
	Ordinary shares (2)(9)	—	6/9/2015	—	107,143	9	205	
						20	443	0.04 %

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

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New Mountain Finance Corporation

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

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
NM GP Holdco, LLC**								
Net Lease	Membership interest (7)(9)	—	6/20/2018	—	—	$ 306	$ 311	0.03 %
Total Shares - United States						**$ 293,050**	**$ 315,070**	**31.31 %**
Total Shares						**$ 300,395**	**$ 324,797**	**32.28 %**
Warrants - United States								
Edmentum Ultimate Holdings, LLC (15)								
Education	Warrants (3)(9)	—	2/23/2018	5/5/2026	1,141,846	$ 769	$ 2,190	0.22 %
NHME Holdings Corp. (20)								
Healthcare Services	Warrants (3)(9)	—	11/27/2018	—	160,000	1,000	1,000	0.10 %
Total Warrants - United States						**$ 1,769**	**$ 3,190**	**0.32 %**
Total Funded Investments						**$ 382,503**	**$ 403,137**	**40.07 %**
Unfunded Debt Investments - United States								
Edmentum Ultimate Holdings, LLC (15)								
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)								
Education	Second lien (3)(9)(10) - Undrawn	—	6/9/2015	12/9/2021	$ 5,945	$ —	$ —	— %
Total Unfunded Debt Investments - United States					**$ 5,945**	**$ —**	**$ —**	**— %**
Total Controlled Investments						**$ 382,503**	**$ 403,137**	**40.07 %**
Total Investments						**$ 2,329,726**	**$ 2,341,953**	**232.75 %**

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

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

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

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

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

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

(7) Investment is held in New Mountain Net Lease Corporation.

(8) Investment is pledged as collateral for the DB Credit Facility, a revolving credit facility among New Mountain Finance DB, L.L.C as the Borrower and Deutsche Bank AG, New York Branch as the Facility Agent. See Note 7. *Borrowings*, for details.

(9) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4. *Fair Value,* for details.

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

(11) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of December 31, 2018.

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

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

New Mountain Finance Corporation

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

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

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

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

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

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

(18) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.

(19) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to received cumulative preferential dividends at a rate of 20.0% per annum payable in additional shares.

(20) The Company holds ordinary shares and warrants in NHME Holdings Corp., as well as second lien term loans in National HME, Inc., a wholly-owned subsidiary of NHME Holdings Corp.

(21) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.

(22) The Company holds preferred equity in Avatar Topco, Inc. and holds a second lien term loan investment in EAB Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.

(23) The Company holds preferred equity in Symplr Software Intermediate Holdings, Inc. and holds a first lien term loan investment in Caliper Software, Inc., a wholly-owned subsidiary of Symplr Software Intermediate Holdings, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 10.50% per annum.

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

(25) The Company holds one security purchased under a collateralized agreement to resell on its Consolidated Statement of Assets and Liabilities with a cost basis of $30,000 and a fair value of $23,508 as of December 31, 2018. See Note 2. *Summary of Significant Accounting Policies*, for details.

(26) Denotes investments in which the Company is an “Affiliated Person”, as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), due to owning or holding the power to vote 5.0% or more of the outstanding voting securities of the investment but not controlling the company. Fair value as of December 31, 2018 and December 31, 2017 along with transactions during the year ended December 31, 2018 in which the issuer was a non-controlled/affiliated investment is as follows:

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

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

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

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

New Mountain Finance Corporation

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

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

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

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

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

* All or a portion of interest contains PIK interest.

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

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2018

Investment Type	December 31, 2018 Percent of Total Investments at Fair Value
First lien	50.11 %
Second lien	28.29 %
Subordinated	2.79 %
Equity and other	18.81 %
Total investments	100.00 %

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

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

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

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation

December 31, 2019
(in thousands, except share data)

Note 1. Formation and Business Purpose

New Mountain Finance Corporation (“NMFC” or the “Company”) is a Delaware corporation that was originally incorporated on June 29, 2010 and completed its initial public offering ("IPO") on May 19, 2011. NMFC is a closed-end, non-diversified management investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). NMFC has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Since NMFC’s IPO, and through December 31, 2019, NMFC raised approximately $893,183 in net proceeds from additional offerings of its common stock.

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

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

- New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company") and New Mountain Finance DB, L.L.C. ("NMFDB"), whose assets are used secure NMF Holdings’ credit facility and NMFDB’s credit facility, respectively;
- New Mountain Finance SBIC, L.P. ("SBIC I") and New Mountain Finance SBIC II, L.P. ("SBIC II"), who have received licenses from the United States ("U.S.") Small Business Administration ("SBA") to operate as small business investment companies ("SBICs") under Section 301(c) of the Small Business Investment Act of 1958, as amended (the "1958 Act") and their general partners, New Mountain Finance SBIC G.P., L.L.C. ("SBIC I GP") and New Mountain Finance SBIC II G.P., L.L.C. ("SBIC II GP"), respectively;
- New Mountain Net Lease Corporation ("NMNLC"), which acquires commercial real properties that are subject to ‘‘triple net’’ leases has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code;
- NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID Holdings, Inc. ("NMF QID") and NMF YP Holdings Inc. ("NMF YP"), which serve as tax blocker corporations by holding equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities); the Company consolidates its tax blocker corporations for accounting purposes but the tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of the portfolio companies; and
- New Mountain Finance Servicing, L.L.C. ("NMF Servicing"), which serves as the administrative agent on certain investment transactions.

The Company's investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. The first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose the Company to the risks associated with second lien and subordinated loans to the extent the Company invests in the “last out” tranche. In some cases, the Company’s investments may also include equity interests. The Company's primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to the Company, SBIC I's and SBIC II's investment objectives are to generate current income and capital appreciation under the investment criteria used by the Company. However, SBIC I and SBIC II investments must be in SBA eligible small businesses. The Company's portfolio may be concentrated in a limited number of industries. As of December 31, 2019, the Company’s top

five industry concentrations were software, business services, healthcare services, education and investment funds (which includes the Company's investments in its joint ventures).

Note 2. Summary of Significant Accounting Policies

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

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

The Company's consolidated financial statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-K and Article 6 or 10 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements have been included.

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

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

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

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

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

b. For investments other than bonds, the Company looks at the number of quotes readily available and performs the following procedures:

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

ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the

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

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

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

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

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

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

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

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

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

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New Mountain Net Lease Corporation

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

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

Portfolio Company	Tenant	Lease Expiration Date	Location	Total Square Feet	Fair Value as of December 31, 2019
NM NL Holdings LP / NM GP Holdco LLC	Various	Various	Various	Various	$ 48,795
NM GLCR LP	Arctic Glacier U.S.A.	2/28/2038	CA	214	23,800
NM CLFX LP	Victor Equipment Company	8/31/2033	TX	423	12,723
NM APP Canada, Corp.	A.P. Plasman, Inc.	9/30/2031	Canada	436	10,774
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	AL / OH	261	6,834
NM YI, LLC	Young Innovations, Inc.	10/31/2039	IL / MO	212	6,339
NM DRVT LLC	FMH Conveyors, LLC	10/31/2031	AR	195	6,016
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	MI	88	3,700
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	MD	95	2,379
					$ 121,360

Collateralized agreements or repurchase financings—The Company follows the guidance in Accounting Standards Codification Topic 860, *Transfers and Servicing—Secured Borrowing and Collateral*, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of December 31, 2019 and December 31, 2018, the Company held one collateralized agreement to resell with a cost basis of $30,000 and $30,000, respectively, and a fair value of $21,422 and $23,508, respectively. As of December 31, 2019, the collateralized agreement to resell is on non-accrual. The collateralized agreement to resell is guaranteed by a private hedge fund, PPVA Fund, L.P.. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from the Company at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. The default by the private hedge fund did not release the collateral to the Company, and therefore, the Company does not have full rights and title to the collateral. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter. The joint official liquidators have recognized the Company's contractual rights under the collateralized agreement. The Company continues to exercise its rights under the collateralized agreement and continues to monitor the liquidation process of the private hedge fund. The fair value of the collateralized agreement to resell is reflective of the increased risk of the position.

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

Revenue recognition

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

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)

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Interest and dividend income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. The Company has loans and certain preferred equity investments in the portfolio that contain a payment-in-kind ("PIK") interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and are generally due at maturity or when redeemed by the issuer. For the years ended December 31, 2019, December 31, 2018 and December 31, 2017, the Company recognized PIK and non-cash interest from investments of$9,495, $8,640 and $6,394, respectively, and PIK and non-cash dividends from investments of $18,698, $24,893 and $17,853, respectively.

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements of New Mountain Finance Corporation (Continued)

December 31, 2019 (in thousands, except share data)

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

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

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

For the year ended December 31, 2019, the Company recognized a total income tax provision of approximately $0 for the Company's consolidated subsidiaries. For the year ended December 31, 2019, the Company recorded current income tax expense of approximately $94 and deferred income tax benefit of approximately $94. For the year ended December 31, 2018, the Company recognized a total income tax provision of $403 for the Company's consolidated subsidiaries. For the year ended December 31, 2018, the Company recorded current income tax expense of approximately $291 and deferred income tax provision of approximately $112. For the year ended December 31, 2017, the Company recognized a total income tax provision of $416 for the Company's consolidated subsidiaries. For the year ended December 31, 2017, the Company recorded current income tax expense of approximately $556 and deferred income tax benefit of approximately $140.

As of December 31, 2019 and December 31, 2018, the Company had $912 and $1,006, respectively, of deferred tax liabilities primarily relating to deferred taxes attributable to certain differences between the computation of income for U.S. federal income tax purposes as compared to GAAP.

Based on its analysis, the Company has determined that there were no uncertain income tax positions that do not meet the more likely than not threshold as defined by Accounting Standards Codification Topic 740 ("ASC 740") through December 31, 2019. The 2016 through 2019 tax years remain subject to examination by the U.S. federal, state, and local tax authorities.

Distributions—Distributions to common stockholders of the Company are recorded on the record date as set by the board of directors. The Company intends to make distributions to its stockholders that will be sufficient to enable the Company to maintain its status as a RIC. The Company intends to distribute approximately all of its net investment income (see Note 5. *Agreements*) on a quarterly basis and substantially all of its taxable income on an annual basis, except that the Company may retain certain net capital gains for reinvestment.

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

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

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

Share repurchase program—On February 4, 2016, the Company's board of directors authorized a program for the purpose of repurchasing up to $50,000 worth of the Company's common stock. Under the repurchase program, the Company

was permitted, but was not obligated to, repurchase its outstanding common stock in the open market from time to time provided that it complied with the Company's code of ethics and the guidelines specified in Rule 10b-18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including certain price, market volume and timing constraints. In addition, any repurchases were conducted in accordance with the 1940 Act. On December 31, 2019 the Company's board of directors extended the Company's repurchase program and the Company expects the repurchase program to be in place until the earlier of December 31, 2020 or until $50,000 of its outstanding shares of common stock have been repurchased. During the years ended December 31, 2019 and December 31, 2018, the Company did not repurchase any shares of the Company's common stock. The Company previously repurchased $2,948 of its common stock under the share repurchase program.

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

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

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

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

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

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)

December 31, 2019
(in thousands, except share data)

Note 3. Investments

At December 31, 2019, the Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 1,803,747	$ 1,801,615
Second lien	796,921	788,868
Subordinated	71,904	66,774
Equity and other	478,969	503,023
Total investments	$ 3,151,541	$ 3,160,280

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	$ 764,875	$ 765,499
Business Services	667,493	650,384
Healthcare Services	552,499	551,471
Education	267,064	285,781
Investment Funds (includes investments in joint ventures)	202,400	202,400
Net Lease	105,212	121,360
Distribution & Logistics	106,403	106,878
Federal Services	103,179	101,675
Energy	105,689	100,699
Healthcare Information Technology	99,581	100,050
Consumer Services	91,474	90,424
Industrial Services	32,736	32,708
Food & Beverage	27,834	27,957
Packaging	14,348	12,476
Business Products	10,754	10,518
Total investments	$ 3,151,541	$ 3,160,280

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)

December 31, 2019
(in thousands, except share data)

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

Investment Cost and Fair Value by Type

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

Investment Cost and Fair Value by Industry

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

As of December 31, 2019, the Company placed its preferred shares in Permian Holdco 1, Inc. on non-accrual status. As of December 31, 2019, the Company's investment had an aggregate cost basis of $9,131 and an aggregate fair value of $6,013.

During the first quarter of 2018, the Company placed its first lien positions in Education Management II LLC ("EDMC") on non-accrual status as EDMC announced its intention to wind down and liquidate the business. As of December 31, 2019, the Company's investment in EDMC placed on non-accrual status represented an aggregate cost basis of $961, an aggregate fair value of $3 and total unearned interest income of $126 for the year then ended.

As of December 31, 2019, the Company had unfunded commitments on revolving credit facilities and bridge facilities of $66,061 and $0, respectively. As of December 31, 2019, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of $137,781. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2019.

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

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)

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PPVA Black Elk (Equity) LLC

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

In August 2017, a trustee (the "Trustee") for Black Elk informed the Company that the Trustee intended to assert a fraudulent conveyance claim (the "Claim") against the Company and one of its affiliates seeking the return of the $20,540 repayment. Black Elk filed a Chapter 11 bankruptcy petition pursuant to the United States Bankruptcy Code in August 2015. The Trustee alleged that individuals affiliated with the private hedge fund conspired with Black Elk and others to improperly use proceeds from the sale of certain Black Elk assets to repay, in August 2014, the private hedge fund's obligation to the Company under the SPP Agreement. The Company was unaware of these claims at the time the repayment was received. The private hedge fund is currently in liquidation under the laws of the Cayman Islands.

On December 22, 2017, the Company settled the Trustee's $20,540 Claim for $16,000 and filed a claim with the Cayman Islands joint official liquidators of the private hedge fund for $16,000 that is owed to the Company under the SPP Agreement. The SPP Agreement was restored and is in effect since repayment has not been made. The Company continues to exercise its rights under the SPP Agreement and continues to monitor the liquidation process of the private hedge fund. As of December 31, 2019, the SPP Agreement has a cost basis of $14,500 and a fair value of $10,354, which is reflective of the higher inherent risk in this transaction.

NMFC Senior Loan Program I LLC

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by the Company. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I are subject to restrictions and, as a result, interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until August 31, 2022, subject to earlier termination pursuant to certain terms of the SLP I Agreement. The term may be extended pursuant to certain terms of the SLP I Agreement. SLP I's re-investment period is currently until August 31, 2020. SLP I invests in senior secured loans issued by companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with $93,000 of capital commitments and $265,000 of debt from a revolving credit facility and is managed by the Company. The Company's capital commitment is $23,000, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of December 31, 2019, SLP I had total investments with an aggregate fair value of approximately $313,702, debt outstanding of $227,367 and capital that had been called and funded of $93,000. As of December 31, 2018, SLP I had total investments with an aggregate fair value of approximately $327,240, debt outstanding of $242,567 and capital that had been called and funded of $93,000. The Company's investment in SLP I is disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2019 and December 31, 2018.

