

New Mountain Finance Corp
Form 10-Q
November 08, 2016

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarter Ended September 30, 2016

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, address 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

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

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

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

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

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

Description	Shares as of November 8, 2016
Common stock, par value \$0.01 per share	69,614,858

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

New Mountain Finance Corporation

Consolidated Statements of Assets and Liabilities

(in thousands, except shares and per share data)

(unaudited)

	September 30, 2016	December 31, 2015
Assets		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of \$1,413,930 and \$1,438,415, respectively)	\$ 1,353,097	\$ 1,377,515
Non-controlled/affiliated investments (cost of \$45,472 and \$89,047, respectively)	46,684	87,287
Controlled investments (cost of \$105,353 and \$41,254, respectively)	119,198	47,422
Total investments at fair value (cost of \$1,564,755 and \$1,568,716, respectively)	1,518,979	1,512,224
Securities purchased under collateralized agreements to resell (cost of \$30,000 and \$30,000, respectively)	28,673	29,704
Cash and cash equivalents	49,794	30,102
Interest and dividend receivable	16,654	13,832
Receivable from affiliates	845	360
Other assets	2,235	1,924
Total assets	\$ 1,617,180	\$ 1,588,146
Liabilities		
Borrowings		
Holdings Credit Facility	\$ 308,913	\$ 419,313
Convertible Notes	155,552	115,000
SBA-guaranteed debentures	121,745	117,745
Unsecured Notes	90,000	—
NMFC Credit Facility	42,500	90,000
Deferred financing costs (net of accumulated amortization of \$11,268 and \$8,822, respectively)	(15,038)	(13,992)
Net borrowings	703,672	728,066
Payable for unsettled securities purchased	45,690	5,441
Management fee payable	5,781	5,466
Incentive fee payable	5,432	5,622
Interest payable	4,370	2,343
Deferred tax liability	857	1,676
Payable to affiliates	567	564
Other liabilities	2,599	2,060
Total liabilities	768,968	751,238
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, 100,000,000 shares authorized, 64,005,387 and 64,005,387 shares issued, respectively, and 63,864,858 and 64,005,387 shares outstanding, respectively	640	640
Paid in capital in excess of par	899,996	899,713
Treasury stock at cost, 140,529 and 0 shares held, respectively	(1,707)	—

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Accumulated undistributed net investment income	4,197	4,164
Accumulated undistributed net realized gains on investments	3,533	1,342
Net unrealized (depreciation) appreciation (net of provision for taxes of \$857 and \$1,676, respectively)	(58,447)	(68,951)
Total net assets	\$ 848,212	\$ 836,908
Total liabilities and net assets	\$ 1,617,180	\$ 1,588,146
Number of shares outstanding	63,864,858	64,005,387
Net asset value per share	\$ 13.28	\$ 13.08

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

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New Mountain Finance Corporation

Consolidated Statements of Operations

(in thousands, except shares and per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
Investment income				
From non-controlled/non-affiliated investments:				
Interest income	\$34,735	\$ 31,628	\$106,743	\$ 97,249
Dividend income	83	(509	) 175	(407
Other income	2,557	1,619	4,776	3,496
From non-controlled/affiliated investments:				
Interest income	720	1,594	3,929	3,820
Dividend income	1,061	892	2,868	2,701
Other income	284	1,020	902	1,642
From controlled investments:				
Interest income	462	517	1,447	1,487
Dividend income	1,919	673	3,380	1,864
Other income	13	13	80	36
Total investment income	41,834	37,447	124,300	111,888
Expenses				
Incentive fee	5,432	5,034	16,266	14,969
Capital gains incentive fee	—	(490) —	—
Total incentive fees	5,432	4,544	16,266	14,969
Management fee	6,883	6,373	20,537	19,039
Interest and other financing expenses	7,171	5,788	20,544	16,863
Professional fees	723	808	2,461	2,456
Administrative expenses	586	647	2,054	1,804
Other general and administrative expenses	390	370	1,206	1,252
Total expenses	21,185	18,530	63,068	56,383
Less: management fee waived (See Note 5)	(1,102	) (1,237	) (3,662	) (3,866
Less: expenses waived and reimbursed (See Note 5)	—	(333	) (347	) (733
Net expenses	20,083	16,960	59,059	51,784
Net investment income before income taxes	21,751	20,487	65,241	60,104
Income tax expense (benefit)	22	(172	) 113	130
Net investment income	21,729	20,659	65,128	59,974
Net realized gains (losses):				
Non-controlled/non-affiliated investments	1,150	(37	) 2,191	(13,508
Net change in unrealized appreciation (depreciation):				
Non-controlled/non-affiliated investments	3,837	(8,360	) 2,955	2,148
Non-controlled/affiliated investments	109	313	84	1,041
Controlled investments	(800	) (2,190	) 7,677	4,544
Securities purchased under collateralized agreements to resell	(957	) —	(1,031) —
Benefit (provision) for taxes	11	(581	) 819	(1,217
Net realized and unrealized gains (losses)	3,350	(10,855	) 12,695	(6,992
Net increase in net assets resulting from operations	\$25,079	\$ 9,804	\$77,823	\$ 52,982
Basic earnings per share	\$0.39	\$ 0.17	\$1.22	\$ 0.91

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Weighted average shares of common stock outstanding - basic (See Note 11)	63,758,062	58,725,338	63,843,730	58,269,543
Diluted earnings per share	\$0.37	\$ 0.17	\$1.14	\$ 0.86
Weighted average shares of common stock outstanding - diluted (See Note 11)	71,145,932	66,002,469	71,158,044	65,514,142
Dividends declared and paid per share	\$0.34	\$ 0.34	\$1.02	\$ 1.02

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

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New Mountain Finance Corporation

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

	Nine Months Ended	
	September 30, 2016	September 30, 2015
Increase (decrease) in net assets resulting from operations:		
Net investment income	\$65,128	\$ 59,974
Net realized gains (losses) on investments	2,191	(13,508)
Net change in unrealized appreciation (depreciation) of investments	10,716	7,733
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(1,031)	—
Benefit (provision) for taxes	819	(1,217)
Net increase in net assets resulting from operations	77,823	52,982
Capital transactions		
Net proceeds from shares sold	—	79,415
Deferred offering costs	38	(285)
Dividends declared to stockholders from net investment income	(65,095)	(59,240)
Reinvestment of dividends	1,486	3,655
Repurchase of shares under repurchase program	(2,948)	—
Total net (decrease) increase in net assets resulting from capital transactions	(66,519)	23,545
Net increase in net assets	11,304	76,527
Net assets at the beginning of the period	836,908	802,170
Net assets at the end of the period	\$848,212	\$ 878,697
Capital share activity		
Shares sold	—	5,750,000
Shares issued from reinvestment of dividends	—	257,497
Shares reissued from repurchase program in connection with reinvestment of dividends	107,970	—
Shares repurchased under repurchase program	(248,499)	—
Net (decrease) increase in shares outstanding	(140,529)	6,007,497

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

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New Mountain Finance Corporation

Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Nine Months Ended	
	September 30,	September 30,
	2016	2015
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$77,823	\$ 52,982
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	(2,191)	13,508
Net change in unrealized (appreciation) depreciation of investments	(10,716)	(7,733)
Net change in unrealized depreciation (appreciation) of securities purchased under collateralized agreements to resell	1,031	—
Amortization of purchase discount	(2,342)	(1,787)
Amortization of deferred financing costs	2,446	2,180
Non-cash investment income	(5,101)	(4,374)
(Increase) decrease in operating assets:		
Purchase of investments and delayed draw facilities	(336,310)	(397,745)
Proceeds from sales and paydowns of investments	352,607	344,753
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	86	157
Cash paid for purchase of drawn portion of revolving credit facilities	—	(3,227)
Cash paid on drawn revolvers	(10,899)	(1,160)
Cash repayments on drawn revolvers	8,111	4,299
Interest and dividend receivable	(2,822)	(4,156)
Receivable from affiliates	(485)	119
Receivable from unsettled securities sold	—	4,243
Other assets	(299)	(329)
Increase (decrease) in operating liabilities:		
Payable for unsettled securities purchased	40,249	(24,032)
Management fee payable	315	(8)
Incentive fee payable	(190)	231
Interest payable	2,027	1,367
Deferred tax liability	(819)	1,217
Payable to affiliates	3	(688)
Other liabilities	311	(735)
Net cash flows provided by (used in) operating activities	112,835	(20,918)
Cash flows from financing activities		
Net proceeds from shares sold	—	79,415
Dividends paid	(63,609)	(55,585)
Offering costs paid	(155)	(141)
Proceeds from Holdings Credit Facility	128,500	246,330
Repayment of Holdings Credit Facility	(238,900)	(328,900)
Proceeds from Convertible Notes	40,552	—
Proceeds from SBA-guaranteed debentures	4,000	66,295
Proceeds from Unsecured Notes	90,000	—
Proceeds from NMFC Credit Facility	156,500	101,300

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Repayment of NMFC Credit Facility	(204,000)	(83,800)
Deferred financing costs paid	(3,083) (2,829)
Repurchase of shares under repurchase program	(2,948) —	
Net cash flows (used in) provided by financing activities	(93,143	) 22,085	
Net increase in cash and cash equivalents	19,692	1,167	
Cash and cash equivalents at the beginning of the period	30,102	23,445	
Cash and cash equivalents at the end of the period	\$49,794	\$ 24,612	
Supplemental disclosure of cash flow information			
Cash interest paid	\$15,975	\$ 12,764	
Income taxes paid	11	151	
Non-cash operating activities:			
Non-cash activity on investments	\$167	\$ 60,652	
Non-cash financing activities:			
Value of shares reissued from repurchase program in connection with dividend reinvestment plan	\$1,486	\$ —	
Value of shares issued in connection with dividend reinvestment plan	—	3,655	
Accrual for offering costs	576	739	
Accrual for deferred financing costs	371	103	

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments

September 30, 2016

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments							
Funded Debt Investments - Australia							
Project Sunshine IV Pty Ltd**							
Media	First lien (2)	8.00% (L + 7.00%/M)	9/23/2019	\$ 6,826	\$ 6,801	\$ 6,732	0.79 %
Total Funded Debt Investments - Australia				\$ 6,826	\$ 6,801	\$ 6,732	0.79 %
Funded Debt Investments - Luxembourg							
Pinnacle Holdco S.à.r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien (2)	10.50% (L + 9.25%/Q)	7/30/2020	\$ 24,630	\$ 24,356	\$ 18,349	
	Second lien (3)	10.50% (L + 9.25%/Q)	7/30/2020	8,204	8,330	6,112	
Total Funded Debt Investments - Luxembourg				\$ 32,834	\$ 32,686	\$ 24,461	2.88 %
Total Funded Debt Investments - Luxembourg				\$ 32,834	\$ 32,686	\$ 24,461	2.88 %
Funded Debt Investments - Netherlands							
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)**							
Software	Second lien (3)	10.13% (L + 9.13%/Q)	2/17/2023	\$ 10,000	\$ 9,353	\$ 9,550	1.13 %
Total Funded Debt Investments - Netherlands				\$ 10,000	\$ 9,353	\$ 9,550	1.13 %
Funded Debt Investments - United Kingdom							
Air Newco LLC**							
Software	Second lien (3)	10.50% (L + 9.50%/Q)	1/31/2023	\$ 32,500	\$ 31,793	\$ 30,265	3.57 %
Total Funded Debt Investments - United Kingdom				\$ 32,500	\$ 31,793	\$ 30,265	3.57 %
Funded Debt Investments - United States							
TIBCO Software Inc.							

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Software	First lien (2)	6.50% (L + 5.50%/M)	12/4/2020	\$ 29,550	\$ 28,459	\$ 29,221	
	Subordinated (3)	11.38%/S	12/1/2021	15,000	14,647	13,425	
				44,550	43,106	42,646	5.03 %
Hill International, Inc.							
Business Services	First lien (2)	7.75% (L + 6.75%/M)	9/28/2020	41,650	41,233	41,650	4.91 %
Deltek, Inc.							
Software	Second lien (3)	9.50% (L + 8.50%/Q)	6/26/2023	21,000	20,987	21,289	
	Second lien (2)	9.50% (L + 8.50%/Q)	6/26/2023	20,000	19,634	20,275	
				41,000	40,621	41,564	4.90 %
AssuredPartners, Inc.							
Business Services	Second lien (2)	10.00% (L + 9.00%/M)	10/20/2023	20,000	19,263	19,925	
	Second lien (3)	10.00% (L + 9.00%/M)	10/20/2023	20,200	19,462	20,124	
				40,200	38,725	40,049	4.72 %
Navex Global, Inc.							
Software	First lien (4)	5.98% (L + 4.75%/Q)	11/19/2021	4,574	4,539	4,505	
	First lien (2)	5.98% (L + 4.75%/Q)	11/19/2021	2,589	2,568	2,550	
	Second lien (4)	10.30% (L + 8.75%/Q)	11/18/2022	18,187	17,978	17,642	
	Second lien (3)	10.30% (L + 8.75%/Q)	11/18/2022	15,313	14,845	14,853	
				40,663	39,930	39,550	4.66 %

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)

September 30, 2016

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Kronos Incorporated							
Software	Second lien (2)	9.75% (L + 8.50%/Q)	4/30/2020	\$ 32,632	\$32,464	\$33,350	
	Second lien (3)	9.75% (L + 8.50%/Q)	4/30/2020	4,999	4,964	5,109	
				37,631	37,428	38,459	4.53 %
Tenawa Resource Holdings LLC (13) Tenawa Resource Management LLC							
Energy	First lien (3)	10.50% (Base + 8.00%/Q)	5/12/2019	40,000	39,894	38,175	4.50 %
ProQuest LLC							
Business Services	Second lien (3)	10.00% (L + 9.00%/M)	12/15/2022	35,000	34,357	35,000	4.13 %
Ascend Learning, LLC							
Education	Second lien (3)	9.50% (L + 8.50%/Q)	11/30/2020	35,227	34,877	34,875	4.11 %
Redbox Automated Retail, LLC							
Consumer Services	First lien (2)	8.50% (L + 7.50%/Q)	9/27/2021	35,000	34,475	34,475	4.06 %
Valet Waste Holdings, Inc.							
Business Services	First lien (2)	8.00% (L + 7.00%/Q)	9/24/2021	29,700	29,381	29,700	
	First lien (3)(11) - Drawn	8.00% (L + 7.00%/Q)	9/24/2021	2,250	2,222	2,250	
				31,950	31,603	31,950	3.77 %
PetVet Care Centers LLC							
Consumer Services	Second lien (3)	10.25% (L + 9.25%/Q)	6/17/2021	24,000	23,812	24,000	
	Second lien (3)	10.50% (L + 9.50%/Q)	6/17/2021	6,500	6,441	6,561	
				30,500	30,253	30,561	3.60 %

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VetCor Professional Practices LLC

Consumer Services	First lien (4)	7.25% (L + 6.25%/Q)	4/20/2021	19,355	19,200	19,355	
	First lien (2)	7.25% (L + 6.25%/Q)	4/20/2021	7,813	7,664	7,813	
	First lien (4)(11) - Drawn	7.25% (L + 6.25%/Q)	4/20/2021	2,684	2,660	2,684	
	First lien (4)(11) - Drawn	7.25% (L + 6.25%/Q)	4/20/2021	113	111	113	
				29,965	29,635	29,965	3.53 %

CRGT Inc.

Federal Services	First lien (2)	7.50% (L + 6.50%/Q)	12/19/2020	29,720	29,541	29,795	3.51 %
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Integro Parent Inc.

Business Services	First lien (2)	6.75% (L + 5.75%/Q)	10/31/2022	19,856	19,500	19,557	
	Second lien (3)	10.25% (L + 9.25%/Q)	10/30/2023	10,000	9,908	9,650	
				29,856	29,408	29,207	3.45 %

Marketo, Inc.

Software	First lien (3)	10.50% (L + 9.50%/Q)	8/16/2021	26,820	26,426	26,418	3.12 %
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Ryan, LLC

Business Services	First lien (2)	6.75% (L + 5.75%/M)	8/7/2020	26,250	25,935	26,046	3.07 %
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DigiCert Holdings, Inc.