The Company, as an investment adviser registered under the Advisers Act, acts as the collateral manager to SLP I and is entitled to receive a management fee for its investment management services provided to SLP I. As a result, SLP I is classified as an affiliate of the Company. No management fee is charged on the Company's investment in SLP I in connection with the administrative services provided to SLP I. For the years ended December 31, 2019, December 31, 2018 and December 31, 2017, the Company earned approximately $1,142, $1,179 and $1,156, respectively, in management fees related to SLP I, which is included in other income. As of December 31, 2019 and December 31, 2018, approximately $277 and $288, respectively, of management fees related to SLP I was included in receivable from affiliates. For the years ended December 31, 2019, December 31, 2018 and December 31, 2017, the Company earned approximately $3,073, $3,173 and $3,498, respectively, of dividend income related to SLP I, which is included in dividend income. As of December 31, 2019 and December 31, 2018, approximately $747 and $750, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

NMFC Senior Loan Program II LLC

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

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

On April 12, 2016, SLP II entered into its$275,000 revolving credit facility with Wells Fargo Bank, National Association, which matures on April 12, 2022 and bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.60% per annum. As of December 31, 2019 and December 31, 2018, SLP II had total investments with an aggregate fair value of approximately $339,985 and $336,869, respectively, and debt outstanding under its credit facility of$246,870 and $243,170, respectively. As of December 31, 2019 and December 31, 2018, none of SLP II's investments were on non-accrual. Additionally, as ofDecember 31, 2019 and December 31, 2018, SLP II had unfunded commitments in the form of delayed draws of$3,155 and $5,858, respectively. Below is a summary of SLP II's portfolio, along with a listing of the individual investments in SLP II's portfolio as of December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
First lien investments (1)	351,160	348,577
Weighted average interest rate on first lien investments (2)	6.29 %	6.84 %
Number of portfolio companies in SLP II	37	31
Largest portfolio company investment (1)	17,456	17,150
Total of five largest portfolio company investments (1)	78,932	80,766

(1) Reflects principal amount or par value of investment.
(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien						
Access CIG, LLC	Business Services	5.44% (L + 3.75%)	2/27/2025	$ 9,833	$ 9,794	$ 9,841
ADG, LLC	Healthcare Services	7.17% (L + 4.75% + 0.50% PIK)	9/28/2023	16,074	15,980	15,813
Advisor Group Holdings, Inc.	Consumer Services	6.80% (L + 5.00%)	7/31/2026	5,000	4,952	4,972
Bearcat Buyer, Inc.	Healthcare Services	6.19% (L + 4.25%)	7/9/2026	1,379	1,372	1,372
Bearcat Buyer, Inc.	Healthcare Services	6.19% (L + 4.25%)	7/9/2026	90	90	90
Bleriot US Bidco Inc.	Federal Services	6.69% (L + 4.75%)	10/30/2026	8,649	8,563	8,746
Brave Parent Holdings, Inc.	Software	5.93% (L + 4.00%)	4/18/2025	15,267	15,222	15,045
CentralSquare Technologies, LLC	Software	5.55% (L + 3.75%)	8/29/2025	14,850	14,819	14,231
CHA Holdings, Inc.	Business Services	6.44% (L + 4.50%)	4/10/2025	10,697	10,658	10,683
CHA Holdings, Inc.	Business Services	6.44% (L + 4.50%)	4/10/2025	2,047	2,037	2,044
CommerceHub, Inc.	Software	5.30% (L + 3.50%)	5/21/2025	2,463	2,453	2,432
Drilling Info Holdings, Inc.	Business Services	6.05% (L + 4.25%)	7/30/2025	14,758	14,703	14,696
Edgewood Partners Holdings LLC	Business Services	6.05% (L + 4.25%)	9/6/2024	7,432	7,367	7,413
Explorer Holdings, Inc.	Healthcare Services	6.26% (L + 4.50%)	11/20/2026	3,145	3,113	3,171
Fastlane Parent Company, Inc.	Distribution & Logistics	6.44% (L + 4.50%)	2/4/2026	3,474	3,411	3,448
Greenway Health, LLC	Software	5.69% (L + 3.75%)	2/16/2024	14,625	14,578	13,053
Help/Systems Holdings, Inc.	Software	6.55% (L + 4.75%)	11/19/2026	4,444	4,400	4,428
Idera, Inc.	Software	6.30% (L + 4.50%)	6/28/2024	4,446	4,417	4,449
Institutional Shareholder Services Inc.	Business Services	6.44% (L + 4.50%)	3/5/2026	13,895	13,769	13,687
Keystone Acquisition Corp.	Healthcare Services	7.19% (L + 5.25%)	5/1/2024	5,278	5,243	5,173
LSCS Holdings, Inc.	Healthcare Services	6.31% (L + 4.25%)	3/17/2025	7,298	7,290	7,225
LSCS Holdings, Inc.	Healthcare Services	6.31% (L + 4.25%)	3/17/2025	1,884	1,882	1,865
Market Track, LLC	Business Services	6.18% (L + 4.25%)	6/5/2024	11,700	11,660	10,530
MediaOcean, LLC	Software	5.80% (L + 4.00%)	8/18/2025	7,392	7,372	7,410
Medical Solutions Holdings, Inc.	Healthcare Services	6.30% (L + 4.50%)	6/14/2024	2,795	2,786	2,791
Ministry Brands, LLC	Software	5.85% (L + 4.00%)	12/2/2022	12,160	12,124	12,160
Ministry Brands, LLC	Software	5.85% (L + 4.00%)	12/2/2022	2,095	2,089	2,095
Ministry Brands, LLC	Software	5.85% (L + 4.00%)	12/2/2022	880	877	880
NorthStar Financial Services Group, LLC	Software	5.30% (L + 3.50%)	5/25/2025	5,885	5,861	5,789
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.05% (L + 5.25%)	4/29/2024	10,237	10,203	10,193
Premise Health Holding Corp.	Healthcare Services	5.44% (L + 3.50%)	7/10/2025	1,372	1,367	1,358
Project Accelerate Parent, LLC	Business Services	5.99% (L + 4.25%)	1/2/2025	13,545	13,494	13,511
PSC Industrial Holdings Corp.	Industrial Services	5.49% (L + 3.75%)	10/11/2024	7,305	7,252	7,269
Quest Software US Holdings Inc.	Software	6.18% (L + 4.25%)	5/16/2025	14,850	14,790	14,739
Salient CRGT Inc.	Federal Services	8.29% (L + 6.50%)	2/28/2022	13,134	13,071	12,510
Spring Education Group, Inc. (fka SSH Group Holdings, Inc.)	Education	6.19% (L + 4.25%)	7/30/2025	716	715	721
Wirepath LLC	Distribution & Logistics	5.94% (L + 4.00%)	8/5/2024	14,813	14,813	12,886
WP CityMD Bidco LLC	Healthcare Services	6.44% (L + 4.50%)	8/13/2026	15,000	14,855	15,038
Wrench Group LLC	Consumer Services	6.19% (L + 4.25%)	4/30/2026	4,478	4,435	4,488
YI, LLC	Healthcare Services	5.94% (L + 4.00%)	11/7/2024	14,801	14,791	13,839
Zelis Cost Management Buyer, Inc.	Healthcare I.T.	6.55% (L + 4.75%)	9/30/2026	10,363	10,261	10,427
Zywave, Inc.	Software	6.93% (L + 5.00%)	11/17/2022	16,975	16,930	16,975
Zywave, Inc.	Software	6.84% (L + 5.00%)	11/17/2022	481	477	481
Total Funded Investments				**$ 348,005**	**$ 346,336**	**$ 339,967**

Notes to the Consolidated Financial Statements of New Mountain Finance Corporation (Continued)

December 31, 2019 (in thousands, except share data)

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Unfunded Investments - First lien						
Bearcat Buyer, Inc.	Healthcare Services	—	7/9/2021	$ 194	$ (1)	$ (1)
Bleriot US Bidco Inc.	Federal Services	—	10/31/2020	1,351	(14)	15
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	110	—	—
Wrench Group LLC	Consumer Services	—	4/30/2021	1,500	—	4
Total Unfunded Investments				**$ 3,155**	**$ (15)**	**$ 18**
Total Investments				**$ 351,160**	**$ 346,321**	**$ 339,985**

(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2019.

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

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien						
Access CIG, LLC	Business Services	6.46% (L + 3.75%)	2/27/2025	$ 8,825	$ 8,785	$ 8,605
ADG, LLC	Healthcare Services	7.63% (L + 4.75%)	9/28/2023	16,862	16,740	16,609
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.62% (L + 4.00%)	8/21/2023	14,664	14,492	14,517
Brave Parent Holdings, Inc.	Software	6.52% (L + 4.00%)	4/18/2025	15,422	15,369	14,902
CentralSquare Technologies, LLC	Software	6.27% (L + 3.75%)	8/29/2025	15,000	14,964	14,648
CHA Holdings, Inc.	Business Services	7.30% (L + 4.50%)	4/10/2025	10,805	10,760	10,774
CommerceHub, Inc.	Software	6.27% (L + 3.75%)	5/21/2025	2,488	2,476	2,419
Drilling Info Holdings, Inc.	Business Services	6.77% (L + 4.25%)	7/30/2025	12,242	12,190	12,196
Greenway Health, LLC	Software	6.56% (L + 3.75%)	2/16/2024	14,775	14,718	14,406
GOBP Holdings, Inc.	Retail	6.55% (L + 3.75%)	10/22/2025	2,500	2,494	2,438
Idera, Inc.	Software	7.03% (L + 4.50%)	6/28/2024	12,492	12,388	12,242
J.D. Power (fka J.D. Power and Associates)	Business Services	6.27% (L + 3.75%)	9/7/2023	14,962	14,920	14,588
Keystone Acquisition Corp.	Healthcare Services	8.05% (L + 5.25%)	5/1/2024	5,332	5,289	5,226
LSCS Holdings, Inc.	Healthcare Services	6.86% (L + 4.25%)	3/17/2025	5,321	5,312	5,294
LSCS Holdings, Inc.	Healthcare Services	6.89% (L + 4.25%)	3/17/2025	1,374	1,371	1,367
Market Track, LLC	Business Services	6.87% (L + 4.25%)	6/5/2024	11,820	11,772	11,347
Medical Solutions Holdings, Inc.	Healthcare Services	6.27% (L + 3.75%)	6/14/2024	4,432	4,413	4,343
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	2,116	2,109	2,116
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	600	597	600
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	12,285	12,238	12,285
NorthStar Financial Services Group, LLC	Software	6.10% (L + 3.50%)	5/25/2025	7,463	7,428	7,313
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	8.06% (L + 5.25%)	4/29/2024	10,342	10,301	10,084
Poseidon Intermediate, LLC	Software	6.78% (L + 4.25%)	8/15/2022	14,729	14,727	14,644
Premise Health Holding Corp.	Healthcare Services	6.55% (L + 3.75%)	7/10/2025	1,386	1,380	1,369
Project Accelerate Parent, LLC	Business Services	6.64% (L + 4.25%)	1/2/2025	14,887	14,821	14,663
PSC Industrial Holdings Corp.	Industrial Services	6.21% (L + 3.75%)	10/11/2024	10,395	10,307	10,161
Quest Software US Holdings Inc.	Software	6.78% (L + 4.25%)	5/16/2025	15,000	14,930	14,535
Salient CRGT Inc.	Federal Services	8.27% (L + 5.75%)	2/28/2022	13,509	13,418	13,306
Sierra Acquisition, Inc.	Food & Beverage	6.02% (L + 3.50%)	11/11/2024	3,713	3,696	3,685
SSH Group Holdings, Inc.	Education	6.77% (L + 4.25%)	7/30/2025	8,978	8,956	8,753
Wirepath LLC	Distribution & Logistics	6.71% (L + 4.00%)	8/5/2024	14,963	14,963	14,738
WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 3.50%)	6/7/2024	10,823	10,801	10,620
YI, LLC	Healthcare Services	6.80% (L + 4.00%)	11/7/2024	15,064	15,053	14,971
Zywave, Inc.	Software	7.52% (L + 5.00%)	11/17/2022	17,150	17,091	17,150
Total Funded Investments				**$ 342,719**	**$ 341,269**	**$ 336,914**
Unfunded Investments - First lien						
Access CIG, LLC	Business Services	—	2/27/2019	$ 1,108	$ —	$ (28)
CHA Holdings, Inc.	Business Services	—	10/10/2019	2,143	(11)	(6)
Drilling Info Holdings, Inc.	Business Services	—	7/30/2020	1,230	(5)	(10)
Ministry Brands, LLC	Software	—	10/18/2019	1,267	(6)	—
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	110	—	(1)
Total Unfunded Investments				**$ 5,858**	**$ (22)**	**$ (45)**
Total Investments				**$ 348,577**	**$ 341,247**	**$ 336,869**

(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2018.

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

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)

December 31, 2019
(in thousands, except share data)

Below is certain summarized financial information for SLP II as of December 31, 2019 and December 31, 2018 and for the years ended December 31, 2019, December 31, 2018 and December 31, 2017:

Selected Balance Sheet Information:	**December 31, 2019**	**December 31, 2018**
Investments at fair value (cost of $346,321 and $341,247, respectively)	$ 339,985	$ 336,869
Cash and other assets	8,159	7,620
Total assets	$ 348,144	$ 344,489
Credit facility	$ 246,870	$ 243,170
Deferred financing costs	(1,408)	(1,374)
Payable for unsettled securities purchased	3,250	—
Distribution payable	3,113	3,250
Other liabilities	2,371	2,869
Total liabilities	254,196	247,915
Members' capital	$ 93,948	$ 96,574
Total liabilities and members' capital	$ 348,144	$ 344,489

	Year Ended December 31,		
Selected Statement of Operations Information:	**2019**	**2018**	**2017**
Interest income	$ 24,175	$ 24,654	$ 22,551
Other income	145	199	351
Total investment income	24,320	24,853	22,902
Interest and other financing expenses	10,882	10,474	8,356
Other expenses	536	681	697
Total expenses	11,418	11,155	9,053
Less: expenses waived and reimbursed	(20)	—	—
Net expenses	11,398	11,155	9,053
Net investment income	12,922	13,698	13,849
Net realized gains on investments	410	782	2,281
Net change in unrealized (depreciation) appreciation of investments	(1,958)	(7,837)	(822)
Net increase in members' capital	$ 11,374	$ 6,643	$ 15,308

For the years ended December 31, 2019, December 31, 2018 and December 31, 2017, the Company earned approximately $11,116, $11,124 and $12,406, respectively, of dividend income related to SLP II, which is included in dividend income. As of December 31, 2019 and December 31, 2018, approximately $2,581 and $2,581, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

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

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)

December 31, 2019
(in thousands, except share data)

NMFC Senior Loan Program III LLC

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

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

On May 2, 2018, SLP III entered into its revolving credit facility with Citibank, N.A., which matures on May 2, 2023 and bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.70% per annum. Effective June 24, 2019, SLP III's revolving credit facility has a maximum borrowing capacity of $375,000. As of December 31, 2019 and December 31, 2018, SLP III had total investments with an aggregate fair value of approximately$475,198 and $365,357, respectively, and debt outstanding under its credit facility of $355,400 and $280,300, respectively. As of December 31, 2019 and December 31, 2018, none of SLP III's investments were on non-accrual. Additionally, as of December 31, 2019 and December 31, 2018, SLP III had unfunded commitments in the form of delayed draws of$10,608 and $8,811, respectively. Below is a summary of SLP III's portfolio, along with a listing of the individual investments in SLP III's portfolio as of December 31, 2019 and December 31, 2018 :

	December 31, 2019	December 31, 2018
First lien investments (1)	493,787	383,289
Weighted average interest rate on first lien investments (2)	5.95 %	6.50 %
Number of portfolio companies in SLP III	49	39
Largest portfolio company investment (1)	23,947	18,958
Total of five largest portfolio company investments (1)	99,906	85,938

(1) Reflects principal amount or par value of investment.
(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)

December 31, 2019
(in thousands, except share data)