Software	First lien (2)	6.00% (L + 5.00%/Q)	10/21/2021	24,813	24,167	24,750	2.92 %
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Severin Acquisition, LLC

Software	Second lien (4)	9.75% (L + 8.75%/Q)	7/29/2022	15,000	14,869	15,000	
	Second lien (4)	9.75% (L + 8.75%/Q)	7/29/2022	4,154	4,116	4,154	
	Second lien (4)	10.25% (L + 9.25%/Q)	7/29/2022	3,273	3,242	3,305	
	Second lien (3)	10.25% (L + 9.25%/Q)	7/29/2022	1,825	1,807	1,843	
	Second lien (4)	10.25% (L + 9.25%/Q)	7/29/2022	300	297	303	
				24,552	24,331	24,605	2.90 %

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)

September 30, 2016

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
nThrive, Inc. (fka Precyse Acquisition Corp.)							
Healthcare Services	Second lien (2)	10.75% (L + 9.75%/M)	4/20/2023	\$ 25,000	\$24,580	\$24,562	2.90 %
AAC Holding Corp.							
Education	First lien (2)	8.25% (L + 7.25%/M)	9/30/2020	24,432	24,128	24,188	2.85 %
Pelican Products, Inc.							
Business Products	Second lien (3)	9.25% (L + 8.25%/Q)	4/9/2021	15,500	15,509	14,648	
	Second lien (2)	9.25% (L + 8.25%/Q)	4/9/2021	10,000	10,109	9,450	
				25,500	25,618	24,098	2.84 %
EN Engineering, LLC							
Business Services	First lien (2)	7.00% (L + 6.00%/Q)	6/30/2021	21,161	20,985	21,161	
	First lien (2)(11) - Drawn	7.67% (Base + 5.55%/Q)	6/30/2021	2,194	2,174	2,194	
				23,355	23,159	23,355	2.75 %
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (2)	7.75% (L + 6.50%/Q)	11/13/2017	23,277	23,145	23,160	2.73 %
TWDiamondback Holdings Corp. (15)							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien (4)	9.75% (L + 8.75%/Q)	11/19/2019	19,895	19,895	19,895	
	First lien (3)	9.75% (L + 8.75%/Q)	11/19/2019	2,158	2,158	2,158	
	First lien (4)	9.75% (L + 8.75%/Q)	11/19/2019	605	605	605	
				22,658	22,658	22,658	2.67 %
Vision Solutions, Inc.							

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Software	First lien (2)	7.50% (L + 6.50%/Q)	6/16/2022	22,500	22,284	22,388	2.64 %
TW-NHME Holdings Corp. (20) National HME, Inc.							
Healthcare Services	Second lien (4)	10.25% (L + 9.25%/Q)	7/14/2022	21,500	21,260	21,500	
	Second lien (3)	10.25% (L + 9.25%/Q)	7/14/2022	500	494	500	
				22,000	21,754	22,000	2.59 %
Weston Solutions, Inc.							
Business Services	Subordinated (4)	16.00%/Q	7/3/2019	20,000	20,000	20,600	2.43 %
IT'SUGAR LLC							
Retail	First lien (4)	10.50% (L + 9.50%/Q)	10/23/2019	20,843	20,193	20,032	2.36 %
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien (2)	12.25%/S	12/15/2018	25,000	25,000	18,040	
	First lien (3)	12.25%/S	12/15/2018	2,660	2,186	1,919	
				27,660	27,186	19,959	2.35 %
DCA Investment Holding, LLC							
Healthcare Services	First lien (2)	6.25% (L + 5.25%/Q)	7/2/2021	17,676	17,531	17,676	
	First lien (3)(11) - Drawn	7.75% (P + 4.25%/Q)	7/2/2021	2,091	2,070	2,091	
				19,767	19,601	19,767	2.33 %
Aricent Technologies							
Business Services	Second lien (2)	9.50% (L + 8.50%/Q)	4/14/2022	20,000	19,922	16,250	
	Second lien (3)	9.50% (L + 8.50%/Q)	4/14/2022	2,500	2,234	2,031	
				22,500	22,156	18,281	2.16 %
First American Payment Systems, L.P.							
Business Services	Second lien (2)	10.75% (L + 9.50%/M)	4/12/2019	18,643	18,468	18,037	2.13 %

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

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(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Project Alpha Intermediate Holding, Inc.							
Software	First lien (2)	9.25% (L + 8.25%/Q)	8/22/2022	\$ 18,000	\$17,823	\$17,820	2.10 %
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (4)	8.25% (L + 7.25%/Q)	8/4/2022	17,820	17,665	17,820	2.10 %
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien (2)	9.25% (L + 8.25%/M)	7/23/2020	18,500	18,372	17,726	2.09 %
Confie Seguros Holding II Co.							
Consumer Services	Second lien (2)	11.50% (P + 8.00%/Q)	5/8/2019	17,457	17,445	17,340	2.05 %
YP Holdings LLC / Print Media Holdings LLC (12) YP LLC / Print Media LLC							
Media	First lien (2)	12.25% (L + 11.00%/M)	6/4/2018	16,285	16,198	15,959	1.88 %
Greenway Health, LLC (fka Vitera Healthcare Solutions, LLC)							
Software	First lien (2)	6.00% (L + 5.00%/Q)	11/4/2020	1,945	1,933	1,890	
	Second lien (2)	9.25% (L + 8.25%/Q)	11/4/2021	14,000	13,427	13,230	
				15,945	15,360	15,120	1.78 %
Netsmart Inc. / Netsmart Technologies, Inc.							
Healthcare Information Technology	Second lien (2)	10.50% (L + 9.50%/M)	10/19/2023	15,000	14,639	14,850	1.75 %
Amerijet Holdings, Inc.							
Distribution & Logistics	First lien (4)	9.00% (L + 8.00%/M)	7/15/2021	12,696	12,604	12,602	
	First lien (4)		7/15/2021	2,116	2,101	2,100	

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		9.00% (L + 8.00%/M)			14,812	14,705	14,702	1.73 %
SW Holdings, LLC								
Business Services	Second lien (4)	9.75% (L + 8.75%/Q)	12/30/2021		14,265	14,143	14,265	1.68 %
Poseidon Intermediate, LLC								
Software	Second lien (2)	9.50% (L + 8.50%/Q)	8/15/2023		13,000	12,824	13,000	1.53 %
QC McKissock Investment, LLC (14)								
McKissock, LLC								
Education	First lien (2)	7.50% (L + 6.50%/Q)	8/5/2019		6,479	6,434	6,479	
	First lien (2)	7.50% (L + 6.50%/Q)	8/5/2019		3,089	3,070	3,089	
	First lien (2)	7.50% (L + 6.50%/Q)	8/5/2019		997	990	997	
					10,565	10,494	10,565	1.25 %
PowerPlan Holdings, Inc.								
Software	Second lien (2)	10.75% (L + 9.75%/M)	2/23/2023		10,000	9,914	10,000	1.18 %
FR Arsenal Holdings II Corp.								
Business Services	First lien (2)	8.25% (L + 7.25%/M)	9/8/2022		10,000	9,900	9,900	1.17 %
Quest Software US Holdings Inc.								
Software	First lien (2)	7.00% (L + 6.00%/Q)	10/31/2023		10,000	9,850	9,850	1.16 %
American Tire Distributors, Inc.								
Distribution & Logistics	Subordinated (3)	10.25%/S	3/1/2022		9,700	9,516	8,876	1.05 %
Harley Marine Services, Inc.								
Distribution & Logistics	Second lien (2)	10.50% (L + 9.25%/Q)	12/20/2019		9,000	8,891	8,550	1.01 %
J.D. Power and Associates								
Business Services	Second lien (3)	9.50% (L + 8.50%/Q)	9/7/2024		7,000	6,895	7,105	0.84 %
Permian Tank & Manufacturing, Inc.								
Energy	First lien (2)	10.50%/S(8)	1/15/2018		24,357	24,444	7,064	0.83 %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Lonestar Intermediate Super Holdings, LLC							
Business Services	Subordinated (3)	10.00% (L + 9.00%/Q)	8/31/2021	\$7,000	\$6,931	\$6,969	0.82 %
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien (2)	9.00% (L + 7.50%/Q)	4/21/2017	6,396	6,383	6,140	0.72 %
Solera LLC / Solera Finance, Inc.							
Software	Subordinated (3)	10.50%/S	3/1/2024	5,000	4,763	5,600	0.66 %
VF Holding Corp.							
Software	Second lien (3)	10.00% (L + 9.00%/Q)	6/28/2024	5,000	4,951	4,950	0.58 %
Immucor, Inc.							
Healthcare Services	Subordinated (2)(9)	11.13%/S	8/15/2019	5,000	4,970	4,738	0.56 %
Vencore, Inc. (fka The SI Organization Inc.)							
Federal Services	Second lien (3)	9.75% (L + 8.75%/Q)	5/23/2020	4,000	3,924	4,025	0.48 %
Transtar Holding Company							
Distribution & Logistics	Second lien (2)	13.25% (P + 9.75%/Q) (8)	10/9/2019	28,300	28,011	2,830	
	Second lien (3)	13.25% (P + 9.75%/Q) (8)	10/9/2019	9,564	2,889	956	
				37,864	30,900	3,786	0.45 %
Synarc-Biocore Holdings, LLC							
Healthcare Services	Second lien (3)	9.25% (L + 8.25%/Q)	3/10/2022	2,500	2,481	2,488	0.29 %
York Risk Services Holding Corp.							
Business Services	Subordinated (3)	8.50%/S	10/1/2022	3,000	3,000	2,348	0.28 %

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Ensemble S Merger Sub, Inc.									
Software	Subordinated (3)	9.00%/S	9/30/2023	2,000	1,937	2,110	0.25	%	
Education Management Corporation (19)									
Education Management II LLC									
Education	First lien (2)	5.50% (L + 4.50%/Q)	7/2/2020	250	240	68			
	First lien (3)	5.50% (L + 4.50%/Q)	7/2/2020	141	135	39			
	First lien (2)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	459	405	25			
	First lien (3)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	259	229	14			
				1,109	1,009	146	0.02	%	
Total Funded Debt Investments - United States				\$1,294,057	\$1,271,202	\$1,216,637	143.44	%	
Total Funded Debt Investments Equity - United States Crowley Holdings Preferred, LLC				\$1,376,217	\$1,351,835	\$1,287,645	151.81	%	
Distribution & Logistics	Preferred shares (3)(17)	12.00% (10.00% + 2.00% PIK/Q)*	—	52,843	\$52,303	\$52,843	6.23	%	
Tenawa Resource Holdings LLC (13)									
QID NGL LLC									
Energy	Ordinary shares (7)	—	—	5,290,997	5,291	3,028	0.36	%	
TWDiamondback Holdings Corp. (15)									
Distribution & Logistics	Preferred shares (4)	—	—	200	2,000	2,664	0.31	%	
TW-NHME Holdings Corp. (20)									
Healthcare Services	Preferred shares (4)	—	—	100	1,000	1,151			
	Preferred shares (4)	—	—	16	158	181			
	Preferred shares (4)	—	—	6	68	70			
					1,226	1,402	0.16	%	

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

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(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Ancora Acquisition LLC							
Education	Preferred shares (6)	—	—	372	\$83	\$393	0.05 %
Education Management Corporation (19)							
Education	Preferred shares (2)	—	—	3,331	200	1	
	Preferred shares (3)	—	—	1,879	113	1	
	Ordinary shares (2)	—	—	2,994,065	100	18	
	Ordinary shares (3)	—	—	1,688,976	56	10	
					469	30	— %
Total Shares - United States					\$61,372	\$60,360	7.11 %
Warrants - United States							
YP Holdings LLC / Print Media Holdings LLC (12)							
YP Equity Investors LLC							
Media	Warrants (5)	—	5/8/2022	5	\$—	\$3,628	0.42 %
IT'SUGAR LLC							
Retail	Warrants (3)	—	10/23/2025	94,672	817	752	0.09 %
ASP LCG Holdings, Inc.							
Education	Warrants (3)	—	5/5/2026	622	37	739	0.09 %
Ancora Acquisition LLC							
Education	Warrants (6)	—	8/12/2020	20	—	—	— %
Total Warrants - United States					\$854	\$5,119	0.60 %
Total Funded Investments					\$1,414,061	\$1,353,124	159.52 %
Unfunded Debt Investments - United States							
VetCor Professional Practices LLC							
Consumer Services	First lien (3)(11) - Undrawn	—	4/20/2021	\$2,700	\$(27)	\$—	
	First lien (4)(11) -	—	3/30/2018	387	(8)	—	

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	Undrawn First lien (2)(11) - Undrawn	—	6/22/2018	1,644	(33) —		
				4,731	(68) —	—	%
DCA Investment Holding, LLC								
Healthcare Services	First lien (3)(11) - Undrawn	—	7/2/2021	9	—	—	—	%
iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (3)(11) - Undrawn	—	8/4/2021	1,000	(10) —	—	%
EN Engineering, LLC								
Business Services	First lien (2)(11) - Undrawn	—	12/30/2016	1,368	(7) —	—	%
Valet Waste Holdings, Inc.								
Business Services	First lien (3)(11) - Undrawn	—	9/24/2021	1,500	(19) —	—	%
Marketo, Inc.								
Software	First lien (3)(11) - Undrawn	—	8/16/2021	1,788	(27	) (27) —	%
Total Unfunded Debt Investments				\$ 10,396	\$(131	) \$(27) —	%
Total Non-Controlled/Non-Affiliated Investments					\$ 1,413,930	\$ 1,353,097	159.52%	

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

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(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Affiliated Investments(21)							
Funded Debt Investments - United States							
Edmentum Ultimate Holdings, LLC (16)							
Education	Subordinated (3)	8.50% PIK/Q*	6/9/2020	\$ 4,036	\$4,030	\$4,036	
	Subordinated (2)	10.00% PIK/Q*	6/9/2020	14,785	14,785	12,242	
	Subordinated (3)	10.00% PIK/Q*	6/9/2020	3,637	3,637	3,012	
				22,458	22,452	19,290	2.28 %
Total Funded Debt Investments - United States				\$ 22,458	\$22,452	\$19,290	2.28 %
Equity - United States							
NMFC Senior Loan Program I LLC**							
Investment Fund	Membership interest (3)	—	—	—	\$23,000	\$23,000	2.71 %
Edmentum Ultimate Holdings, LLC (16)							
Education	Ordinary shares (3)	—	—	123,968	11	2,357	
	Ordinary shares (2)	—	—	107,143	9	2,037	
					20	4,394	0.52 %
Total Shares - United States					\$23,020	\$27,394	3.23 %
Unfunded Debt Investments - United States							
Edmentum Ultimate Holdings, LLC (16)							
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)							
Education	Second lien (3)(11) - Undrawn	—	6/9/2020	\$ 4,881	\$—	\$—	— %
				\$ 4,881	\$—	\$—	— %

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Total Unfunded Debt						
Investments						
Total Non-Controlled/Affiliated						
					\$45,472	\$46,684 5.51 %
Investments						
Controlled Investments(22)						
Funded Debt Investments -						
United States						
UniTek Global Services, Inc.						
Business Services	First lien (2)	8.50% (L + 7.50%/Q)	1/13/2019	\$ 10,846	\$10,846	\$10,846
	First lien (2)	9.50% (L + 7.50% + 1.00% PIK/Q)*	1/13/2019	4,772	4,772	4,772
	Subordinated (2)	15.00% PIK/Q*	7/13/2019	1,663	1,663	1,663
	Subordinated (3)	15.00% PIK/Q*	7/13/2019	995	995	995
				18,276	18,276	18,276 2.15 %
Total Funded Debt Investments				\$ 18,276	\$18,276	\$18,276 2.15 %
- United States						
Equity - United States						
NMFC Senior Loan Program						
II LLC**						
Investment Fund	Membership interest (3)	—	—	—	\$47,640	\$47,640 5.62 %
UniTek Global Services, Inc.						
Business Services	Preferred shares (2)(18)	—	—	18,426,531	16,046	16,252
	Preferred shares (3)(18)	—	—	5,092,217	4,434	4,491
	Ordinary shares (2)	—	—	2,096,477	1,925	12,566
	Ordinary shares (3)	—	—	579,366	532	3,473
					22,937	36,782 4.34 %

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(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
New Mountain Net Lease Corporation							
Net Lease	Ordinary shares (3)	—	—	165,000	\$16,500	\$16,500	1.94 %
Total Shares - United States					\$87,077	\$100,922	11.90 %
Total Funded Investments					\$105,353	\$119,198	14.05 %
Unfunded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	1/13/2019	\$ 2,048	\$—	\$—	
	First lien (3)(11) - Undrawn	—	1/13/2019	758	—	—	
				2,806	—	—	— %
Total Unfunded Debt Investments				\$ 2,806	\$—	\$—	— %
Total Controlled Investments					\$105,353	\$119,198	14.05 %
Total Investments					\$1,564,755	\$1,518,979	179.08 %

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

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

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

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

- (5) Investment is held in NMF YP Holdings, Inc.
- (6) Investment is held in NMF Ancora Holdings, Inc.
- (7) Investment is held in NMF QID NGL Holdings, Inc.
- (8) Investment or a portion of the investment is on non-accrual status. See Note 3, Investments, for details.
- (9) Securities are registered under the Securities Act.

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

- (10) (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 September 30, 2016.

Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving

- (11) 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.

The Company holds investments in three related entities of YP Holdings LLC/Print Media Holdings LLC. The Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which

- (12) at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP LLC and Print Media LLC, wholly-owned subsidiaries of YP Holdings LLC and Print Media Holdings LLC, respectively.

The Company holds investments in two related entities of Tenawa Resource Holdings LLC. The Company holds

- (13) 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) and holds a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.

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

- (14) represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds a first lien term loan and a delayed draw term loan in McKissock, LLC, a wholly-owned subsidiary of McKissock Investment Holdings, LLC.

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(15) The Company holds investments in TWDiamondback Holdings Corp. and one related entity of TWDiamondback Holdings Corp. The Company holds preferred equity in TWDiamondback Holdings Corp. and holds a first lien last out term loan and a delayed draw term loan in Diamondback Drugs of Delaware LLC, a wholly-owned subsidiary of TWDiamondback Holdings Corp.

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

(17) Total shares reported assumes shares issued for the capitalization of payment-in-kind ("PIK") interest. Actual shares owned total 50,000 as of September 30, 2016.

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

(19) The Company holds 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.