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien						
Access CIG, LLC	Business Services	5.44% (L + 3.75%)	2/27/2025	$ 1,204	$ 1,204	$ 1,205
Advisor Group Holdings, Inc.	Consumer Services	6.80% (L + 5.00%)	7/31/2026	5,000	4,952	4,972
Affordable Care Holding Corp.	Healthcare Services	6.59% (L + 4.75%)	10/24/2022	5,963	5,884	5,814
AG Parent Holdings, LLC	Healthcare Services	6.91% (L + 5.00%)	7/31/2026	12,500	12,440	12,406
Aston FinCo S.a r.l. / Aston US Finco, LLC	Software	6.26% (L + 4.25%)	10/9/2026	6,000	5,941	5,970
Ascensus Specialties LLC	Business Services	6.44% (L + 4.75%)	9/24/2026	10,000	9,951	9,975
BCPE Empire Holdings, Inc.	Distribution & Logistics	5.80% (L + 4.00%)	6/11/2026	9,167	9,080	9,224
BCPE Empire Holdings, Inc.	Distribution & Logistics	5.80% (L + 4.00%)	6/11/2026	229	243	231
Bearcat Buyer, Inc.	Healthcare Services	6.19% (L + 4.25%)	7/9/2026	19,853	19,759	19,753
Bearcat Buyer, Inc.	Healthcare Services	6.19% (L + 4.25%)	7/9/2026	1,302	1,296	1,296
Bleriot US Bidco Inc.	Federal Services	6.69% (L + 4.75%)	10/30/2026	4,324	4,281	4,373
Bluefin Holding, LLC	Software	6.14% (L + 4.25%)	9/4/2026	10,000	9,855	9,900
Bracket Intermediate Holding Corp.	Healthcare Services	6.35% (L + 4.25%)	9/5/2025	14,813	14,750	14,775
Brave Parent Holdings, Inc.	Software	5.93% (L + 4.00%)	4/18/2025	14,775	14,732	14,560
CentralSquare Technologies, LLC	Software	5.55% (L + 3.75%)	8/29/2025	14,850	14,819	14,231
Certara Holdco, Inc.	Healthcare I.T.	5.44% (L + 3.50%)	8/15/2024	1,262	1,266	1,262
CHA Holdings, Inc.	Business Services	6.44% (L + 4.50%)	4/10/2025	987	987	986
CommerceHub, Inc.	Software	5.30% (L + 3.50%)	5/21/2025	14,775	14,716	14,590
Covenant Surgical Partners, Inc.	Healthcare Services	5.69% (L + 4.00%)	7/1/2026	9,975	9,881	9,913
CRCI Longhorn Holdings, Inc.	Business Services	5.19% (L + 3.50%)	8/8/2025	14,813	14,751	14,414
Dentalcorp Health Services ULC (fka Dentalcorp Perfect Smile ULC)	Healthcare Services	5.55% (L + 3.75%)	6/6/2025	14,786	14,755	14,737
Drilling Info Holdings, Inc.	Business Services	6.05% (L + 4.25%)	7/30/2025	18,766	18,688	18,688
Edgewood Partners Holdings LLC	Business Services	6.05% (L + 4.25%)	9/6/2024	7,432	7,367	7,413
Explorer Holdings, Inc.	Healthcare Services	6.25% (L + 4.50%)	11/20/2026	3,931	3,892	3,964
Fastlane Parent Company, Inc.	Distribution & Logistics	6.44% (L + 4.50%)	2/4/2026	3,474	3,411	3,448
Greenway Health, LLC	Software	5.69% (L + 3.75%)	2/16/2024	14,670	14,679	13,093
Heartland Dental, LLC	Healthcare Services	5.55% (L + 3.75%)	4/30/2025	18,317	18,243	18,248
Help/Systems Holdings, Inc.	Software	6.55% (L + 4.75%)	11/19/2026	5,556	5,500	5,535
Idera, Inc.	Software	6.30% (L + 4.50%)	6/28/2024	5,572	5,548	5,576
Institutional Shareholder Services Inc.	Business Services	6.44% (L + 4.50%)	3/5/2026	993	983	978
Kestra Advisor Services Holdings A, Inc.	Business Services	6.20% (L + 4.25%)	6/3/2026	9,476	9,402	9,477
LSCS Holdings, Inc.	Healthcare Services	6.31% (L + 4.25%)	3/17/2025	2,654	2,634	2,627
LSCS Holdings, Inc.	Healthcare Services	6.31% (L + 4.25%)	3/17/2025	685	680	678
Market Track, LLC	Business Services	6.18% (L + 4.25%)	6/5/2024	4,778	4,773	4,300
MED ParentCo, LP	Healthcare Services	6.05% (L + 4.25%)	8/31/2026	10,376	10,282	10,402
MED ParentCo, LP	Healthcare Services	6.05% (L + 4.25%)	8/31/2026	553	549	554
Ministry Brands, LLC	Software	5.85% (L + 4.00%)	12/2/2022	4,549	4,534	4,549
Ministry Brands, LLC	Software	5.85% (L + 4.00%)	12/2/2022	880	877	880
National Intergovernmental Purchasing Alliance Company	Business Services	5.69% (L + 3.75%)	5/23/2025	8,790	8,786	8,790
Navex Topco, Inc.	Software	5.05% (L + 3.25%)	9/5/2025	18,394	18,237	18,448
Netsmart Technologies, Inc.	Healthcare I.T.	5.55% (L + 3.75%)	4/19/2023	10,330	10,330	10,308
Newport Group Holdings II, Inc.	Business Services	5.65% (L + 3.75%)	9/12/2025	4,938	4,917	4,950
NorthStar Financial Services Group, LLC	Software	5.30% (L + 3.50%)	5/25/2025	11,770	11,723	11,579
Outcomes Group Holdings, Inc.	Healthcare Services	5.41% (L + 3.50%)	10/24/2025	6,435	6,421	6,344
Pelican Products, Inc.	Business Products	5.24% (L + 3.50%)	5/1/2025	4,925	4,915	4,531
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.05% (L + 5.25%)	4/29/2024	15,430	15,371	15,363
Premise Health Holding Corp.	Healthcare Services	5.44% (L + 3.50%)	7/10/2025	13,723	13,666	13,580
Project Accelerate Parent, LLC	Business Services	5.99% (L + 4.25%)	1/2/2025	9,924	9,878	9,899

Notes to the Consolidated Financial Statements of New Mountain Finance Corporation (Continued)

December 31, 2019 (in thousands, except share data)

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Quest Software US Holdings Inc.	Software	6.18% (L + 4.25%)	5/16/2025	$ 14,850	$ 14,790	$ 14,739
Sierra Enterprises, LLC	Food & Beverage	5.80% (L + 4.00%)	11/11/2024	2,456	2,454	2,447
Spring Education Group, Inc. (fka SSH Group Holdings, Inc.)	Education	6.19% (L + 4.25%)	7/30/2025	14,812	14,782	14,905
Wirepath LLC	Distribution & Logistics	5.94% (L + 4.00%)	8/5/2024	17,302	17,302	15,053
WP CityMD Bidco LLC	Healthcare Services	6.44% (L + 4.50%)	8/13/2026	20,069	19,875	20,119
YI, LLC	Healthcare Services	5.94% (L + 4.00%)	11/7/2024	9,791	9,784	9,155
Total Funded Investments				**$ 483,179**	**$ 480,816**	**$ 475,207**
Unfunded Investments - First lien						
BCPE Empire Holdings, Inc.	Distribution & Logistics	—	6/11/2021	$ 1,580	$ (16)	$ 10
Bearcat Buyer, Inc.	Healthcare Services	—	7/9/2021	2,792	(14)	(14)
Bleriot US Bidco Inc.	Federal Services	—	10/31/2020	676	(7)	8
Covenant Surgical Partners, Inc.	Healthcare Services	—	7/1/2021	2,000	(20)	(13)
Heartland Dental, LLC	Healthcare Services	—	4/30/2020	413	—	(2)
MED ParentCo, LP	Healthcare Services	—	8/27/2021	2,044	(20)	5
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	1,103	(3)	(3)
Total Unfunded Investments				**$ 10,608**	**$ (80)**	**$ (9)**
Total Investments				**$ 493,787**	**$ 480,736**	**$ 475,198**

(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2019.

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

Notes to the Consolidated Financial Statements of
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The following table is a listing of the individual investments in SLP III's portfolio as ofDecember 31, 2018:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien						
Access CIG, LLC	Business Services	6.46% (L + 3.75%)	2/27/2025	$ 1,216	$ 1,216	$ 1,185
Affordable Care Holding Corp.	Healthcare Services	7.25% (L + 4.75%)	10/24/2022	1,025	1,030	1,005
Bracket Intermediate Holding Corp.	Healthcare Services	7.00% (L + 4.25%)	9/5/2025	14,963	14,890	14,813
Brave Parent Holdings, Inc.	Software	6.52% (L + 4.00%)	4/18/2025	14,925	14,874	14,421
CentralSquare Technologies, LLC	Software	6.27% (L + 3.75%)	8/29/2025	15,000	14,964	14,648
Certara Holdco, Inc.	Healthcare I.T.	6.30% (L + 3.50%)	8/15/2024	1,275	1,280	1,255
CHA Holdings, Inc.	Business Services	7.30% (L + 4.50%)	4/10/2025	997	997	995
CommerceHub, Inc.	Software	6.27% (L + 3.75%)	5/21/2025	14,925	14,856	14,515
CRCI Longhorn Holdings, Inc.	Business Services	5.89% (L + 3.50%)	8/8/2025	14,963	14,891	14,588
Dentalcorp Perfect Smile ULC	Healthcare Services	6.27% (L + 3.75%)	6/6/2025	11,940	11,912	11,701
Dentalcorp Perfect Smile ULC	Healthcare Services	6.27% (L + 3.75%)	6/6/2025	1,686	1,685	1,652
Drilling Info Holdings, Inc.	Business Services	6.77% (L + 4.25%)	7/30/2025	17,591	17,507	17,525
Financial & Risk US Holdings, Inc.	Business Services	6.27% (L + 3.75%)	10/1/2025	8,000	7,980	7,512
GOBP Holdings, Inc.	Retail	6.55% (L + 3.75%)	10/22/2025	15,000	14,963	14,625
Greenway Health, LLC	Software	6.56% (L + 3.75%)	2/16/2024	14,821	14,831	14,450
Heartland Dental, LLC	Healthcare Services	6.27% (L + 3.75%)	4/30/2025	17,329	17,249	16,593
HIG Finance 2 Limited	Business Services	6.06% (L + 3.50%)	12/20/2024	1,995	1,985	1,939
Idera, Inc.	Software	7.03% (L + 4.50%)	6/28/2024	2,294	2,289	2,248
J.D. Power (fka J.D. Power and Associates)	Business Services	6.27% (L + 3.75%)	9/7/2023	5,985	5,985	5,835
Market Track, LLC	Business Services	6.87% (L + 4.25%)	6/5/2024	4,827	4,821	4,633
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	4,596	4,576	4,596
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	600	597	600
National Intergovernmental Purchasing Alliance Company	Business Services	6.55% (L + 3.75%)	5/23/2025	14,925	14,912	14,552
Navex Topco, Inc.	Software	5.78% (L + 3.25%)	9/5/2025	14,963	14,890	14,102
Navicure, Inc.	Healthcare Services	6.27% (L + 3.75%)	11/1/2024	2,985	2,985	2,925
Netsmart Technologies, Inc.	Healthcare I.T.	6.27% (L + 3.75%)	4/19/2023	10,437	10,437	10,307
Newport Group Holdings II, Inc.	Business Services	6.54% (L + 3.75%)	9/12/2025	4,988	4,963	4,875
NorthStar Financial Services Group, LLC	Software	6.10% (L + 3.50%)	5/25/2025	14,925	14,856	14,628
OEConnection LLC	Business Services	6.53% (L + 4.00%)	11/22/2024	1,830	1,843	1,789
Outcomes Group Holdings, Inc.	Healthcare Services	6.28% (L + 3.50%)	10/24/2025	6,500	6,484	6,394
Pelican Products, Inc.	Business Products	5.88% (L + 3.50%)	5/1/2025	4,975	4,963	4,726
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	8.06% (L + 5.25%)	4/29/2024	15,588	15,517	15,199
Premise Health Holding Corp.	Healthcare Services	6.55% (L + 3.75%)	7/10/2025	13,862	13,796	13,689
Quest Software US Holdings Inc.	Software	6.78% (L + 4.25%)	5/16/2025	15,000	14,930	14,535
Sierra Enterprises, LLC	Food & Beverage	6.02% (L + 3.50%)	11/11/2024	2,481	2,478	2,463
SSH Group Holdings, Inc.	Education	6.77% (L + 4.25%)	7/30/2025	14,963	14,927	14,588
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	6.03% (L + 3.50%)	7/17/2025	3,790	3,772	3,759
VT Topco, Inc.	Business Services	6.55% (L + 3.75%)	8/1/2025	7,980	7,961	7,882
VT Topco, Inc.	Business Services	6.55% (L + 3.75%)	8/1/2025	1,004	1,004	992
Wirepath LLC	Distribution & Logistics	6.71% (L + 4.00%)	8/5/2024	17,477	17,477	17,215
WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 3.50%)	6/7/2024	14,887	14,887	14,608
YI, LLC	Healthcare Services	6.80% (L + 4.00%)	11/7/2024	4,965	4,983	4,935
Total Funded Investments				**$ 374,478**	**$ 373,443**	**$ 365,497**

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

(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2018.

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

Below is certain summarized financial information for SLP III as ofDecember 31, 2019 and December 31, 2018 and for the years ended December 31, 2019 and December 31, 2018:

Selected Balance Sheet Information:	**December 31, 2019**	**December 31, 2018**
Investments at fair value (cost of $480,736 and $373,422, respectively)	$ 475,198	$ 365,357
Cash and other assets	12,836	9,138
Total assets	$ 488,034	$ 374,495
Credit facility	$ 355,400	$ 280,300
Deferred financing costs	(2,374)	(2,831)
Payable for unsettled securities purchased	8,166	—
Distribution payable	3,650	2,600
Other liabilities	3,716	4,456
Total liabilities	368,558	284,525
Members' capital	$ 119,476	$ 89,970
Total liabilities and members' capital	$ 488,034	$ 374,495

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Selected Statement of Operations Information:	Year Ended December 31 2019	2018(1)
Interest income	$ 27,226	$ 9,572
Other income	368	207
Total investment income	27,594	9,779
Interest and other financing expenses	14,129	5,435
Other expenses	622	517
Total expenses	14,751	5,952
Less: expenses waived and reimbursed	(22)	—
Net expenses	14,729	5,952
Net investment income	12,865	3,827
Net realized gains on investments	263	9
Net change in unrealized appreciation (depreciation) of investments	2,528	(8,066)
Net increase (decrease) in members' capital	$ 15,656	$ (4,230)

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

For the years ended December 31, 2019 and December 31, 2018, the Company earned approximately $10,520 and $3,040, respectively, of dividend income related to SLP III, which is included in dividend income. As of December 31, 2019 and December 31, 2018 approximately $2,920 and $2,080, respectively, of dividend income related to SLP III was included in interest and dividend receivable.

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

Unconsolidated Significant Subsidiaries

In accordance with Regulation S-X Rules 3-09 and 4-08(g), the Company evaluates its unconsolidated controlled portfolio companies as significant subsidiaries under these rules. As of December 31, 2019, Edmentum Ultimate Holdings, LLC ("Edmentum") is considered a significant unconsolidated subsidiary under Regulation S-X Rule 4-08(g). Based on the requirements under Regulation S-X Rule 4-08(g), the summarized consolidated financial information of Edmentum is shown below.

Edmentum Ultimate Holdings, LLC

Edmentum owns 100% of the equity of Edmentum, Inc. Edmentum is one of the largest all subscription-based, software as a service provider of online curriculum and assessments to the U.S. education market. Edmentum provides high-value, comprehensive online solutions that support educators to successfully transition learners from one stage to the next. Edmentum's fiscal year end is January 31.

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Below is certain summarized financial information for Edmentum as of October 31, 2019 and January 31, 2019 and for the nine months ended October 31, 2019 and the years ended January 31, 2019 and January 31, 2018.

Balance Sheet:	**October 31, 2019**	**January 31, 2019**
Current assets	$ 33,730	$ 15,800
Non-current assets	172,737	194,647
Total assets	$ 206,467	$ 210,447
Current liabilities	$ 103,148	$ 90,981
Non-current liabilities	276,511	248,181
Total liabilities	$ 379,659	$ 339,162
Total equity	$ (173,192)	$ (128,715)

	Nine Months Ended	**Year Ended**	
Summary of Operations (1)	**October 31, 2019**	**January 31, 2019**	**January 31, 2018**
Revenue	$ 85,636	$ 109,516	$ 107,786
Cost of revenue	30,137	37,130	33,225
Gross Profit	55,499	72,386	74,561
Operating and other expenses	101,239	132,845	128,420
Net loss	$ (45,740)	$ (60,459)	$ (53,859)

(1) Due to Edmentum's January 31 fiscal year end,December 31, 2019 financial statements are not available. As such, the most recent comparable period is presented.

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

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

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

Note 4. Fair Value

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes and ranks the

inputs to valuation techniques used in measuring investments at fair value. The hierarchy classifies the inputs used in measuring fair value into three levels as follows:

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

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

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

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

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

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

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of December 31, 2019:

	Total	Level I	Level II	Level III
First lien	$ 1,801,615	$ —	$ 263,192	$ 1,538,423
Second lien	788,868	—	369,477	419,391
Subordinated	66,774	—	20,870	45,904
Equity and other	503,023	—	—	503,023
Total investments	$ 3,160,280	$ —	$ 653,539	$ 2,506,741

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

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

The following table summarizes the changes in fair value of Level III portfolio investments for the year ended December 31, 2019, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at December 31, 2019:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2018	$ 1,775,071	$ 987,528	$ 306,815	$ 40,087	$ 440,641
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	571	304	267	—	—
Net change in unrealized (depreciation) appreciation of investments	(377)	4,760	(1,662)	1,615	(5,090)
Purchases, including capitalized PIK and revolver fundings	961,643	647,909	242,060	4,202	67,472
Proceeds from sales and paydowns of investments	(273,140)	(136,509)	(136,631)	—	—
Transfers into Level III(1)	227,124	114,844	112,280	—	—
Transfers out of Level III(1)	(184,151)	(80,413)	(103,738)	—	—
Fair value, December 31, 2019	$ 2,506,741	$ 1,538,423	$ 419,391	$ 45,904	$ 503,023
Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Company at the end of the period:	$ (1,503)	$ 4,771	$ (2,799)	$ 1,615	$ (5,090)

(1) As of December 31, 2019, the portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassifications occurred.

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

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2017	$ 1,405,754	$ 556,697	$ 443,082	$ 27,101	$ 378,874
Total gains or losses included in earnings:					
Net realized (losses) gains on investments	(4,368)	357	(14,704)	—	9,979
Net change in unrealized (depreciation) appreciation of investments	(5,467)	(4,466)	(4,523)	(3,752)	7,274
Purchases, including capitalized PIK and revolver fundings (1)	970,532	634,700	150,896	21,817	163,119
Proceeds from sales and paydowns of investments (1)	(632,804)	(278,371)	(230,749)	(5,079)	(118,605)
Transfers into Level III(2)	113,612	106,564	7,048	—	—
Transfers out of Level III(2)	(72,188)	(27,953)	(44,235)	—	—
Fair value, December 31, 2018	$ 1,775,071	$ 987,528	$ 306,815	$ 40,087	$ 440,641
Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Company at the end of the period:	$ (1,032)	$ (3,232)	$ (4,064)	$ (3,752)	$ 10,016

(1) Includes reorganizations and restructurings.
(2) As of December 31, 2018, the portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassifications occurred.

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the years ended December 31, 2019 and December 31, 2018. Transfers into Level III occur as quotations obtained through pricing services are deemed not representative of fair value as of the balance sheet date and such assets are internally valued. As quotations obtained through pricing services are substantiated through additional market sources, investments are transferred out of Level III. In addition, transfers out of Level III and transfers into Level III occur based on the increase or decrease in the availability of certain observable inputs.

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

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

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

its portfolio companies and ultimately form the valuation of its investment in each portfolio company. When an external event such as a purchase transaction, public offering or subsequent sale occurs, the Company will consider the pricing indicated by the external event to corroborate the private valuation.

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

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

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

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

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The unobservable inputs used in the fair value measurement of the Company's Level III investments as ofDecember 31, 2019 were as follows:

				Range		
Type	**Fair Value as of December 31, 2019**	**Approach**	**Unobservable Input**	**Low**	**High**	**Weighted Average**
First lien	$ 1,239,847	Market & income approach	EBITDA multiple	2.0x	35.0x	14.1x
			Revenue multiple	3.5x	11.0x	6.5x
			Discount rate	6.3%	14.8%	8.6%
	298,576	Market quote	Broker quote	N/A	N/A	N/A
Second lien	196,494	Market & income approach	EBITDA multiple	6.5x	32.0x	14.8x
			Revenue multiple	0.1x	1.3x	0.7x
			Discount rate	8.6%	20.4%	11.6%
	222,897	Market quote	Broker quote	N/A	N/A	N/A
Subordinated	45,904	Market & income approach	EBITDA multiple	5.5x	15.0x	10.7x
			Discount rate	10.2%	35.0%	18.8%
Equity and other	502,125	Market & income approach	EBITDA multiple	5.5x	19.5x	11.9x
			Revenue multiple	0.1x	1.3x	0.7x
			Discount rate	6.2%	57.4%	13.8%
	898	Black Scholes analysis	Expected life in years	6.3	6.3	6.3
			Volatility	23.4%	23.4%	23.4%
			Discount rate	1.8%	1.8%	1.8%
	$ 2,506,741					

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

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

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

Based on a comparison to similar BDC credit facilities, the terms and conditions of the Holdings Credit Facility, the NMFC Credit Facility and the DB Credit Facility (as defined in Note 7. *Borrowings*) are representative of market. The carrying values of the Holdings Credit Facility, NMFC Credit Facility and DB Credit Facility approximate fair value as of December 31, 2019, as the facilities are continually monitored and examined by both the borrower and the lender and are considered Level III. The carrying value of the SBA-guaranteed debentures, the 2016 Unsecured Notes, the 2017A Unsecured Notes, the 2018A Unsecured Notes, the 2018B Unsecured Notes and the 2019A Unsecured Notes (as defined in Note 7. *Borrowings*) approximate fair value as of December 31, 2019 based on a comparison of market interest rates for the Company's borrowings and similar entities and are considered Level III. The fair value of the 2018 Convertible Notes and the 5.75% Unsecured Notes (as defined in Note 7. *Borrowings*) as of December 31, 2019 was $211,801 and $54,603, respectively, which was based on quoted prices and considered Level II. See Note 7.*Borrowings*, for details. The carrying value of the collateralized agreement approximates fair value as of December 31, 2019 and is considered Level III. The fair value of other financial assets and liabilities approximates their carrying value based on the short-term nature of these items.

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

Note 5. Agreements

The Company entered into an investment advisory and management agreement (the “Investment Management Agreement”) with the Investment Adviser which was most recently re-approved by the Company's board of directors on February 6, 2020. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, the Investment Adviser receives a fee from the Company, consisting of two components—a base management fee and an incentive fee.

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

Since the IPO, the base management fee calculation has deducted the borrowings under the SLF Credit Facility. The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to the Company’s existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the NMF Holdings Loan and Security Agreement, as amended and restated, dated May 19, 2011, and formed the Holdings Credit Facility on December 18, 2014 (as defined in Note 7. *Borrowings*). The amendment merged the credit facilities and combined the amount of borrowings previously available. Post credit facility merger and to be consistent with the methodology since the IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets held under revolving credit facilities that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility, which as of December 31, 2019, December 31, 2018 and December 31, 2017 was approximately $829,048, $525,658 and $281,174, respectively. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the years ended December 31, 2019, December 31, 2018 and December 31, 2017, management fees waived were approximately $12,012, $6,709 and $5,642, respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of the Company's "Pre-Incentive Fee Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature. "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, upfront, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the calendar quarter, minus the Company's operating expenses for the quarter (including the base management fee, expenses payable under an administration agreement, as amended and restated (the "Administration Agreement"), with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred stock (of which there are none as of December 31, 2019), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

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

- No incentive fee is payable to the Investment Adviser in any calendar quarter in which the Company's Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate of 2.0% (the "preferred return" or "hurdle").

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- 100.0% of the Company's Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than or equal to 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser. This portion of the Company's Pre-Incentive Fee Net Investment Income (which exceeds the hurdle rate but is less than or equal to 2.5%) is referred to as the "catch-up". The catch-up provision is intended to provide the Investment Adviser with an incentive fee of 20.0% on all of the Company's Pre-Incentive Fee Net Investment Income as if a hurdle rate did not apply when the Company's Pre-Incentive Fee Net Investment Income exceeds 2.5% in any calendar quarter.

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

For the years ended December 31, 2019, December 31, 2018 and December 31, 2017, incentive fees waived were approximately $0, $0 and $1,800, respectively. The Investment Adviser cannot recoup incentive fees that the Investment Adviser has previously waived.

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

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

The following table summarizes the management fees and incentive fees incurred by the Company for the years ended December 31, 2019, December 31, 2018 and December 31, 2017.

	Year Ended December 31,		
	2019	2018	2017
Management fee	$ 49,115	$ 38,530	$ 32,694
Less: management fee waiver	(12,012)	(6,709)	(5,642)
Total management fee	37,103	31,821	27,052
Incentive fee, excluding accrued capital gains incentive fees	$ 29,288	$ 26,508	$ 25,101
Less: incentive fee waiver	—	—	(1,800)
Total incentive fee	29,288	26,508	23,301
Accrued capital gains incentive fees(1)	$ —	$ —	$ —

(1) As of December 31, 2019, December 31, 2018 and December 31, 2017, no actual capital gains incentive fee was owed under the Investment Management Agreement by the Company, as cumulative net realized capital gains did not exceed cumulative unrealized capital depreciation.

The Company has entered into the Administration Agreement with the Administrator under which the Administrator provides administrative services. The Administrator maintains, or oversees the maintenance of, the Company's consolidated financial records, prepares reports filed with the United States Securities and Exchange Commission (the "SEC"), generally monitors the payment of the Company's expenses and oversees the performance of administrative and professional services rendered by others. The Company will reimburse the Administrator for the Company's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Company under the Administration Agreement. Pursuant to the Administration Agreement and further restricted by the Company, the Administrator may, in its own discretion, submit to the Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Company during any quarterly period. As a result, the amount of expenses for which the Company will have to reimburse the

Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to the Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Company in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the years ended December 31, 2019, December 31, 2018 and December 31, 2017, approximately $2,594, $2,406 and $1,558, respectively, of indirect administrative expenses were included in administrative expenses of which$335, $276 and $415, respectively, of indirect administrative expenses were waived by the Administrator. As of December 31, 2019 and December 31, 2018, $602 and $681, respectively, of indirect administrative expenses were included in payable to affiliates. For the years ended December 31, 2019, December 31, 2018 and December 31, 2017, the reimbursement to the Administrator represented approximately 0.07%, 0.09% and 0.06%, respectively, of the Company's gross assets.

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

Note 6. Related Parties

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

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

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

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

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

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole or in part, to the Company’s investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Company or for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that the Company should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff and consistent with the Investment Adviser’s allocation procedures. On October 8, 2019, the SEC issued an exemptive order (the “Exemptive Order”), which superseded a prior order issued on December 18, 2017, which permits the Company to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the

Exemptive Order, the Company is permitted to co-invest with its affiliates if a "required majority" (as defined in Section 57(o) of the 1940 Act) of the Company's independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to the Company and its stockholders and do not involve overreaching in respect of the Company or its stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of the Company's stockholders and is consistent with its then-current investment objective and strategies.

Note 7. Borrowings

As permitted by the Small Business Credit Availability Act (the "SBCA") on June 8, 2018 the Company's shareholders approved the application of the modified asset coverage requirements set forth in Section 61(a) of the 1940 Act, as amended by the SBCA, which resulted in the reduction from 200.0% to 150.0% of the minimum asset coverage ratio applicable to the Company as of June 9, 2018 (which means the Company can borrow $2 for every $1 of its equity). As a result of the Company's exemptive relief received on November 5, 2014, the Company is permitted to exclude its SBA-guaranteed debentures from the 150.0% asset coverage ratio that the Company is required to maintain under the 1940 Act. The agreements governing the NMFC Credit Facility, the 2018 Convertible Notes and the Unsecured Notes (as defined below) contain certain covenants and terms, including a requirement that the Company not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that the Company not exceed a secured debt ratio of 0.70 to 1.00 at any time. As of December 31, 2019, the Company's asset coverage ratio was 173.98%.

Holdings Credit Facility—On December 18, 2014, the Company entered into the Second Amended and Restated Loan and Security Agreement among the Company, as the Collateral Manager, NMF Holdings, as the Borrower, Wells Fargo Securities, LLC, as the Administrative Agent and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian (as amended from time to time, the "Holdings Credit Facility"). As of the most recent amendment on September 6, 2019, the maturity date of the Holdings Credit Facility is October 24, 2022, and the maximum facility amount is the lesser of $800,000 and the actual commitments of the lenders to make advances as of such date.

As of December 31, 2019, the maximum amount of revolving borrowings available under the Holdings Credit Facility is $800,000. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by Wells Fargo Bank, National Association. The Holdings Credit Facility is non-recourse to the Company and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires the Company to maintain a minimum asset coverage ratio of 150.0%. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

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

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the years ended December 31, 2019, December 31, 2018 and December 31, 2017.

	Year Ended December 31,		
	2019	2018	2017
Interest expense	$ 25,446	$ 16,062	$ 11,612
Non-usage fee	$ 643	$ 610	$ 749
Amortization of financing costs	$ 2,784	$ 2,519	$ 1,780
Weighted average interest rate	4.3%	4.2%	3.3%
Effective interest rate	4.8%	5.0%	4.1%
Average debt outstanding	$ 598,129	$ 384,433	$ 345,174

As of December 31, 2019, December 31, 2018 and December 31, 2017, the outstanding balance on the Holdings Credit Facility was $661,563, $512,563 and $312,363, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

NMFC Credit Facility—The Senior Secured Revolving Credit Agreement, (as amended from time to time, and together with the related guarantee and security agreement, the "NMFC Credit Facility"), dated June 4, 2014, among the Company, as the Borrower, Goldman Sachs Bank USA, as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A., Stifel Bank & Trust and MUFG Union Bank, N.A., as Lenders, is structured as a senior secured revolving credit facility. The NMFC Credit Facility is guaranteed by certain of the Company's domestic subsidiaries and proceeds from the NMFC Credit Facility may be used for general corporate purposes, including the funding of portfolio investments. The maturity date of the NMFC Credit Facility is June 4, 2022 and the NMFC Credit Facility includes the financial covenants related to the asset coverage.

As of December 31, 2019, the maximum amount of revolving borrowings available under the NMFC Credit Facility was $188,500. The Company is permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

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

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the years ended December 31, 2019, December 31, 2018 and December 31, 2017.

	Year Ended December 31,		
	2019	2018	2017
Interest expense	$ 5,050	$ 5,408	$ 2,010
Non-usage fee	$ 128	$ 93	$ 257
Amortization of financing costs	$ 283	$ 480	$ 391
Weighted average interest rate	4.8%	4.6%	3.6%
Effective interest rate	5.2%	5.1%	4.8%
Average debt outstanding	$ 105,533	$ 117,719	$ 54,853

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As of December 31, 2019, December 31, 2018 and December 31, 2017, the outstanding balance on the NMFC Credit Facility was $188,500, $60,000 and $122,500, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

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

As of December 31, 2019, the maximum amount of revolving borrowings available under the DB Credit Facility was $280,000. The Company is permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Loan Financing and Servicing Agreement. The DB Credit Facility is non-recourse to the Company and is collateralized by all of the investments of NMFDB on an investment by investment basis. All fees associated with the origination of the DB Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the DB Credit Facility. The DB Credit Facility contains certain customary affirmative and negative covenants and events of default. The covenants are generally not tied to mark to market fluctuations in the prices of NMFDB investments, but rather to the performance of the underlying portfolio companies.

The advances under the DB Credit Facility accrue interest at a per annum rate equal to the Applicable Margin plus the lender's Cost of Funds Rate. Prior to June 28, 2019, the "Applicable Margin" was equal to 2.85% during the Revolving Period and then increases by 0.20% during an Event of Default. Effective June 28, 2019, the Applicable Margin is equal to 2.60% during the Revolving Period and then increases by 0.20% during an Event of Default. The "Cost of Funds Rate" for a conduit lender is the lower of its commercial paper rate and the Base Rate plus 0.50%, and for any other lender is the Base Rate. The "Base Rate" is the three-months LIBOR Rate but may become an alternative base rate based on Deutsche Bank's base lending rate if certain LIBOR disruption events occur. The Company is also charged a non-usage fee, based on the unused facility amount multiplied by the Undrawn Fee Rate (as defined in the Loan Financing and Servicing Agreement) and a facility agent fee of 0.25% per annum on the total facility amount.

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the DB Credit Facility for the years ended December 31, 2019, December 31, 2018 and December 31, 2017.

	Year Ended December 31,		
	2019	2018(1)	2017(2)
Interest expense(3)	$ 5,809	$ 140	$ —
Non-usage fee(3)	$ 218	$ 13	$ —
Amortization of financing costs	$ 398	$ 13	$ —
Weighted average interest rate	5.1%	5.7%	—%
Effective interest rate	5.6%	6.7%	—%
Average debt outstanding	$ 113,967	$ 49,833	$ —

(1) For the year ended December 31, 2018, amounts reported relate to the period from December 14, 2018 (commencement of the DB Credit Facility) to December 31, 2018.
(2) Not applicable as the DB Credit Facility commenced on December 14, 2018.
(3) Interest expense includes the portion of the facility agent fee applicable to the drawn portion of the DB Credit Facility and non-usage fee includes the portion of the facility agent fee applicable to the undrawn portion of the DB Credit Facility.

As of December 31, 2019 and December 31, 2018, the outstanding balance on the DB Credit Facility was $230,000 and $57,000, respectively, and NMFDB was in compliance with the applicable covenants in the DB Credit Facility on such dates.

NMNLC Credit Facility—The Revolving Credit Agreement (together with the related guarantee and security agreement, the "NMNLC Credit Facility"), dated September 21, 2018, among NMNLC, as the Borrower, and KeyBank

National Association, as the Administrative Agent and Lender, is structured as a senior secured revolving credit facility and matures on September 23, 2020. The NMNLC Credit Facility is guaranteed by the Company and proceeds from the NMNLC Credit Facility may be used for funding of additional acquisition properties.