(20) The Company holds equity investments in TW-NHME Holdings Corp., as well as a second lien term loan investment in National HME, Inc., a wholly-owned subsidiary of TW-NHME Holdings Corp.

(21) Denotes investments in which the Company is an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended, 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, 2015 and September 30, 2016 along with transactions during the nine months ended September 30, 2016 in which the issuer was a non-controlled/affiliated investment is as follows:

Portfolio Company (1)	Fair Value at December 31, 2015	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at September 30, 2016	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ 22,782	\$ 5,587	\$ (4,002)	\$ —	\$ (683)	\$ 23,684	\$ 1,686	\$ —	\$ —
NMFC Senior Loan Program I LLC	21,914	—	—	—	1,086	23,000	—	2,868	877
Tenawa Resource Holdings LLC	42,591	16	(42,288)	—	(319)	—	2,243	—	25
Total Non-Controlled/Affiliated Investments	\$ 87,287	\$ 5,603	\$ (46,290)	\$ —	\$ 84	\$ 46,684	\$ 3,929	\$ 2,868	\$ 902

(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 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.

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(22) Denotes investments in which the Company is in “Control”, as defined in the Investment Company Act of 1940, as amended, 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, 2015 and September 30, 2016 along with transactions during the nine months ended September 30, 2016 in which the issuer was a controlled investment is as follows:

Portfolio Company (1)	Fair Value at December 31, 2015	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at September 30, 2016	Interest Income	Dividend Income	Other Income
New Mountain Net Lease Corporation	\$ —	\$ 16,500	\$ —	\$ —	\$ —	\$ 16,500	\$ —	\$ —	\$ —
NMFC Senior Loan Program II LLC	—	47,640	—	—	—	47,640	—	1,151	—
UniTek Global Services, Inc.	47,422	2,558	(2,599)	—	7,677	55,058	1,447	2,229	80
Total Controlled Investments	\$ 47,422	\$ 66,698	\$ (2,599)	\$ —	\$ 7,677	\$ 119,198	\$ 1,447	\$ 3,380	\$ 80

(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 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.

* 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 Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Company’s total assets at the time of acquisition of any additional non-qualifying assets. As of September 30, 2016, 8.8% of the Company’s total assets were non-qualifying assets.

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)

September 30, 2016

(unaudited)

Investment Type	September 30, 2016	
	Percent of Total Investments at Fair Value	
First lien	42.71	%
Second lien	38.83	%
Subordinated	5.70	%
Equity and other	12.76	%
Total investments	100.00	%

Industry Type	September 30, 2016	
	Percent of Total Investments at Fair Value	
Software	27.71	%
Business Services	26.17	%
Distribution & Logistics	7.51	%
Consumer Services	7.40	%
Education	6.23	%
Healthcare Services	4.93	%
Investment Fund	4.65	%
Energy	4.49	%
Federal Services	4.15	%
Media	1.73	%
Business Products	1.59	%
Retail	1.37	%
Net Lease	1.09	%
Healthcare Information Technology	0.98	%
Total investments	100.00	%

Interest Rate Type	September 30, 2016	
	Percent of Total Investments at Fair Value	
Floating rates	88.13	%
Fixed rates	11.87	%
Total investments	100.00	%

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments

December 31, 2015

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments							
Funded Debt Investments - Australia							
Project Sunshine IV Pty Ltd**							
Media	First lien (2)	8.00% (L + 7.00%/M)	9/23/2019	\$ 10,800	\$ 10,752	\$ 10,314	1.23 %
Total Funded Debt Investments - Australia				\$ 10,800	\$ 10,752	\$ 10,314	1.23 %
Funded Debt Investments - Luxembourg							
Pinnacle Holdco S.à.r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien (2)	10.50% (L + 9.25%/Q)	7/30/2020	\$ 24,630	\$ 24,339	\$ 19,581	
	Second lien (3)	10.50% (L + 9.25%/Q)	7/30/2020	8,204	8,324	6,522	
Total Funded Debt Investments - Luxembourg				32,834	32,663	26,103	3.12 %
Total Funded Debt Investments - Luxembourg				\$ 32,834	\$ 32,663	\$ 26,103	3.12 %
Funded Debt Investments - Netherlands							
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)**							
Software	Second lien (3)	10.13% (L + 9.13%/Q)	2/17/2023	\$ 10,000	\$ 9,303	\$ 9,049	1.08 %
Total Funded Debt Investments - Netherlands				\$ 10,000	\$ 9,303	\$ 9,049	1.08 %
Funded Debt Investments - United Kingdom							
Air Newco LLC**							
Software	Second lien (3)	10.50% (L + 9.50%/Q)	1/31/2023	\$ 32,500	\$ 31,736	\$ 31,363	3.75 %
Total Funded Debt Investments - United Kingdom				\$ 32,500	\$ 31,736	\$ 31,363	3.75 %
Funded Debt Investments - United States							
Deltek, Inc.							
Software	Second lien (3)	9.50% (L + 8.50%/Q)	6/26/2023	\$ 21,000	\$ 20,972	\$ 20,948	

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	Second lien (2)	9.50% (L + 8.50%/Q)	6/26/2023	20,000	19,619	19,950	
				41,000	40,591	40,898	4.89 %
TIBCO Software Inc.							
Software	First lien (2)	6.50% (L + 5.50%/M)	12/4/2020	29,775	28,508	27,021	
	Subordinated (3)	11.38%/S	12/1/2021	15,000	14,611	12,600	
				44,775	43,119	39,621	4.73 %
AssuredPartners, Inc.							
Business Services	Second lien (2)	10.00% (L + 9.00%/Q)	10/20/2023	20,000	19,212	19,600	
	Second lien (3)	10.00% (L + 9.00%/Q)	10/20/2023	20,000	19,212	19,600	
				40,000	38,424	39,200	4.68 %
Kronos Incorporated							
Software	Second lien (2)	9.75% (L + 8.50%/Q)	4/30/2020	32,641	32,443	32,546	
	Second lien (3)	9.75% (L + 8.50%/Q)	4/30/2020	5,000	4,961	4,985	
				37,641	37,404	37,531	4.48 %
Hill International, Inc.							
Business Services	First lien (2)	7.75% (L + 6.75%/Q)	9/28/2020	37,056	36,752	36,779	4.39 %
ProQuest LLC							
Business Services	Second lien (3)	10.00% (L + 9.00%/M)	12/15/2022	35,000	34,302	34,300	4.10 %

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, 2015

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Navex Global, Inc.							
Software	First lien (4)	5.75% (L + 4.75%/Q)	11/19/2021	\$ 4,610	\$4,570	\$4,471	
	First lien (2)	5.75% (L + 4.75%/Q)	11/19/2021	2,610	2,587	2,531	
	Second lien (4)	9.75% (L + 8.75%/Q)	11/18/2022	17,879	17,683	17,343	
	Second lien (3)	9.75% (L + 8.75%/Q)	11/18/2022	10,121	10,001	9,817	
				35,220	34,841	34,162	4.08 %
Ascend Learning, LLC							
Education	Second lien (3)	9.50% (L + 8.50%/Q)	11/30/2020	34,727	34,352	33,077	3.95 %
CRGT Inc.							
Federal Services	First lien (2)	7.50% (L + 6.50%/Q)	12/19/2020	33,261	33,030	32,928	3.93 %
Physio-Control International, Inc.							
Healthcare Products	Second lien (2)	10.00% (L + 9.00%/Q)	6/5/2023	30,000	29,426	27,451	
	Second lien (3)	10.00% (L + 9.00%/Q)	6/5/2023	4,000	3,703	3,660	
				34,000	33,129	31,111	3.72 %
Valet Waste Holdings, Inc.							
Business Services	First lien (2)	8.00% (L + 7.00%/Q)	9/24/2021	29,925	29,564	29,505	
	First lien (3)(11) - Drawn	8.00% (L + 7.00%/Q)	9/24/2021	1,500	1,481	1,479	
				31,425	31,045	30,984	3.70 %
Rocket Software, Inc.							
Software	Second lien (2)	10.25% (L + 8.75%/Q)	2/8/2019	30,875	30,781	30,759	3.68 %
TASC, Inc.							
Federal Services	First lien (2)	7.00% (L + 6.00%/Q)	5/22/2020	28,314	28,001	28,396	
	Second lien (3)	12.00%/Q	5/21/2021	2,000	1,964	2,062	
				30,314	29,965	30,458	3.64 %