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

As of December 31, 2019, the maximum amount of revolving borrowings available under the NMNLC Credit Facility was $30,000. For the year ended December 31, 2019, interest expense, non-usage fees and amortization of financing costs were $64, $44 and $87, respectively. For the year ended December 31, 2018, interest expense, non-usage fees and amortization of financing costs were $47, $11 and $28, respectively. As of December 31, 2019 and December 31, 2018, the outstanding balance on the NMNLC Credit Facility was $0 and $0, respectively, and NMNLC was in compliance with the applicable covenants in the NMNLC Credit Facility on such date.

Convertible Notes

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

The 2014 Convertible Notes bore interest at an annual rate of 5.0%, payable semi-annually in arrears on June 15 and December 15 of each year, which commenced on December 15, 2014.

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

2018 Convertible Notes—On August 20, 2018, the Company closed a registered public offering of $100,000 aggregate principal amount of unsecured convertible notes (the "2018 Convertible Notes" and together with the 2014 Convertible Notes, the "Convertible Notes"), pursuant to an indenture, dated August 20, 2018, as supplemented by a first supplemental indenture thereto, dated August 20, 2018 (together the "2018A Indenture"). On August 30, 2018, in connection with the registered public offering, the Company issued an additional $15,000 aggregate principal amount of the 2018 Convertible Notes pursuant to the exercise of an overallotment option by the underwriter of the 2018 Convertible Notes. On June 7, 2019, the Company closed a registered public offering of an additional $86,250 aggregate principal amount of the 2018 Convertible Notes. These additional 2018 Convertible Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the $115,000 aggregate principal amount of 2018 Convertible Notes that the Company issued in August 2018.

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

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

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

The following table summarizes certain key terms related to the convertible features of the Company's 2018 Convertible Notes as of December 31, 2019.

		2018 Convertible Notes
Initial conversion premium		10.0 %
Initial conversion rate(1)		65.8762
Initial conversion price	$	15.18
Conversion premium at December 31, 2019		10.0 %
Conversion rate at December 31, 2019(1)(2)		65.8762
Conversion price at December 31, 2019(2)(3)	$	15.18
Last conversion price calculation date		August 20, 2019

(1) Conversion rates denominated in shares of common stock per $1 principal amount of the 2018 Convertible Notes converted.
(2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.
(3) The conversion price in effect at December 31, 2019 was calculated on the last anniversary of the issuance and will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in dividends in excess of $0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of $13.80 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 72.4637 per $1 principal amount. The Company has determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The 2018 Convertible Notes are unsecured obligations and rank senior in right of payment to the Company's existing and future indebtedness, if any, that is expressly subordinated in right of payment to the 2018 Convertible Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including existing unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries and financing vehicles. As reflected in Note 12. *Earnings Per Share*, the issuance is considered part of the if-converted method for calculation of diluted earnings per share.

The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Convertible Notes for the years ended December 31, 2019, December 31, 2018 and December 31, 2017.

	Year Ended December 31,		
	2019	**2018(1)**	**2017**
Interest expense	$ 12,959	$ 10,169	$ 7,763
Amortization of financing costs	$ 796	$ 1,268	$ 1,190
Amortization of premium	$ (109)	$ (111)	$ (111)
Weighted average interest rate	5.5%	5.2%	5.0%
Effective interest rate	5.8%	5.7%	5.7%
Average debt outstanding	$ 234,332	$ 197,058	$ 155,250

(1) For the year ended December 31, 2018, amounts reported include interest and amortization of financing costs related to the 2018 Convertible Notes for the period from August 20, 2018 (issuance of the 2018 Convertible Notes) to December 31, 2018.

As of December 31, 2019, December 31, 2018 and December 31, 2017, the outstanding balance on the Convertible Notes was$201,250, $270,250 and $155,250, respectively, and NMFC was in compliance with the terms of the 2014 Indenture and 2018A Indenture on such dates, as applicable.

Unsecured Notes

On May 6, 2016, the Company issued $50,000 in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the “2016 Unsecured Notes”), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, the Company entered into an amended and restated note purchase agreement (the "NPA") and issued an additional $40,000 in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, the Company issued $55,000 in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the "2017A Unsecured Notes"), pursuant to the NPA and a supplement to the NPA. On January 30, 2018, the Company issued $90,000 in aggregate principal amount of five year unsecured notes that mature on January 30, 2023 (the "2018A Unsecured Notes") pursuant to the NPA and a second supplement to the NPA. On July 5, 2018, the Company issued $50,000 in aggregate principal amount of five year unsecured notes that mature on June 28, 2023 (the "2018B Unsecured Notes") pursuant to the NPA and a third supplement to the NPA (the "Third Supplement"). On April 30, 2019, the Company issued $116,500 in aggregate principal amount of five year unsecured notes that mature on April 30, 2024 (the "2019A Unsecured Notes") pursuant to the NPA and a fourth supplement to the NPA. The NPA provides for future issuances of unsecured notes in separate series or tranches.

The 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2018. The 2018A Unsecured Notes bear interest at an annual rate of 4.870%, payable semi-annually on February 15 and August 15 of each year, which commenced on August 15, 2018. The 2018B Unsecured Notes bear interest at an annual rate of 5.360%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2019. The 2019A Unsecured Notes bear interest at an annual rate of 5.494%, payable semi-annually on April 15 and October 15 of each year, commencing on October 15, 2019. These interest rates are subject to increase in the event that: (i) subject to certain exceptions, the underlying unsecured notes or the Company ceases to have an investment grade rating or (ii) the aggregate amount of the Company’s unsecured debt falls below $150,000. In each such event, the Company has the option to offer to prepay the underlying unsecured notes at par, in which case holders of the underlying unsecured notes who accept the offer would not receive the increased interest rate. In addition, the Company is obligated to offer to prepay the underlying unsecured notes at par if the Investment Adviser, or an affiliate thereof, ceases to be the Company’s investment adviser or if certain change in control events occur with respect to the Investment Adviser.

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

On September 25, 2018, the Company closed a registered public offering of $50,000 in aggregate principal amount of five-year unsecured notes that mature on October 1, 2023 (the "5.75% Unsecured Notes" and together with the 2016 Unsecured Notes, 2017A Unsecured Notes, 2018A Unsecured Notes, 2018B Unsecured Notes, and 2019A Unsecured Notes, the "Unsecured Notes") pursuant to an indenture, dated August 20, 2018, as supplemented by a second supplemental indenture thereto, dated September 25, 2018 (together, the "2018B Indenture"). On October 17, 2018, in connection with the registered public offering, the Company issued an additional $1,750 aggregate principal amount of the 5.75% Unsecured Notes pursuant to the exercise of an overallotment option by the underwriters of the 5.75% Unsecured Notes.

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

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

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

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

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

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

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December 31, 2019
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The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the years ended December 31, 2019, December 31, 2018 and December 31, 2017.

	Year Ended December 31,		
	2019(1)	2018(2)	2017(3)
Interest expense	$ 21,723	$ 13,533	$ 6,098
Amortization of financing costs	$ 1,207	$ 818	$ 493
Weighted average interest rate	5.2%	5.1%	5.2%
Effective interest rate	5.5%	5.4%	5.6%
Average debt outstanding	$ 414,949	$ 266,296	$ 117,877

(1) For the year ended December 31, 2019, amounts reported include interest and amortization of financing costs related to the 2019A Unsecured Notes for the period from April 30, 2019 (issuance date of the 2019A Unsecured Notes) to December 31, 2019.
(2) For the year ended December 31, 2018, amounts reported include interest and amortization of financing costs related to the 2018A Unsecured Notes for the period from January 30, 2018 (issuance of the 2018A Unsecured Notes) to December 31, 2018, the 2018B Unsecured Notes for the period from July 5, 2018 (issuance of the 2018B Unsecured Notes) to December 31, 2018 and the 5.75% Unsecured Notes for the period from September 25, 2018 (issuance of the 5.75% Unsecured Notes) to December 31, 2018.
(3) For the year ended December 31, 2017 amounts reported include interest and amortization of financing costs related to the 2017A Unsecured Notes for the period from June 30, 2017 (issuance of the 2017A Unsecured Notes) to December 31, 2017.

As of December 31, 2019, December 31, 2018 and December 31, 2017, the outstanding balance on the Unsecured Notes was $453,250, $336,750 and $145,000, respectively, and the Company was in compliance with the terms of the NPA and the 2018B Indenture as of such dates, as applicable.

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

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

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

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As of December 31, 2019 and December 31, 2018, SBIC I had regulatory capital of $75,000 and $75,000, respectively, and SBA-guaranteed debentures outstanding of $150,000 and $150,000, respectively. As of December 31, 2019 and December 31, 2018, SBIC II had regulatory capital of $64,500 and $42,500, respectively, and $75,000 and $15,000, respectively, of SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.435%, which consists of a 1.00% commitment fee and a 2.435% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes the Company's SBA-guaranteed debentures as of December 31, 2019.

Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
Fixed SBA-guaranteed debentures(1):				
March 25, 2015	March 1, 2025	$ 37,500	2.517%	0.355%
September 23, 2015	September 1, 2025	37,500	2.829%	0.355%
September 23, 2015	September 1, 2025	28,795	2.829%	0.742%
March 23, 2016	March 1, 2026	13,950	2.507%	0.742%
September 21, 2016	September 1, 2026	4,000	2.051%	0.742%
September 20, 2017	September 1, 2027	13,000	2.518%	0.742%
March 21, 2018	March 1, 2028	15,255	3.187%	0.742%
Fixed SBA-guaranteed debentures(2):				
September 19, 2018	September 1, 2028	15,000	3.548%	0.222%
September 25, 2019	September 1, 2029	19,000	2.283%	0.222%
Interim SBA-guaranteed debentures(2):				
	March 1, 2030 (3)	24,000	2.215%	0.222%
	March 1, 2030 (3)	17,000	2.212%	0.222%
Total SBA-guaranteed debentures		**$ 225,000**		

(1) SBA-guaranteed debentures are held in SBIC I.
(2) SBA-guaranteed debentures are held in SBIC II.
(3) Estimated maturity date as interim SBA-debentures are expected to pool in March 2020.

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

The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the years ended December 31, 2019, December 31, 2018 and December 31, 2017.

	Year Ended December 31,		
	2019	2018	2017
Interest expense	$ 5,819	$ 5,124	$ 4,160
Amortization of financing costs	$ 601	$ 530	$ 444
Weighted average interest rate	3.2%	3.2%	3.1%
Effective interest rate	3.6%	3.6%	3.5%
Average debt outstanding	$ 179,408	$ 158,471	$ 132,572

The SBIC program is designed to stimulate the flow of private investor capital into eligible smaller businesses, as defined by the SBA. Under SBA regulations, SBICs are subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible smaller businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in smaller businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to the Company. SBICs are subject to an annual periodic examination by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared

on a basis of accounting other than GAAP (such as ASC 820) by an independent auditor. As of December 31, 2019, December 31, 2018 and December 31, 2017, SBIC I and SBIC II were in compliance with SBA regulatory requirements.

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

Note 8. Regulation

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

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

Note 9. Commitments and Contingencies

In the normal course of business, the Company may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments or delayed draw commitments. As of December 31, 2019, the Company had unfunded commitments on revolving credit facilities of $66,061, no outstanding bridge financing commitments and other future funding commitments of $137,781. As of December 31, 2018, the Company had unfunded commitments on revolving credit facilities of $43,539, no outstanding bridge financing commitments and other future funding commitments of $94,407. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedules of Investments.

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

The Company may from time to time enter into financing commitment letters. As of December 31, 2019 and December 31, 2018, the Company had commitment letters to purchase investments in the aggregate par amount of $34,248 and $27,536, respectively, which could require funding in the future.

As of December 31, 2019 and December 31, 2018, the Company owed $0 and $6,000, respectively, related to a settlement agreement with a trustee of Black Elk Energy Offshore Operations, LLC. The Company began to make semi-annual payments of $3,000 in June 2018 with the final payment made in December 2019.

Note 10. Distributions

Differences between taxable income and the results of operations for financial reporting purposes may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. During the years ended December 31, 2019, December 31, 2018 and December 31, 2017, the Company's reclassifications of amounts for book purposes arising from permanent book/tax differences related to return of capital distributions were as follows:

	Year Ended December 31,		
	2019	2018	2017
Undistributed net investment income	$ 29,579	$ 20,166	$ 35,793
Distributions in excess of net realized gains	—	—	—
Additional paid-in-capital	(29,579)	(20,166)	(35,793)

For U.S. federal income tax purposes, distributions paid to stockholders of the Company are reported as ordinary income, return of capital, long term capital gains or a combination thereof. The tax character of distributions paid by the Company for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 were estimated to be as follows:

	Year Ended December 31,		
	2019	2018	2017
Ordinary income (non-qualified)	$ 84,523	$ 51,573	$ 72,150
Ordinary income (qualified)	—	35,000	—
Capital gains	—	—	—
Return of capital	32,851	16,815	28,755
Total	$ 117,374	$ 103,388	$ 100,905

As of December 31, 2019, December 31, 2018 and December 31, 2017, the costs of investments for the Company for tax purposes were$3,124,113, $1,799,563 and $1,602,607, respectively.

	December 31, 2019(1)	December 31, 2018(1)
Tax cost	$ 3,124,113	$ 2,330,134
Gross unrealized appreciation on investments	131,131	79,589
Gross unrealized depreciation on investments	(73,542)	(44,262)
Total investments at fair value	$ 3,181,702	$ 2,365,461

(1) Includes securities purchased under collateralized agreement to resell.

At December 31, 2019, December 31, 2018 and December 31, 2017, the components of distributable earnings on a tax basis differ from the amounts reflected per the Company's Consolidated Statements of Assets and Liabilities by temporary book/tax differences primarily arising from differences between the tax and book basis of the Company's investment in securities held directly as well as through undistributed income.

Notes to the Consolidated Financial Statements of
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As of December 31, 2019, December 31, 2018 and December 31, 2017, the Company's components of accumulated earnings (deficit) on a tax basis were as follows:

	Year Ended December 31,		
	2019	2018	2017
Accumulated capital gains (capital loss carryforwards)	$ (63,333)	$ (66,505)	$ (70,701)
Other temporary differences	11,791	12,551	11,521
Undistributed ordinary income	—	—	—
Unrealized (appreciation) depreciation	46,190	23,834	39,928
Total	$ (5,352)	$ (30,120)	$ (19,252)

The Company is subject to a 4.0% nondeductible U.S. federal excise tax on certain undistributed income unless the Company distributes, in a timely manner as required by the Code, an amount at least equal to the sum of (1) 98.0% of its 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. For the year ended December 31, 2019, the Company does not expect to incur any excise taxes. For the years ended December 31, 2018 and December 31, 2017, the Company did not incur any excise taxes.

The following information is hereby provided with respect to distributions declared during the calendar years endedDecember 31, 2019, December 31, 2018 and December 31, 2017:

	Year Ended December 31,		
(unaudited)	2019	2018	2017
Distributions per share	$ 1.36	$ 1.36	$ 1.36
Ordinary dividends	72.01%	83.74%	71.50%
Long-term capital gains	—%	—%	—%
Qualified dividend income	—%	33.85%	—%
Dividends received deduction	—%	—%	—%
Interest-related dividends(1)	66.87%	76.77%	92.59%
Qualified short-term capital gains(1)	—%	—%	—%
Return of capital	27.99%	16.26%	28.50%

(1) Represents the portion of the taxable ordinary dividends eligible for exemption from U.S. withholding tax for nonresident aliens and foreign corporations.

Dividends and distributions that were reinvested through the Company’s dividend reinvestment plan are treated, for tax purposes, as if they had been paid in cash. Therefore, stockholders who participated in the dividend reinvestment plan should also refer to the information as provided in the table above.

Notes to the Consolidated Financial Statements of
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December 31, 2019
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Note 11. Net Assets

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

	Common Stock				Accumulated Overdistributed Earnings			
	Shares	Par Amount	Treasury Stock at Cost	Paid in Capital in Excess of Par	Accumulated Net Investment Income	Accumulated Net Realized Gains (Losses)	Net Unrealized Appreciation (Depreciation)	Total Net Assets
Net assets at December 31, 2016	69,717,814	$ 698	$ (460)	$ 1,001,862	$ 2,073	$ (36,947)	$ (28,664)	$ 938,562
Issuances of common stock	6,179,706	61	—	87,552	—	—	—	87,613
Reissuance of common stock	37,573	—	460	100	—	—	—	560
Other	—	—	—	(81)	—	—	—	(81)
Deferred offering costs	—	—	—	(172)	—	—	—	(172)
Distributions declared	—	—	—	—	(100,905)	—	—	(100,905)
Net increase (decrease) in net assets resulting from operations	—	—	—	—	102,204	(39,734)	46,928	109,398
Tax reclassifications related to return of capital distributions (See Note 10)	—	—	—	(35,793)	35,793	—	—	—
Net assets at December 31, 2017	75,935,093	$ 759	$ —	$ 1,053,468	$ 39,165	$ (76,681)	$ 18,264	$ 1,034,975
Issuances of common stock	171,279	2	—	2,327	—	—	—	2,329
Distributions declared	—	—	—	—	(103,388)	—	—	(103,388)
Net increase (decrease) in net assets resulting from operations	—	—	—	—	106,032	(9,657)	(24,022)	72,353
Tax reclassifications related to return of capital distributions (See Note 10)	—	—	—	(20,166)	20,166	—	—	—
Net assets at December 31, 2018	76,106,372	$ 761	$ —	$ 1,035,629	$ 61,975	$ (86,338)	$ (5,758)	$ 1,006,269
Issuances of common stock	20,720,970	207	—	282,632	—	—	—	282,839
Deferred offering costs	—	—	—	(829)	—	—	—	(829)
Distributions declared	—	—	—	—	(117,374)	—	—	(117,374)
Net increase (decrease) in net assets resulting from operations	—	—	—	—	117,153	890	(5,480)	112,563
Tax reclassifications related to return of capital distributions (See Note 10)	—	—	—	(29,579)	29,579	—	—	—
Net assets at December 31, 2019	96,827,342	$ 968	$ —	$ 1,287,853	$ 91,333	$ (85,448)	$ (11,238)	$ 1,283,468

Note 12. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase in the Company's net assets per share resulting from operations for the years ended December 31, 2019, December 31, 2018 and December 31, 2017:

	Year Ended December 31,		
	2019	2018	2017
Earnings per share—basic			
Numerator for basic earnings per share:	$ 112,563	$ 72,353	$ 109,398
Denominator for basic weighted average share:	85,209,378	76,022,375	74,171,268
Basic earnings per share:	$ 1.32	$ 0.95	$ 1.47
Earnings per share—diluted(1)			
Numerator for increase in net assets per share	$ 112,563	$ 72,353	$ 109,398
Adjustment for interest on Convertible Notes and incentive fees, net	10,367	8,135	6,210
Numerator for diluted earnings per share:	$ 122,930	$ 80,488	$ 115,608
Denominator for basic weighted average share	85,209,378	76,022,375	74,171,268
Adjustment for dilutive effect of Convertible Notes	15,254,667	12,605,366	9,824,127
Denominator for diluted weighted average share	100,464,045	88,627,741	83,995,395
Diluted earnings per share	$ 1.22	$ 0.91	$ 1.38

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

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Note 13. Financial Highlights

The following information sets forth the Company's financial highlights for the years ended December 31, 2019, December 31, 2018, December 31, 2017, December 31, 2016 and December 31, 2015.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Per share data(1):					
Net asset value at the beginning of the period	$ 13.22	$ 13.63	$ 13.46	$ 13.08	$ 13.83
Net investment income	1.37	1.39	1.38	1.36	1.38
Net realized and unrealized gains (losses)(2)	0.03	(0.44)	0.15	0.38	(0.77)
Total net increase	1.40	0.95	1.53	1.74	0.61
Distributions declared to stockholders from net investment income	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)
Net asset value at the end of the period	$ 13.26	$ 13.22	$ 13.63	$ 13.46	$ 13.08
Per share market value at the end of the period	$ 13.74	$ 12.58	$ 13.55	$ 14.10	$ 13.02
Total return based on market value(3)	20.45%	2.70%	5.54%	19.68%	(4.00)%
Total return based on net asset value(4)	10.90%	7.16%	11.77%	13.98%	4.32 %
Shares outstanding at end of period	96,827,342	76,106,372	75,935,093	69,717,814	64,005,387
Average weighted shares outstanding for the period	85,209,378	76,022,375	74,171,268	64,918,191	59,715,290
Average net assets for the period	$ 1,154,615	$ 1,026,313	$ 1,011,562	$ 863,193	$ 832,805
Ratio to average net assets:					
Net investment income	10.15%	10.33%	10.10%	10.21%	9.91 %
Total expenses, before waivers/reimbursements	14.87%	12.90%	10.23%	9.91%	9.28 %
Total expenses, net of waivers/reimbursements	13.80%	12.22%	9.45%	9.27%	8.57 %
Average debt outstanding—Holdings Credit Facility	$ 598,129	$ 384,433	$ 345,174	$ 341,055	$ 394,945
Average debt outstanding—Convertible Notes	234,332	197,058	155,250	125,227	115,000
Average debt outstanding—SBA-guaranteed debentures	179,408	158,471	132,572	119,819	71,921
Average debt outstanding—Unsecured Notes(5)	414,949	266,296	117,877	65,500	—
Average debt outstanding—NMFC Credit Facility	105,533	117,719	54,853	66,876	60,477
Average debt outstanding—DB Credit Facility(6)	113,967	49,833	—	—	—
Average debt outstanding—NMNLC Credit Facility(7)	1,471	3,570	—	—	—
Asset coverage ratio(8)	173.98%	181.37%	240.76%	259.34%	234.05 %
Portfolio turnover	11.58%	36.75%	41.98%	36.07%	33.93 %

(1) Per share data is based on weighted average shares outstanding for the respective period (except for distributions declared to stockholders which is based on actual rate per share).
(2) Includes the accretive effect of common stock issuances per share, which for the years ended December 31, 2019, December 31, 2018, December 31, 2017, December 31, 2016 and December 31, 2015 were $0.08, $0.00, $0.05, $0.02 and $0.06, respectively.
(3) Total return is calculated assuming a purchase of common stock at the opening of the first day of the year and a sale on the closing of the last business day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Company's dividend reinvestment plan.
(4) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the year and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.
(5) For the year ended December 31, 2016, average debt outstanding represents the period from May 6, 2016 (issuance of the 2016 Unsecured Notes) to December 31, 2016.
(6) For the year ended December 31, 2018, average debt outstanding represents the period from December 14, 2018 (commencement of the DB Credit Facility) to December 31, 2018.
(7) For the year ended December 31, 2018, average debt outstanding represents the period from September 21, 2018 (commencement of the NMNLC Credit Facility) to December 31, 2018.
(8) On November 5, 2014, the Company received exemptive relief from the SEC allowing the Company to modify the asset coverage requirements to exclude the SBA-guaranteed debentures from this calculation.

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)

December 31, 2019
(in thousands, except share data)

Note 14. Selected Quarterly Financial Data (unaudited)

The below selected quarterly financial data is for the Company.

(in thousands except for per share data)

	Total Investment Income		Net Investment Income		Total Net Realized Gains (Losses) and Net Changes in Unrealized Appreciation (Depreciation) of Investments(1)		Net Increase (Decrease) in Net Assets Resulting from Operations	
Quarter Ended	**Total**	**Per Share**	**Total**	**Per Share**	**Total**	**Per Share**	**Total**	**Per Share**
December 31, 2019	$ 73,257	$ 0.77	$ 30,585	$ 0.32	$ (9,137)	$ (0.09)	$ 21,448	$ 0.23
September 30, 2019	72,594	0.83	31,170	0.36	(7,720)	(0.09)	23,450	0.27
June 30, 2019	66,465	0.83	27,948	0.35	(4,203)	(0.05)	23,745	0.30
March 31, 2019	64,191	0.82	27,450	0.35	16,470	0.21	43,920	0.56
December 31, 2018	$ 63,509	$ 0.83	$ 27,458	$ 0.36	$ (28,842)	$ (0.38)	$ (1,384)	$ (0.02)
September 30, 2018	60,469	0.79	27,117	0.35	(357)	—	26,760	0.35
June 30, 2018	54,598	0.72	25,721	0.34	(2,588)	(0.03)	23,133	0.31
March 31, 2018	52,889	0.70	25,736	0.34	(1,892)	(0.03)	23,844	0.31
December 31, 2017	$ 53,244	$ 0.70	$ 26,683	$ 0.35	$ 194	$ —	$ 26,877	$ 0.35
September 30, 2017	51,236	0.68	26,292	0.35	(1,516)	(0.02)	24,776	0.33
June 30, 2017	50,019	0.66	25,798	0.34	1,530	0.02	27,328	0.36
March 31, 2017	43,307	0.62	23,431	0.34	6,986	0.10	30,417	0.44

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

Note 15. Recent Accounting Standards Updates

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

Note 16. Subsequent Events

On February 19, 2020, the Company's board of directors declared a first quarter 2020 distribution of $0.34 per share payable on March 27, 2020 to holders of record as of March 13, 2020.

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

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of December 31, 2019 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Act of 1934, as amended). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic United States Securities and Exchange Commission filings is recorded, processed, summarized and reported within the time periods specified in the United States Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of our internal control over financial reporting as ofDecember 31, 2019 based upon the criteria in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's assessment, management determined that our internal control over financial reporting was effective as of December 31, 2019.

(c) Attestation Report of the Registered Public Accounting Firm.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on New Mountain Finance Corporation's internal control over financial reporting, which is set forth on the following page.

Deloitte & Touche LLP

30 Rockefeller Plaza
New York, NY 10112
USA

Tel: 212 492 4000
Fax: 212 489 1687
www.deloitte.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of New Mountain Finance Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of New Mountain Finance Corporation and subsidiaries (the "Company") as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019 of the Company and our report dated February 26 2020, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

February 26, 2020

Changes in Internal Control Over Financial Reporting

Management has not identified any change in our internal control over financial reporting that occurred during the quarter ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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

PART III

We will file a definitive Proxy Statement for our 2020 Annual Meeting of Stockholders with the United States Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year. Accordingly, certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of our definitive Proxy Statement that specifically address the items set forth herein are incorporated by reference.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 is hereby incorporated by reference from the definitive Proxy Statement relating to our 2020 Annual Meeting of Stockholders, to be filed with the United States Securities and Exchange Commission within 120 days following the end of our fiscal year.

Item 11. Executive Compensation

The information required by Item 11 is hereby incorporated by reference from the definitive Proxy Statement relating to our 2020 Annual Meeting of Stockholders, to be filed with the United States Securities and Exchange Commission within 120 days following the end of our fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is hereby incorporated by reference from the definitive Proxy Statement relating to our 2020 Annual Meeting of Stockholders, to be filed with the United States Securities and Exchange Commission within 120 days following the end of our fiscal year.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is hereby incorporated by reference from the definitive Proxy Statement relating to our 2020 Annual Meeting of Stockholders, to be filed with the United States Securities and Exchange Commission within 120 days following the end of our fiscal year.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is hereby incorporated by reference from the definitive Proxy Statement relating to our 2020 Annual Meeting of Stockholders, to be filed with the United States Securities and Exchange Commission within 120 days following the end of our fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents Filed as Part of this Report

The following financial statements are set forth in Item 8:

New Mountain Finance Corporation

Consolidated Statements of Assets and Liabilities as of December 31, 2019 and December 31, 2018	91
Consolidated Statements of Operations for the years ended December 31, 2019, December 31, 2018 and December 31, 2017	92
Consolidated Statements of Changes in Net Assets for the years ended December 31, 2019, December 31, 2018 and December 31, 2017	93
Consolidated Statements of Cash Flows for the years ended December 31, 2019, December 31, 2018 and December 31, 2017	94
Consolidated Schedule of Investments as of December 31, 2019	95
Consolidated Schedule of Investments as of December 31, 2018	114
Notes to the Consolidated Financial Statements of New Mountain Finance Corporation	129

(b) Exhibits

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

Exhibit Number	Description
3.1(a)	Amended and Restated Certificate of Incorporation of New Mountain Finance Corporation(2)
3.1(b)	Certificate of Change of Registered Agent and/or Registered Office of New Mountain Finance Corporation(3)
3.1(c)	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of New Mountain Finance Corporation(26)
3.2	Amended and Restated Bylaws of New Mountain Finance Corporation(2)
4.1	Form of Stock Certificate of New Mountain Finance Corporation(1)
4.2	Indenture by and between New Mountain Finance Corporation, as Issuer, and U.S. Bank National Association, as Trustee, dated June 3, 2014(7)
4.3	Form of Global Note 5.00% Convertible Note Due 2019 (included as part of Exhibit 4.2)(7)
4.4	Indenture by and between New Mountain Finance Corporation, as Issuer, and U.S. Bank National Association, as Trustee, dated August 20, 2018(20)
4.5	First Supplemental Indenture, dated August 20, 2018, relating to the 5.75% Convertible Notes Due 2023, by and between New Mountain Finance Corporation and U.S. Bank National Association, as trustee(20)
4.6	Form of Global Note 5.75% Convertible Note Due 2023 (included as part of Exhibit (4.5))(20)
4.7	Second Supplemental Indenture, dated September 25, 2018, relating to the 5.75% Notes Due 2023, by and between New Mountain Finance Corporation and U.S. Bank National Association, as trustee(21)
4.8	Form of Global Note 5.75% Note Due 2023 (included as part of Exhibit (4.7))(21)
4.9	Description of Securities*
10.1	Investment Advisory and Management Agreement by and between New Mountain Finance Corporation and New Mountain Finance Advisers BDC, LLC(6)
10.2	Second Amended and Restated Administration Agreement(10)
10.3	Dividend Reinvestment Plan(2)
10.4	Form of Trademark License Agreement(1)
10.5	Amendment No. 1 to Trademark License Agreement(4)
10.6	Form of Indemnification Agreement by and between New Mountain Finance Corporation and each director(1)
10.7	Form of Safekeeping Agreement among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as Safekeeping Agent(1)
10.8	Custody Agreement by and between New Mountain Finance Corporation and U.S. Bank National Association(5)
10.9	Limited Liability Company Agreement of NMFC Senior Loan Program II LLC, dated March 9, 2016(13)
10.10	Limited Liability Company Agreement for NMFC Senior Loan Program III LLC, dated April 25, 2018(18)
10.11	Third Amended and Restated Loan and Security Agreement, conformed through Amendment No. 2, dated as of November 19, 2018, by and among New Mountain Finance Corporation, as the collateral manager, New Mountain Finance Holdings, L.L.C., as the borrower, Wells Fargo Bank, National Association, as the administrative agent, the lenders party thereto and Wells Fargo Bank, National Association, as the collateral custodian(22)
10.12	Form of Third Amended and Restated to Loan and Security Agreement, conformed through the Third Amendment to Loan and Security Agreement dated as of May 7, 2019, by and among New Mountain Finance Corporation, as the collateral manager, New Mountain Finance Holdings, L.L.C., as the borrower, Wells Fargo Bank, National Association, as the administrative agent, the lenders party thereto and Wells Fargo Bank, National Association, as the collateral custodian(29)
10.13	Incremental Commitment Supplement, dated as of September 6, 2019, to the Third Amended and Restated Loan and Security Agreement, dated October 24, 2017, as amended, by and among New Mountain Finance Corporation, as the collateral manager, New Mountain Finance Holdings, L.L.C., as the borrower, Wells Fargo Bank, National Association, as the administrative agent, the lenders party thereto and Wells Fargo Bank, National Association, as the collateral custodian(32)