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Pittsburgh Glass Works, LLC (24)							
Manufacturing	First lien (2)	10.13% (L + 9.13%/M)	11/25/2021	30,000	29,852	29,850	3.57 %
Integro Parent Inc.							
Business Services	First lien (2)	6.75% (L + 5.75%/Q)	10/31/2022	17,370	17,029	16,980	
	First lien (2)	6.75% (L + 5.75%/M)	10/31/2022	2,630	2,578	2,570	
	Second lien (3)	10.25% (L + 9.25%/Q)	10/30/2023	10,000	9,901	9,625	
				30,000	29,508	29,175	3.49 %
CompassLearning, Inc. (15)							
Education	First lien (2)	8.00% (L + 6.75%/Q)	11/26/2018	30,000	29,531	28,471	3.40 %
Ryan, LLC							
Business Services	First lien (2)	6.75% (L + 5.75%/M)	8/7/2020	27,300	26,918	26,583	3.18 %
McGraw-Hill Global Education Holdings, LLC							
Education	First lien (2)(9)	9.75%/S	4/1/2021	24,500	24,378	26,093	3.12 %
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (2)	7.75% (L + 6.50%/M)	11/13/2017	25,876	25,636	25,747	3.08 %
DigiCert Holdings, Inc.							
Software	First lien (2)	6.00% (L + 5.00%/Q)	10/21/2021	25,000	24,268	24,375	2.91 %
Pelican Products, Inc.							
Business Products	Second lien (3)	9.25% (L + 8.25%/Q)	4/9/2021	15,500	15,519	14,764	
	Second lien (2)	9.25% (L + 8.25%/Q)	4/9/2021	10,000	10,115	9,524	
				25,500	25,634	24,288	2.90 %

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, 2015

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Confie Seguros Holding II Co.							
Consumer Services	Second lien (2)	10.25% (L + 9.00%/M)	5/8/2019	\$ 18,886	\$18,789	\$18,673	
	Second lien (3)	10.25% (L + 9.00%/M)	5/8/2019	5,571	5,648	5,508	
				24,457	24,437	24,181	2.89 %
AAC Holding Corp.							
Education	First lien (2)	8.25% (L + 7.25%/M)	9/30/2020	25,000	24,640	24,110	2.88 %
Transtar Holding Company							
Distribution & Logistics	Second lien (2)	10.00% (L + 8.75%/Q)	10/9/2019	28,300	27,974	23,630	2.82 %
PetVet Care Centers LLC							
Consumer Services	Second lien (3)	9.75% (L + 8.75%/Q)	6/17/2021	24,000	23,789	23,149	2.77 %
EN Engineering, L.L.C.							
Business Services	First lien (2)	7.00% (L + 6.00%/Q)	6/30/2021	21,321	21,121	20,554	
	First lien (2)(11) - Drawn	8.50% (P + 5.00%/Q)	6/30/2021	1,223	1,211	1,179	
				22,544	22,332	21,733	2.60 %
Aricent Technologies							
Business Services	Second lien (2)	9.50% (L + 8.50%/M)	4/14/2022	20,000	19,881	19,133	
	Second lien (3)	9.50% (L + 8.50%/M)	4/14/2022	2,550	2,558	2,440	
				22,550	22,439	21,573	2.58 %
McGraw-Hill School Education Holdings, LLC							
Education	First lien (2)	6.25% (L + 5.00%/M)	12/18/2019	21,560	21,408	21,237	2.54 %
VetCor Professional Practices LLC							
Consumer Services	First lien (4)	7.00% (L + 6.00%/Q)	4/20/2021	19,502	19,324	19,254	
	First lien (4)(11) - Drawn	7.00% (L + 6.00%/Q)	4/20/2021	1,753	1,736	1,731	
				21,255	21,060	20,985	2.51 %

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IT'SUGAR LLC							
Retail	First lien (4)	10.50% (L + 9.50%/Q)	10/23/2019	21,000	20,215	20,183	2.41 %
Weston Solutions, Inc.							
Business Services	Subordinated (4)	16.00%/Q	7/3/2019	20,000	20,000	19,430	2.32 %
TWDiamondback Holdings Corp. (18)							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien (4)	9.75% (L + 8.75%/Q)	11/19/2019	19,895	19,895	19,117	2.28 %
Severin Acquisition, LLC							
Software	Second lien (4)	9.25% (L + 8.25%/Q)	7/29/2022	15,000	14,857	14,272	
	Second lien (4)	9.75% (L + 8.75%/Q)	7/29/2022	4,154	4,113	4,112	
				19,154	18,970	18,384	2.20 %
First American Payment Systems, L.P.							
Business Services	Second lien (2)	10.75% (L + 9.50%/M)	4/12/2019	18,643	18,423	18,362	2.20 %
DCA Investment Holding, LLC							
Healthcare Services	First lien (2)	6.25% (L + 5.25%/Q)	7/2/2021	17,811	17,645	17,632	
	First lien (3)(11) - Drawn	7.75% (P + 4.25%/Q)	7/2/2021	53	52	52	
				17,864	17,697	17,684	2.11 %
YP Holdings LLC / Print Media Holdings LLC (12)							
YP LLC / Print Media LLC							
Media	First lien (2)	8.00% (L + 6.75%/M)	6/4/2018	18,320	18,182	17,679	2.11 %

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, 2015

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (4)	8.25% (L + 7.25%/Q)	8/4/2022	\$ 17,955	\$ 17,783	\$ 17,550	2.10 %
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien (2)	9.25% (L + 8.25%/M)	7/23/2020	18,500	18,352	17,066	2.04 %
Vertafore, Inc.							
Software	Second lien (2)	9.75% (L + 8.25%/M)	10/27/2017	13,855	13,848	13,844	
	Second lien (3)	9.75% (L + 8.25%/M)	10/27/2017	2,000	2,016	1,999	
				15,855	15,864	15,843	1.89 %
GSDM Holdings Corp.							
Healthcare Services	Subordinated (4)	10.00%/M	6/23/2020	15,000	14,880	15,000	1.79 %
MailSouth, Inc. (d/b/a Mspark)							
Media	First lien (2)	6.75% (L + 5.00%/Q)	12/14/2016	14,998	14,736	14,586	1.74 %
TW-NHME Holdings Corp. (23)							
National HME, Inc.							
Healthcare Services	Second lien (4)	10.25% (L + 9.25%/Q)	7/14/2022	14,000	13,833	13,825	1.65 %
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien (2)	12.25%/S	12/15/2018	25,000	25,000	12,251	
	First lien (3)	12.25%/S	12/15/2018	2,660	2,064	1,302	
				27,660	27,064	13,553	1.62 %
Vision Solutions, Inc.							
Software	Second lien (2)	9.50% (L + 8.00%/M)	7/23/2017	14,000	13,978	12,740	1.52 %
SW Holdings, LLC							
Business Services	Second lien (4)	9.75% (L + 8.75%/Q)	12/30/2021	13,500	13,373	12,701	1.52 %

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Poseidon Intermediate, LLC	Software	Second lien (2)	9.50% (L + 8.50%/Q)	8/15/2023	13,000	12,811	12,427	1.49 %
American Tire Distributors, Inc.	Distribution & Logistics	Subordinated (3)	10.25%/S	3/1/2022	13,000	12,798	11,960	1.43 %
PowerPlan Holdings, Inc.	Software	Second lien (2)	10.75% (L + 9.75%/M)	2/23/2023	10,000	9,907	9,573	1.14 %
Permian Tank & Manufacturing, Inc.	Energy	First lien (2)	10.50%/S	1/15/2018	24,357	24,493	9,377	1.12 %
TTM Technologies, Inc.**	Business Products	First lien (2)	6.00% (L + 5.00%/Q)	5/31/2021	9,980	9,554	9,132	1.09 %
Smile Brands Group Inc.	Healthcare Services	First lien (2)	9.00% (L + 6.25% + 1.50% PIK/Q)*	8/16/2019	12,204	12,091	8,878	1.06 %
Harley Marine Services, Inc.	Distribution & Logistics	Second lien (2)	10.50% (L + 9.25%/Q)	12/20/2019	9,000	8,868	8,865	1.06 %
QC McKissock Investment, LLC (17)	Education	First lien (2)	7.50% (L + 6.50%/Q)	8/5/2019	4,875	4,838	4,707	
McKissock, LLC		First lien (2)	7.50% (L + 6.50%/Q)	8/5/2019	3,148	3,124	3,039	
		First lien (2)(11) - Drawn	7.50% (L + 6.50%/Q)	8/5/2019	1,016	1,007	981	
					9,039	8,969	8,727	1.04 %

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

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Consolidated Schedule of Investments (Continued)

December 31, 2015

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets	
Greenway Health, LLC (fka Vitera Healthcare Solutions, LLC)								
Software	First lien (2)	6.00% (L + 5.00%/Q)	11/4/2020	\$ 1,960	\$ 1,946	\$ 1,877		
	Second lien (2)	9.25% (L + 8.25%/Q)	11/4/2021	7,000	6,917	6,720		
				8,960	8,863	8,597	1.03	%
Novitex Acquisition, LLC (fka ARSloane Acquisition, LLC)								
Business Services	First lien (2)	7.50% (L + 6.25%/Q)	7/7/2020	7,242	7,064	6,807	0.81	%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)								
Federal Services	First lien (2)	9.00% (L + 7.50%/M)	4/21/2017	6,859	6,828	6,344	0.76	%
Brock Holdings III, Inc.								
Industrial Services	Second lien (2)	10.00% (L + 8.25%/Q)	3/16/2018	7,000	6,953	5,443	0.65	%
Packaging Coordinators, Inc. (13)								
Healthcare Products	Second lien (3)	9.00% (L + 8.00%/Q)	8/1/2022	5,000	4,957	4,925	0.59	%
Immucor, Inc.								
Healthcare Services	Subordinated (2)(9)	11.13%/S	8/15/2019	5,000	4,963	4,575	0.55	%
GCA Services Group, Inc.								
Business Services	Second lien (3)	9.25% (L + 8.00%/Q)	11/2/2020	4,000	3,973	3,950	0.47	%
York Risk Services Holding Corp.								
Business Services	Subordinated (3)	8.50%/S	10/1/2022	3,000	3,000	2,471	0.30	%

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Synarc-Biocore Holdings, LLC									
Healthcare Services	Second lien (3)	9.25% (L + 8.25%/Q)	3/10/2022	2,500	2,479	2,313	0.28	%	
Ensemble S Merger Sub, Inc.									
Software	Subordinated (3)	9.00%/S	9/30/2023	2,000	1,933	1,940	0.23	%	
Education Management Corporation (22)									
Education Management II LLC									
Education	First lien (2)	5.50% (L + 4.50%/Q)	7/2/2020	250	238	69			
	First lien (3)	5.50% (L + 4.50%/Q)	7/2/2020	141	134	39			
	First lien (2)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	437	375	46			
	First lien (3)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	247	212	26			
				1,075	959	180	0.02	%	
ATI Acquisition Company (fka Ability Acquisition, Inc.) (14)									
Education	First lien (2)	17.25% (P + 10.00% + 4.00% PIK/Q) (8)*	6/30/2012 - Past Due	1,665	1,434	—			
	First lien (2)	17.25% (P + 10.00% + 4.00% PIK/Q) (8)*	6/30/2012 - Past Due	103	94	—			
				1,768	1,528	—	—	%	
Total Funded Debt Investments - United States				\$ 1,314,464	\$ 1,297,775	\$ 1,237,175	147.83	%	
Total Funded Debt Investments Equity - United Kingdom				\$ 1,400,598	\$ 1,382,229	\$ 1,314,004	157.01	%	
Packaging Coordinators, Inc. (13)									
PCI Pharma Holdings UK Limited**									
Healthcare Products	Ordinary shares (2)	—	—	19,427	\$ 578	\$ 1,612	0.19	%	

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Total Shares - United Kingdom					\$578	\$1,612	0.19	%
Equity - United States Crowley Holdings Preferred, LLC								
		12.00%						
Distribution & Logistics	Preferred shares (3)(20)	(10.00% + 2.00% PIK/Q)*	—	52,058	\$51,518	\$51,911	6.20	%

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Consolidated Schedule of Investments (Continued)

December 31, 2015

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets	
TWDiamondback Holdings Corp. (18)								
Distribution & Logistics	Preferred shares (4)	—	—	200	\$2,000	\$2,000	0.24	%
TW-NHME Holdings Corp. (23)								
Healthcare Services	Preferred shares (4)	—	—	100	1,000	1,000	0.12	%
Ancora Acquisition LLC (14)								
Education	Preferred shares (6)	—	—	372	83	393	0.05	%
Education Management Corporation (22)								
Education	Preferred shares (2)	—	—	3,331	200	10		
	Preferred shares (3)	—	—	1,879	113	5		
	Ordinary shares (2)	—	—	2,994,065	100	202		
	Ordinary shares (3)	—	—	1,688,976	56	114		
					469	331	0.04	%
Total Shares - United States					\$55,070	\$55,635	6.65	%
Total Shares					\$55,648	\$57,247	6.84	%
Warrants - United States								
YP Holdings LLC / Print Media Holdings LLC (12)								
YP Equity Investors, LLC								
Media	Warrants (5)	—	5/8/2022	5	\$—	\$5,304	0.63	%
IT'SUGAR LLC								
Retail	Warrants (3)	—	10/23/2025	94,672	817	817	0.10	%
ASP LCG Holdings, Inc.								
Education	Warrants (3)	—	5/5/2026	622	37	610	0.07	%

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Ancora Acquisition									
LLC (14)									
Education	Warrants (6)	—	8/12/2020	20	—	—	—	—	%
Total Warrants - United States					\$854	\$6,731	0.80		%
Total Funded Investments					\$1,438,731	\$1,377,982	164.65		%
Unfunded Debt									
Investments - United States									
DCA Investment Holdings, LLC									
Healthcare Services	First lien (3)(11) - Undrawn	—	7/2/2021	\$ 2,047	\$(20)	\$(20)	—		%
iPipeline, Inc. (Internet Pipeline, Inc.)									
Software	First lien (3)(11) - Undrawn	—	8/4/2021	1,000	(10)	(23)	—		%
Valet Waste Holdings, Inc.									
Business Services	First lien (3)(11) - Undrawn	—	9/24/2021	3,000	(38)	(42)	—		%
VetCor Professional Practices LLC									
Consumer Services	First lien (3)(11) - Undrawn	—	4/20/2021	2,700	(27)	(34)			
	First lien (4)(11) - Undrawn	—	4/20/2021	947	(9)	(12)			
				3,647	(36)	(46)	(0.01)		%

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, 2015

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
QC McKissock Investment, LLC (17) McKissock, LLC	First lien (2)(11) - Undrawn	—	12/31/2015	\$ 1,862	\$(19)	\$(64)	(0.01)%
Education							
MailSouth, Inc. (d/b/a Mspark)	First lien (3)(11) - Undrawn	—	12/14/2016	1,900	(181)	(79)	(0.01)%
Media							
EN Engineering, L.L.C.	First lien (2)(11) - Undrawn	—	12/30/2016	2,348	(12)	(85)	(0.01)%
Business Services							
TWDiamondback Holdings Corp. (18) Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)	First lien (3)(11) - Undrawn	—	2/16/2016	2,158	—	(84)	
Distribution & Logistics							
	First lien (4)(11) - Undrawn	—	2/16/2016	605	—	(24)	
				2,763	—	(108)	(0.01)%
Total Unfunded Debt Investments				\$ 18,567	\$(316)	\$(467)	(0.05)%
Total Non-Controlled/Non-Affiliated Investments					\$ 1,438,415	\$ 1,377,515	164.60 %
Non-Controlled/Affiliated Investments(25) Funded Debt Investments - United States							

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Tenawa Resource Holdings LLC (16)								
Tenawa Resource Management LLC								
Energy	First lien (3)	10.50% (Base + 8.00%/Q)	5/12/2019	\$40,000	\$39,869	\$38,813	4.64	%
Edmentum Ultimate Holdings, LLC (19)								
Education	Subordinated (3)	8.50% PIK/Q*	6/9/2020	3,786	3,778	3,622		
	Subordinated (2)	10.00% PIK/Q*	6/9/2020	13,715	13,715	10,547		
	Subordinated (3)	10.00% PIK/Q*	6/9/2020	3,374	3,374	2,595		
				20,875	20,867	16,764	2.00	%
Total Funded Debt Investments - United States				\$60,875	\$60,736	\$55,577	6.64	%
Equity - United States NMFC Senior Loan Program I LLC**								
Investment Fund	Membership interest (3)	—	—	—	\$23,000	\$21,914	2.62	%
Edmentum Ultimate Holdings, LLC (19)								
Education	Ordinary shares (3)	—	—	123,968	11	3,341		
	Ordinary shares (2)	—	—	107,143	9	2,888		
					20	6,229	0.74	%
Tenawa Resource Holdings LLC (16)								
QID NGL LLC								
Energy	Ordinary shares (7)	—	—	5,290,997	5,291	3,778	0.45	%
Total Shares - United States					\$28,311	\$31,921	3.81	%