Exhibit Number	Description
10.14	Form of Joinder Supplement, dated as of December 13, 2018, by and among TIAA, FSB, New Mountain Finance Holdings, L.L.C., as the borrower, and Wells Fargo Bank, National Association, as the administrative agent(23)
10.15	Form of Joinder Supplement, dated as of January 8, 2019, by and among Old Second National Bank, New Mountain Finance Holdings, L.L.C., as the borrower, and Wells Fargo Bank, National Association, as the administrative agent(24)
10.16	Form of Joinder Supplement, dated as of January 25, 2019, by and among Sumitomo Mitsui Trust Bank, Limited, New York, New Mountain Finance Holdings, L.L.C., as the borrower, and Wells Fargo Bank, National Association, as the administrative agent(24)
10.17	Form of Joinder Supplement, dated as of May 7, 2019, by and among Fifth Third Bank, New Mountain Finance Holdings, L.L.C., as the borrower, and Wells Fargo Bank, National Association, as the administrative agent(29)
10.18	Form of Joinder Supplement, dated as of September 6, 2019, by and among Old Second National Bank, New Mountain Finance Holdings, L.L.C., as the borrower and Wells Fargo Bank, National Association, as the administrative agent(32)
10.19	Form of Joinder Supplement, dated as of September 6, 2019, by and among Raymond James, N.A., New Mountain Finance Holdings, L.L.C., as the borrower and Wells Fargo Bank, National Association, as the administrative agent(32)
10.20	Facility Increase Agreement, dated as of September 6, 2019, by and among State Street Bank and Trust Company, New Mountain Finance Holdings, L.L.C., as the borrower and Wells Fargo Bank, National Association, as the Administrative Agent(32)
10.21	Form of Joinder Supplement, dated as of October 16, 2019, by and among Hitachi Capital America Corporation, New Mountain Finance DB, L.L.C., as the borrower and Deutsche Bank AG, New York Branch, as facility agent(32)
10.22	Form of Amended and Restated Account Control Agreement among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as Securities Intermediary(1)
10.23	Form of Senior Secured Revolving Credit Agreement, by and between New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent, dated June 4, 2014(8)
10.24	Form of Guarantee and Security Agreement dated June 4, 2014, among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent(8)
10.25	Amendment No. 1, dated December 29, 2014, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Bank USA, as Administrative Agent and Syndication Agent(9)
10.26	Amendment No. 2, dated June 26, 2015, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Bank USA, as Administrative Agent and Syndication Agent(11)
10.27	Commitment Increase Agreement, dated March 23, 2016, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent(12)
10.28	Commitment Increase Agreement, dated May 4, 2016, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent(13)
10.29	Commitment Increase Agreement, dated January 25, 2018, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent(17)
10.30	Amendment No. 3, dated February 27, 2018 to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Bank USA, as Administrative Agent and Syndication Agent(17)
10.31	Amendment No. 4, dated as of July 5, 2018, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as borrower, Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent(19)
10.32	Amendment No. 5, dated as of December 12, 2018, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as borrower, Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent(25)

Exhibit Number	Description
10.33	Commitment Increase Agreement, dated August 27, 2019 to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent(32)
10.34	Form of Amendment No. 6, Dated December 10, 2019, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Issuing Bank(33)
10.35	Amended and Restated Note Purchase Agreement relating to 5.313% Notes due 2021, dated September 30, 2016, by and between New Mountain Finance Corporation and the purchasers party thereto(14)
10.36	Form of First Supplement to the Amended and Restated Note Purchase Agreement relating to 4.760% Notes due 2022, dated June 30, 2017, by and between New Mountain Finance Corporation and the purchasers party thereto(15)
10.37	Form of Second Supplement to the Amended and Restated Note Purchase Agreement relating to 4.870% Notes due 2023, dated January 30, 2018, by and between New Mountain Finance Corporation and the purchasers party thereto(16)
10.38	Form of Third Supplement to the Amended and Restated Note Purchase Agreement relating to 5.360% Notes due 2023, dated July 5, 2018, by and between New Mountain Finance Corporation and the purchasers party thereto(19)
10.39	Form of Fourth Supplement to Amended and Restated Note Purchase Agreement, relating to 5.494% Notes due 2024, dated April 30, 2019, by and between New Mountain Finance Corporation and the purchasers party thereto(28)
10.40	Form of Loan Financing and Servicing Agreement, dated as of December 14, 2018, by and among New Mountain Finance DB, L.L.C., New Mountain Finance Corporation, as equityholder and servicer, the lenders from time to time party thereto, Deutsche Bank, as the facility agent, the other agents from time to time party thereto and U.S. Bank National Association, as collateral agent and collateral custodian(23)
10.41	Form of First Amended and Restated Loan Finance and Servicing Agreement, conformed through Amendment No. 1, dated on March 18, 2019, by and among New Mountain Finance DB, L.L.C., New Mountain Finance Corporation, as equityholder and servicer, the lenders from time to time party thereto, Deutsche Bank, as the facility agent, the other agents from time to time party thereto and U.S. Bank National Association, as collateral agent and collateral custodian(27)
10.42	Form of Amendment No. 2 to Loan Financing and Servicing Agreement, dated as of June 28, 2019, by and among New Mountain Finance Corporation, as the equityholder, New Mountain Finance DB, L.L.C., as the borrower, U.S. Bank National Association, as the collateral Agent and collateral custodian, and Deutsche Bank AG, New York Branch, as the facility agent, agent and a lender(30)
10.43	Form of Amendment No. 3 to Loan Financing and Servicing Agreement, dated as of August 12, 2019, by and among New Mountain Finance Corporation, as the equityholder, New Mountain Finance DB, L.L.C., as the borrower, U.S. Bank National Association, as the collateral Agent and collateral custodian, and Deutsche Bank AG, New York Branch, as the facility agent, an agent and a lender, and the other agents and lenders party thereto(31)
10.44	Form of Amendment No. 5 to Loan Financing and Servicing Agreement, dated as of December 12, 2019, by and among New Mountain Finance Corporation, as the equityholder, New Mountain Finance DB, L.L.C., as the borrower, U.S. Bank National Association, as the collateral Agent and collateral custodian, and Deutsche Bank AG, New York Branch, as the facility agent, an agent and a lender, and the other agents and lenders party thereto(33)
10.45	Form of Sale and Contribution Agreement, dated as of December 14, 2018, between New Mountain Finance Corporation, as seller, and New Mountain Finance DB, L.L.C., as purchaser(23)
14.1	Code of Ethics(32)
21.1	Subsidiaries of New Mountain Finance Corporation: New Mountain Finance Holdings, L.L.C. (Delaware) NMF Ancora Holdings, Inc. (Delaware) NMF QID NGL Holdings, Inc. (Delaware) NMF YP Holdings, Inc. (Delaware) New Mountain Finance DB, L.L.C. (Delaware) New Mountain Finance Servicing, L.L.C. (Delaware) New Mountain Finance SBIC G.P., L.L.C. (Delaware) New Mountain Finance SBIC II G.P., L.L.C. (Delaware) New Mountain Finance SBIC, L.P. (Delaware)

Exhibit Number	Description
	New Mountain Finance SBIC II, L.P. (Delaware)
	New Mountain Net Lease Corporation (Maryland)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended*
32.1	Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)*
32.2	Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)*

(1) Previously filed in connection with New Mountain Finance 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

(15) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on July 3, 2017.

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

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

(18) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on May 7, 2018.

(19) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on July 11, 2018.

(20) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Post-Effective Amendment No. 3 (File No. 333-218040) filed on August 20, 2018.

(21) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Post-Effective Amendment No. 4 (File No. 333-218040) filed on September 25, 2018.

(22) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on November 27, 2018.

(23) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on December 19, 2018.

(24) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Post-Effective Amendment No. 5 (File No. 333-218040) filed on February 13, 2019.

(25) Previously filed in connection with New Mountain Finance Corporation's report on Form 10-K filed on February 27, 2019.

(26) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on April 3, 2019.

(27) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Pre-Effective Amendment No. 1 (File No. 333-230326) filed on April 26, 2019.

(28) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on May 3, 2019.

(29) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on May 9, 2019.

(30) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on July 3, 2019.

(31) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on August 16, 2019.

(32) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Post-Effective Amendment No. 3 (File No. 333-230326) filed on October 25, 2019.

(33) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on December 16, 2019.

* Filed herewith.

Financial Statement Schedules

No financial statement schedules are filed herewith because (1) such schedules are not required or (2) the information has been presented in the aforementioned financial statements.

Item 16. Form 10-K Summary

None.

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 February 26, 2020.

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ ROBERT A. HAMWEE

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

	SIGNATURE	TITLE	DATE
By:	/s/ ROBERT A. HAMWEE Robert A. Hamwee	Chief Executive Officer (Principal Executive Officer), and Director	February 26, 2020
By:	/s/ SHIRAZ Y. KAJEE Shiraz Y. Kajee	Chief Financial Officer (Principal Financial and Accounting Officer)	February 26, 2020
By:	/s/ JOHN R. KLINE John R. Kline	Chief Operating Officer, President and Director	February 26, 2020
By:	/s/ STEVEN B. KLINSKY Steven B. Klinsky	Chairman of the Board of Directors	February 26, 2020
By:	/s/ ADAM B. WEINSTEIN Adam B. Weinstein	Executive Vice President, Chief Administrative Officer and Director	February 26, 2020
By:	/s/ ROME G. ARNOLD III Rome G. Arnold III	Director	February 26, 2020
By:	/s/ ALICE W. HANDY Alice W. Handy	Director	February 26, 2020
By:	/s/ DANIEL B. HEBERT Daniel B. Hebert	Director	February 26, 2020
By:	/s/ ALFRED F. HURLEY, JR. Alfred F. Hurley, Jr.	Director	February 26, 2020
By:	/s/ DAVID OGENS David Ogens	Director	February 26, 2020

Exhibit 4.9

DESCRIPTION OF SECURITIES

The following is a brief description of the securities of New Mountain Finance Corporation (the "Company," "we," "our" or "us"), registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This description of our securities does not purport to be complete and is subject to and qualified in its entirety by reference to the applicable provisions of Delaware General Corporation Law (the "DGCL"), and the full text of our charter, bylaws and the relevant indenture and supplemental indenture governing the debt securities described herein. As of December 31, 2019 and the date hereof, our common stock and the debt securities described herein are the only securities that we have registered under Section 12 of the Exchange Act.

A. **Common Stock**

As of December 31, 2019, our authorized capital stock consists of 200,000,000 shares of common stock, par value $0.01 per share, of which 96,827,342 shares are outstanding as of December 31, 2019. Our common stock is listed on the New York Stock Exchange under the ticker symbol "NMFC". No stock has been authorized for issuance under any equity compensation plans. Under Delaware law, our stockholders generally will not be personally liable for our debts or obligations.

Under the terms of our amended and restated certificate of incorporation, all shares of our common stock will have equal rights as to earnings, assets, dividends and voting and, when they are issued, are duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized and declared by our board of directors out of funds legally available therefore. Shares of our common stock will have no preemptive, exchange, conversion or redemption rights and are freely transferable, except where their transfer is restricted by federal and state securities laws or by contract. In the event of our liquidation, dissolution or winding up, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There are no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock are able to elect all of our directors (other than directors to be elected solely by the holders of preferred stock), and holders of less than a majority of such shares are unable to elect any director.

Delaware Law and Certain Certificate of Incorporation and Bylaw Provisions; Anti-Takeover Measures

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws, as summarized below, and applicable provisions of the DGCL and certain other agreements to which we are a party may make it more difficult for or prevent an unsolicited third party from acquiring control of us or changing our board of directors and management. These provisions may have the effect of deterring hostile takeovers or delaying changes in our control or in our management. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and in the policies furnished by them and to discourage certain types of transactions that may involve an actual or threatened change in our control. The provisions also are intended to discourage certain tactics that may be used in proxy fights. These provisions, however, could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts.

Classified Board; Vacancies; Removal

The classification of our board of directors and the limitations on removal of directors and filling of vacancies could have the effect of making it more difficult for a third party to acquire us, or of discouraging a third party from acquiring us. Our board of directors is divided into three classes, with the term of one class expiring at each annual meeting of stockholders. At each annual meeting, one class of directors is elected to a three-year term. This provision could delay for up to two years the replacement of a majority of the board of directors.

Our amended and restated certificate of incorporation provides that, subject to the applicable requirements of the Investment Company Act of 1940 (the "1940 Act") and the rights of any holders of preferred stock, any vacancy on the board of directors, however the vacancy occurs, including a vacancy due to an enlargement of the board, may only be filled by vote a majority of the directors then in office.

A director may be removed 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 75.0% of the shares then entitled to vote for the election of the respective director.

Advance Notice Requirements for Stockholder Proposals and Director Nominations.

Our amended and restated bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the board of directors and the proposal of business to be considered by stockholders may be made only (1) by or at the direction of the board of directors or (2) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the amended and restated bylaws. Nominations of persons for election to the board of directors at a special meeting may be made only (1) by or at the direction of the board of directors or (2) provided that the board of directors has determined that directors are elected at the meeting, by

a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the amended and restated bylaws. The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform its stockholders and make recommendations about such qualifications or business, as well as to approve a more orderly procedure for conducting meetings of stockholders. Although our amended and restated bylaws do not give its board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Amendments to Certificate of Incorporation and Bylaws.

The DGCL provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws requires a greater percentage. Our amended and restated certificate of incorporation provides that the following provisions, among others, may be amended by our stockholders only by a vote of at least two-thirds of the shares of our capital stock entitled to vote:

- the classification of our board of directors;
- the removal of directors;
- the limitation on stockholder action by written consent;
- the limitation of directors' personal liability to us or our stockholders for breach of fiduciary duty as a director;
- the ability to call a Special Meeting of Stockholders being vested in our board of directors, the chairperson of our board, our chief executive officer and in the holders of at least fifty (50) percent of the voting power of all shares of our capital stock generally entitled to vote on the election of directors then outstanding subject to certain procedures; and
- the amendment provision requiring that the above provisions be amended only with a two-thirds supermajority vote.

The amended and restated bylaws generally can be amended by approval of (i) a majority of the total number of authorized directors or (ii) the affirmative vote of the holders of at least two-thirds of the shares of our capital stock entitled to vote.

Calling of Special Meetings by Stockholders

Our certificate of incorporation and bylaws also provide that special meetings of the stockholders may only be called by our board of directors, the chairperson of our board, our chief executive officer or upon the request of the holders of at least 50.0% of the voting power of all shares of our capital stock, generally entitled to vote on the election of directors then outstanding, subject to certain limitations.

Section 203 of the DGCL

We will not be subject to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the "business combination" or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status, did own) 15.0% or more of a corporation's voting stock. In our certificate of incorporation, we have elected not to be bound by Section 203.

B. **Debt Securities - 5.75% Notes Due 2023**

On September 25, 2018, we closed a registered public offering of $50.0 million in aggregate principal amount of our 5.75% unsecured notes due October 1, 2023 (the “5.75% Unsecured Notes “) under an indenture, dated August 20, 2018, as supplemented by a second supplemental indenture thereto, dated September 25, 2018 between us and U.S. Bank National Association, as trustee (together, the “2018B Indenture”). On October 17, 2018, in connection with the registered public offering, we issued an additional $1.8 million aggregate principal amount of the 5.75% Unsecured Notes pursuant to the exercise of an overallotment option by the underwriters of the 5.75% Unsecured Notes.

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

The 5.75% Unsecured Notes are issued in denominations of $25 and integral multiples of $25 in excess thereof. The 5.75% Unsecured Notes will not be subject to any sinking fund and holders of the 5.75% Unsecured Notes will not have the option to have the 5.75% Unsecured Notes repaid prior to the stated maturity date.

Except as set forth under "- Covenants" in this description, neither we nor any of our subsidiaries are subject to any financial covenants under the 2018B Indenture. In addition, neither we nor any of our subsidiaries are restricted under the 2018B Indenture from paying dividends, incurring debt, or issuing or repurchasing our securities but the 2018B Indenture contains a covenant regarding our asset coverage and a covenant regarding our debt-to-equity ratio that would have to be satisfied at the time of our incurrence of additional indebtedness. See "- Covenants" in this description. In addition, we must maintain a Secured Debt Ratio (as defined below) of not greater than 0.70 to 1.00 at all times. See "- Covenants - Maximum Secured Debt" in this description.

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

We have the ability to issue indenture securities with terms different from the 5.75% Unsecured Notes and, without the consent of the holders of the 5.75% Unsecured Notes, to reopen the 5.75% Unsecured Notes and issue additional 5.75% Unsecured Notes.

Optional Redemption

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

Holders of the 5.75% Unsecured Notes (the “Noteholders”) may be prevented from exchanging or transferring the 5.75% Unsecured Notes when they are subject to redemption. In case any 5.75% Unsecured Notes are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, the Noteholders will receive, without a charge, a new Note or 5.75% Unsecured Notes of authorized denominations representing the principal amount of the Noteholders remaining unredeemed 5.75% Unsecured Notes. Any exercise of our option to redeem the 5.75% Unsecured Notes is done in compliance with the 1940 Act, to the extent applicable.

If we redeem only some of the 5.75% Unsecured Notes, the trustee or, with respect to global securities, Depository Trust Company, will determine the method for selection of the particular 5.75% Unsecured Notes to be redeemed, in accordance with the 2018B Indenture and the 1940 Act, to the extent applicable, and in accordance with the rules of any national securities exchange or quotation system on which the 5.75% Unsecured Notes are listed. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the 5.75% Unsecured Notes called for redemption.

Conversion and Exchange

The 5.75% Unsecured Notes are not convertible into or exchangeable for other securities.

Indenture Provisions - Ranking

The 5.75% Unsecured Notes are our direct unsecured obligations and will rank:

- equal in right of payment with all of our existing and future unsecured indebtedness, including $453.3 million and $201.2 million in aggregate principal amount of Unsecured Notes (as defined under Item 7-Borrowings-Unsecured Notes of the Form 10-K to which this exhibit is attached) and 2018 Convertible Notes (as defined under Item 7-Borrowings-2018 Convertible Notes of the Form 10-K to which this exhibit is attached), respectively, outstanding as of December 31, 2019;

- senior in right of payment to all of our future indebtedness that is expressly subordinated in right of payment to the 5.75% Unsecured Notes;

- effectively subordinated to our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, including $188.5 million outstanding under the NMFC Credit Facility as of December 31, 2019; and

- structurally subordinated to any existing and future liabilities and other indebtedness of our subsidiaries, including $661.6 million outstanding under the Holdings Credit Facility, $225.0 million outstanding under the SBA-guaranteed debentures and $230.0 million outstanding under the DB Credit Facility as of December 31, 2019.

Covenants

In addition to any other covenants described in this description, as well as standard covenants relating to payment of principal and interest, maintaining an office where payments may be made or securities can be surrendered for payment and related matters, the following covenants will apply to the 5.75% Unsecured Notes:

- *Asset Coverage Ratio*. We agree that for the period of time during which the 5.75% Unsecured Notes are outstanding, we will not violate Section 18(a)(1)(A) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to us by the Securities and Exchange Commission (the "SEC").

- *Debt to Equity Ratio.* Immediately after the issuance of any senior security representing indebtedness (as determined pursuant to the 1940 Act), and after giving pro forma effect thereto and the application of the proceeds thereof, we will not permit the Debt to Equity Ratio (as defined below, to be greater than 1.65 to 1.00.

- *Maximum Secured Debt.* We will not permit the Secured Debt Ratio (as defined below at any time to exceed 0.70 to 1.00.

- If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act to file any periodic reports with the SEC, we agree to furnish to holders of the 5.75% Unsecured Notes and the trustee, for the period of time during which the 5.75% Unsecured Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable U.S. GAAP.

As used herein:

"*Capital Leases*" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"*Debt to Equity Ratio*" means the ratio of (a) the aggregate amount of senior securities representing indebtedness of the Company and its Subsidiaries (including under the Convertible Notes), in each case as determined pursuant to the 1940 Act, and any orders of the SEC issued to or with respect to Company thereunder, including any exemptive relief granted by the SEC with respect to the indebtedness of any SBIC Subsidiary to (b) Shareholders' Equity at the last day of the immediately preceding fiscal quarter of the Company.

"*GAAP*" means generally accepted accounting principles as in effect from time to time in the United States of America.

"*Governmental Authority*" means

(a) the government of

(i) the United States of America or any state or other political subdivision thereof, or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"*Guaranty*" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"*Indebtedness*" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) (i) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases and (ii) all liabilities which would appear on its balance sheet in accordance with GAAP in respect of Synthetic Leases assuming such Synthetic Leases were accounted for as Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money);

(f) the aggregate Swap Termination Value of all Swap Contracts of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"*Lien*" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"*Permitted SBIC Guaranty*" means a guarantee by the Company of Indebtedness of an SBIC Subsidiary on the SBA's then applicable form, provided that the recourse to the Company thereunder is expressly limited only to periods after the occurrence of an event or condition that is an impermissible change in the control of such SBIC Subsidiary.

"*Person*" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

"*Preferred Stock*" means any class of capital stock of a Person that is preferred over any other class of capital stock (or similar equity interests) of such Person as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such Person.

"*SBA*" means the United States Small Business Administration.

"*SBIC Equity Commitment*" means a commitment by the Company to make one or more capital contributions to an SBIC Subsidiary.

"*SBIC Subsidiary*" means any direct or indirect Subsidiary (including such Subsidiary's general partner or managing entity to the extent that the only material asset of such general partner or managing entity is its equity interest in the SBIC Subsidiary) of the Company licensed as a small business investment company under the Small Business Investment Act of 1958, as amended, (or that has applied for such a license and is actively pursuing the granting thereof by appropriate proceedings promptly instituted and diligently conducted) and which is designated by the Company (as provided below) as an SBIC Subsidiary, so long as (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of such Subsidiary: (i) is guaranteed by the Company or any Subsidiary (other than a Permitted SBIC Guaranty), (ii) is recourse to or obligates the Company or any Subsidiary in any way (other than in respect of any SBIC Equity Commitment or Permitted SBIC Guaranty), or (iii) subjects any property of the Company or any Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than Equity Interests in any SBIC Subsidiary pledged to secure such Indebtedness, and (b) none of the Company or any Subsidiary has any obligation to maintain or preserve such Subsidiary's financial condition or cause such entity to achieve certain levels of operating results. Any such designation by the Company shall be effected pursuant to a certificate of a Senior Financial Officer delivered to the Trustee, which certificate shall include a statement to the effect that, to the best of such officer's knowledge, such designation complied with the foregoing conditions.

"*Secured Debt*" means Indebtedness of the Company and its Subsidiaries that are consolidated with the Company for purposes of GAAP (excluding any Indebtedness of any of the Company's Subsidiaries which are SBIC Subsidiaries) outstanding at any time that is secured in any manner by any Lien on assets of the Company or any such Subsidiaries.

"*Secured Debt Ratio*" means the ratio of (a) Secured Debt to (b) the aggregate amount of Indebtedness of the Company and its Subsidiaries that are consolidated with the Company for purposes of GAAP (including Indebtedness under the Convertible Notes and excluding any Indebtedness of any of the Company's Subsidiaries which are SBIC Subsidiaries).

"*Senior Financial Officer*" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"*Shareholders Equity*" means at any date, the amount determined on a consolidated basis, without duplication, in accordance with GAAP, of shareholders' equity or net assets, as applicable, for the Company and its Subsidiaries at such date.

"*Subsidiary*" means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"*Swap Contract*" means (a) any and all interest rate swap transactions, basis swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward foreign exchange transactions, cap transactions, floor transactions, currency options, spot contracts or any other similar transactions or any of the foregoing (including, without limitation, any options to enter into any of the foregoing), and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. or any International Foreign Exchange Master Agreement.

"*Swap Termination Value*" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amounts(s) determined as the mark-to-market values(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts.

"*Synthetic Lease*" means, at any time, any lease (including leases that may be terminated by the lessee at any time) of any property (a) that is accounted for as an operating lease under GAAP and (b) in respect of which the lessee retains or obtains ownership of the property so leased for U.S. federal income tax purposes, other than any such lease under which such Person is the lessor.

Events of Default

The Noteholders will have rights if an Event of Default occurs in respect of the 5.75% Unsecured Notes and the Event of Default is not cured, as described later in this subsection.

The term "Event of Default" in respect of the 5.75% Unsecured Notes means any of the following:

- We do not pay the principal of (or premium, if any, on) any Note when due and payable at maturity;
- We do not pay interest on any Note when due and payable, and such default is not cured within 30 days of its due date;
- We remain in breach of any other covenant in respect of the 5.75% Unsecured Notes for 60 days after we receive a written notice of default stating we are in breach (the notice must be sent by either the trustee or holders of at least 25% of the principal amount of the outstanding 5.75% Unsecured Notes);
- We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 90 days; or

On the last business day of each of twenty-four consecutive calendar months, the 5.75% Unsecured Notes have an asset coverage (as such term is defined in the 1940 Act) of less than 100%, giving effect to any exemptive relief granted to us by the SEC.

An Event of Default for the 5.75% Unsecured Notes may, but does not necessarily, constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of the 5.75% Unsecured Notes of any default, except in the payment of principal or interest, if it in good faith considers the withholding of notice to be in the best interests of the holders.

Remedies if an Event of Default Occurs

If an Event of Default has occurred and is continuing, the trustee or the holders of not less than 25% in principal amount of the 5.75% Unsecured Notes may declare the entire principal amount of all the 5.75% Unsecured Notes to be due and immediately payable, but this does not entitle any holder of 5.75% Unsecured Notes to any redemption payout or redemption premium. If an Event of Default referred to in the second to last bullet point above with respect to us has occurred, the entire principal amount of all of the 5.75% Unsecured Notes will automatically become due and immediately payable. This is called a declaration of acceleration of maturity. In certain circumstances, a declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the 5.75% Unsecured Notes if (1) we have deposited with the trustee all amounts due and owing with respect to the 5.75% Unsecured Notes (other than principal or any payment that has become due solely by reason of such acceleration) and certain other amounts, and (2) any other Events of Default have been cured or waived.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the 2018B Indenture at the request of any holders unless the holders offer the trustee protection from expenses and liability reasonably satisfactory to it (called an "indemnity"). If indemnity reasonably satisfactory to the trustee is provided, the holders of a majority in principal amount of the 5.75% Unsecured Notes may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy is treated as a waiver of that right, remedy or Event of Default.

Before the Noteholders are allowed to bypass the trustee and bring their own lawsuit or other formal legal action or take other steps to enforce their rights or protect their interests relating to the 5.75% Unsecured Notes, the following must occur:

- The Noteholders must give the trustee written notice that an Event of Default has occurred and remains uncured;
- The holders of at least 25% in principal amount of all the 5.75% Unsecured Notes must make a written request that the trustee take action because of the default and must offer the trustee indemnity, security, or both reasonably satisfactory to it against the cost and other liabilities of taking that action;
- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity and/or security; and
- The holders of a majority in principal amount of the 5.75% Unsecured Notes must not have given the trustee a direction inconsistent with the above notice during that 60-day period.

However, the Noteholders are entitled at any time to bring a lawsuit for the payment of money due on their 5.75% Unsecured Notes on or after the due date.

Modification or Waiver

There are three types of changes we can make to the 2018B Indenture and the 5.75% Unsecured Notes issued thereunder:

Changes Requiring the Noteholders' Approval

First, there are changes that we cannot make to the 5.75% Unsecured Notes without the specific approval of the Noteholders. The following is a list of those types of changes:

- change the stated maturity of the principal of (or premium, if any, on) or any installment of principal of, or interest on, the 5.75% Unsecured Notes;
- reduce any amounts due on the 5.75% Unsecured Notes or reduce the rate of interest on the 5.75% Unsecured Notes;
- reduce the amount of principal payable upon acceleration of the maturity of a Note following a default;
- change the place or currency of payment on a Note;
- impair the Noteholders right to sue for payment;
- reduce the percentage of holders of 5.75% Unsecured Notes whose consent is needed to modify or amend the 2018B Indenture; and
- reduce the percentage of holders of 5.75% Unsecured Notes whose consent is needed to waive compliance with certain provisions of the 2018B Indenture or to waive certain defaults or reduce the percentage of holders of 5.75% Unsecured Notes required to satisfy quorum or voting requirements at a meeting of holders of the 5.75% Unsecured Notes.

Changes Not Requiring Approval

The second type of change does not require any vote by the holders of the 5.75% Unsecured Notes. This type is limited to clarifications and certain other changes that would not adversely affect holders of the 5.75% Unsecured Notes in any material respect.

Changes Requiring Majority Approval

Any other change to the 2018B Indenture and the 5.75% Unsecured Notes would require the following approval:

- if the change affects only the 5.75% Unsecured Notes, it must be approved by the holders of a majority in principal amount of the 5.75% Unsecured Notes; and
- if the change affects more than one series of debt securities issued under the same 2018B Indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

In each case, the required approval must be given by written consent.

The holders of a majority in principal amount of all of the series of debt securities issued under an indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants in that indenture. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under "- Changes Requiring the Noteholders' Approval."

Further Details Concerning Voting

When taking a vote, we will use the following rules to decide how much principal to attribute to the 5.75% Unsecured Notes:

The 5.75% Unsecured Notes will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption or if we or any affiliate of ours own any 5.75% Unsecured Notes. The 5.75% Unsecured Notes will also not be eligible to vote if they have been fully defeased as described under "- Defeasance - Full Defeasance" below.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of the 5.75% Unsecured Notes that are entitled to vote or take other action under the 2018B Indenture. However, the record date may not be earlier than 30 days before the date of the first solicitation of holders to vote on or take such action and not later than the date such solicitation is completed. If we set a record date for a vote or other action to be taken by holders of the 5.75% Unsecured Notes, that vote or action may be taken only by persons who are holders of the 5.75% Unsecured Notes on the record date and must be taken within eleven months following the record date.

Defeasance

The following provisions are applicable to the 5.75% Unsecured Notes. "Defeasance" means that, by depositing with a trustee an amount of cash and/or government securities sufficient to pay all principal and interest, if any, on the 5.75% Unsecured Notes when due and satisfying any additional conditions noted below, we are deemed to have been discharged from our obligations under the 5.75% Unsecured Notes. In the event of a "covenant defeasance," upon depositing such funds and satisfying similar conditions discussed below we would be released from certain covenants under the indenture relating to the 5.75% Unsecured Notes.

Covenant Defeasance

Under current U.S. federal income tax law and the indenture, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the 5.75% Unsecured Notes were issued. This is called "covenant defeasance." In that event, the Noteholders would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay the Noteholders 5.75% Unsecured Notes. In order to achieve covenant defeasance, the following must occur:

- Since the 5.75% Unsecured Notes are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of the 5.75% Unsecured Notes a combination of cash and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the 5.75% Unsecured Notes on their various due dates;

- We must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing the Noteholders to be taxed on the 5.75% Unsecured Notes any differently than if we did not make the deposit;

- We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, and a legal opinion and officers' certificate stating that all conditions precedent to covenant defeasance have been complied with;

- Defeasance must not result in a breach or violation of, or result in a default under, the indenture or any of our other material agreements or instruments; and

- No default or Event of Default with respect to the 5.75% Unsecured Notes shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days.

If we accomplish covenant defeasance, the Noteholders can still look to us for repayment of the 5.75% Unsecured Notes if there were a shortfall in the trust deposit or the trustee is prevented from making payment. In fact, if one of the remaining Events of Default occurred (such as our bankruptcy) and the 5.75% Unsecured Notes became immediately due and payable, there might be a shortfall. Depending on the event causing the default, the Noteholders may not be able to obtain payment of the shortfall.

Full Defeasance

If there is a change in U.S. federal income tax law, as described below, we can legally release ourselves from all payment and other obligations on the 5.75% Unsecured Notes (called "full defeasance") if we put in place the following other arrangements for the Noteholders to be repaid:

- Since the 5.75% Unsecured Notes are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of the 5.75% Unsecured Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the 5.75% Unsecured Notes on their various due dates;

- We must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an Internal Revenue Service ("IRS") ruling that allows us to make the above deposit without causing the Noteholders to be taxed on the 5.75% Unsecured Notes any differently than if we did not make the deposit;

- We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, and a legal opinion and officers' certificate stating that all conditions precedent to defeasance have been complied with;

- Defeasance must not result in a breach or violation of, or constitute a default under, the indenture or any of our other material agreements or instruments; and

- No default or Event of Default with respect to the 5.75% Unsecured Notes shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days.

If we ever did accomplish full defeasance, as described above, the Noteholders would have to rely solely on the trust deposit for repayment of the 5.75% Unsecured Notes. The Noteholders could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent.

The Trustee under the 2018B Indenture

U.S Bank National Association serves as the trustee, paying agent and security registrar under the 2018B Indenture. Separately, our securities are held by U.S. Bank National Association pursuant to a custody agreement.

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 annual report on Form 10-K 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;

    a) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    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 26th day of February 2020

/s/ ROBERT A. HAMWEE

Robert A. Hamwee

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

1. I have reviewed this annual report on Form 10-K 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 26th day of February 2020

/s/ SHIRAZ Y. KAJEE

Shiraz Y. Kajee

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 Annual Report on Form 10-K for the period ended December 31, 2019 (the "Report") of New Mountain Finance Corporation (the "Registrant"), as filed with the United States Securities and Exchange Commission on the date hereof, I, Robert A. Hamwee, the Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

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

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

/s/ ROBERT A. HAMWEE

Name: Robert A. Hamwee
Date: February 26, 2020

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 Annual Report on Form 10-K for the period ended December 31, 2019 (the "Report") of New Mountain Finance Corporation (the "Registrant"), as filed with the United States Securities and Exchange Commission on the date hereof, I, Shiraz Y. Kajee, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

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

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

/s/ SHIRAZ Y. KAJEE

Name: Shiraz Y. Kajee
Date: February 26, 2020