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, 2015

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Unfunded Debt Investments							
- United States							
Edmentum Ultimate Holdings, LLC (19)							
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)							
Education	Second lien (3)(11) - Undrawn	—	6/9/2020	\$ 4,881	\$—	\$ (211)	(0.02)%
Total Unfunded Debt Investments				\$ 4,881	\$—	\$ (211)	(0.02)%
Total Non-Controlled/Affiliated Investments					\$ 89,047	\$ 87,287	10.43%
Controlled Investments(26)							
Funded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (2)	8.50% (L + 7.50%/Q)	1/13/2019	\$ 6,786	\$ 6,786	\$ 6,640	
	First lien (3)	8.50% (L + 7.50%/Q)	1/13/2019	4,060	4,060	3,973	
	First lien (3)	9.50% (L + 7.50% + 1.00% PIK/Q)*	1/13/2019	7,323	7,323	7,257	
	Subordinated (2)	15.00% PIK/Q*	7/13/2019	1,487	1,487	1,417	
	Subordinated (3)	15.00% PIK/Q*	7/13/2019	890	890	848	
Total Funded Debt Investments - United States				20,546	20,546	20,135	2.40%
Equity - United States				\$ 20,546	\$ 20,546	\$ 20,135	2.40%
UniTek Global Services, Inc.							
Business Services		—	—	16,680,037	\$ 14,299	\$ 13,870	

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	Preferred shares (2)(21)								
	Preferred shares (3)(21)	—	—	4,609,569	3,952	3,833			
	Ordinary shares (2)	—	—	2,096,477	1,925	7,528			
	Ordinary shares (3)	—	—	579,366	532	2,081			
						20,708	27,312	3.26	%
Total Shares - United States						\$20,708	\$27,312	3.26	%
Total Funded Investments						\$41,254	\$47,447	5.66	%
Unfunded Debt Investments - United States									
UniTek Global Services, Inc.									
Business Services	First lien (3)(11) - Undrawn	—	1/13/2019	\$ 2,048	\$—	\$(18)		
	First lien (3)(11) - Undrawn	—	1/13/2019	758	—	(7)		
				2,806	—	(25)	—	%
Total Unfunded Debt Investments				\$ 2,806	\$—	\$(25)	—	%
Total Controlled Investments						\$41,254	\$47,422	5.66	%
Total Investments						\$1,568,716	\$1,512,224	180.69	%

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

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

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

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, 2015

(in thousands, except shares)

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

(5) Investment is held in NMF YP Holdings, Inc.

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

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

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

(9) Securities are registered under the Securities Act.

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

(10) (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, 2015.

Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving

(11) credit facilities or delayed draws. Cost amounts represent the cash received at settlement date net the impact of paydowns and cash paid for drawn revolvers or delayed draws.

The Company holds investments in three related entities of YP Holdings LLC/Print Media Holdings LLC. The Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which

(12) at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP LLC and Print Media LLC, wholly-owned subsidiaries of YP Holdings LLC and Print Media Holdings LLC, respectively.

The Company holds investments in Packaging Coordinators, Inc. and one related entity of Packaging

(13) Coordinators, Inc. The Company has a debt investment in Packaging Coordinators, Inc. and holds ordinary equity in PCI Pharma Holdings UK Limited, a wholly-owned subsidiary of Packaging Coordinators, Inc.

The Company holds investments in ATI Acquisition Company and Ancora Acquisition LLC. The Company has

(14) debt investments in ATI Acquisition Company and preferred equity and warrants to purchase units of common membership interests of Ancora Acquisition LLC. The Company received its investments in Ancora Acquisition LLC as a result of its investments in ATI Acquisition Company.

(15) The Company holds an investment in CompassLearning, Inc. that is structured as a first lien last out term loan.

The Company holds investments in two related entities of Tenawa Resource Holdings LLC. The Company holds

(16) 5.25% 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) and holds a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.

The Company holds investments in QC McKissock Investment, LLC and one related entity of QC McKissock

(17) Investment, LLC. The Company holds a first lien term loan in QC McKissock Investment, LLC (which at closing represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds a first lien term loan and a delayed draw term loan in McKissock, LLC, a wholly-owned subsidiary of McKissock Investment Holdings, LLC.

The Company holds investments in TWDiamondback Holdings Corp. and one related entity of TWDiamondback

(18) Holdings Corp. The Company holds preferred equity in TWDiamondback Holdings Corp. and holds a first lien last out term loan and a delayed draw term loan in Diamondback Drugs of Delaware LLC, a wholly-owned subsidiary of TWDiamondback Holdings Corp.

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

Ultimate Holdings, LLC.

- (20) Total shares reported assumes shares issued for the capitalization of payment-in-kind ("PIK") interest. Actual shares owned total 50,000 as of December 31, 2015.
- (21) 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.
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.
- (22) The Company holds an equity investment in TW-NHME Holdings Corp., as well as a second lien term loan investment in National HME, Inc., a wholly-owned subsidiary of TW-NHME Holdings Corp.
- (23) The Company holds an investment in Pittsburgh Glass Works, LLC that is structured as a first lien last out term loan.
- (24)

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, 2015

(in thousands, except shares)

Denotes investments in which the Company is an “Affiliated Person”, as defined in the Investment Company Act of 1940, as amended, due to owning or holding the power to vote 5.0% or more of the outstanding voting securities (25) of the investment but not controlling the company. Fair value as of December 31, 2014 and December 31, 2015 along with transactions during the year ended December 31, 2015 in which the issuer was a non-controlled/affiliated investment is as follows:

Portfolio Company (1)	Fair Value at December 31, 2014	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses) (C)	Net Change in Unrealized Appreciation (Depreciation) (D)	Fair Value at December 31, 2015	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ —	\$ 23,937	\$ (3,050)	\$ — 1,895	\$ 22,782	\$ 1,171	\$ —	\$ —	
NMFC Senior Loan Program I LLC	22,461	—	—	— (547)	21,914	—	3,619	1,215	
Tenawa Resource Holdings LLC	—	44,572	—	— (1,981)	42,591	4,231	—	750	
Total Non-Controlled/Affiliated Investments	\$ 22,461	\$ 68,509	\$ (3,050)	\$ — (633)	\$ 87,287	\$ 5,402	\$ 3,619	\$ 1,965	

Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK (A) 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.

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

Denotes investments in which the Company is in “Control”, as defined in the Investment Company Act of 1940, as amended, due to owning or holding the power to vote 25.0% or more of the outstanding voting securities of the (26) investment. Fair value as of December 31, 2014 and December 31, 2015 along with transactions during the year ended December 31, 2015 in which the issuer was a controlled investment is as follows:

Portfolio Company (1)	Fair Value at December 31, 2014	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses) (C)	Net Change in Unrealized Appreciation (Depreciation) (D)	Fair Value at December 31, 2015	Interest Income	Dividend Income	Other Income
UniTek Global Services, Inc.	\$ —	\$ 42,780	\$ (1,526)	\$ — 6,168	\$ 47,422	\$ 2,007	\$ 2,559	\$ 49	
Total Controlled Investments	\$ —	\$ 42,780	\$ (1,526)	\$ — 6,168	\$ 47,422	\$ 2,007	\$ 2,559	\$ 49	

Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK (A) 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.

* 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 Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Company’s total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2015, 6.8% of the Company’s total assets were non-qualifying assets.

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, 2015

Investment Type	December 31, 2015	
	Percent of Total	
	Investments at Fair Value	
First lien	44.31	%
Second lien	41.79	%
Subordinated	5.75	%
Equity and other	8.15	%
Total investments	100.00	%

Industry Type	December 31, 2015	
	Percent of Total	
	Investments at Fair Value	
Software	24.53	%
Business Services	24.36	%
Education	10.97	%
Distribution & Logistics	7.76	%
Federal Services	6.31	%
Consumer Services	4.52	%
Energy	4.33	%
Healthcare Services	4.18	%
Media	3.16	%
Healthcare Products	2.49	%
Business Products	2.21	%
Manufacturing	1.98	%
Investment Fund	1.45	%
Retail	1.39	%
Industrial Services	0.36	%
Total investments	100.00	%

Interest Rate Type	December 31, 2015	
	Percent of Total	
	Investments at Fair Value	
Floating rates	86.26	%
Fixed rates	13.74	%
Total investments	100.00	%

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

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Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation

September 30, 2016

(in thousands, except share data)

(unaudited)

Note 1. Formation and Business Purpose

New Mountain Finance Corporation

New Mountain Finance Corporation (“NMFC” or the “Company”) is a Delaware corporation that was originally incorporated on June 29, 2010. NMFC is a closed-end, non-diversified management investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). As such, NMFC is obligated to comply with certain regulatory requirements. NMFC has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended, (the “Code”). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

On May 19, 2011, NMFC priced its initial public offering (the “IPO”) of 7,272,727 shares of common stock at a public offering price of \$13.75 per share. Concurrently with the closing of the IPO and at the public offering price of \$13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital L.L.C. (“New Mountain Capital”, defined as New Mountain Capital Group, L.L.C. and its affiliates) in a concurrent private placement (the “Concurrent Private Placement”).

Additionally, 1,252,964 shares were issued to the partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities (as defined below). In connection with NMFC’s IPO and through a series of transactions, New Mountain Finance Holdings, L.L.C. (“NMF Holdings” or the “Predecessor Operating Company”) acquired all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

New Mountain Finance Holdings, L.L.C.

NMF Holdings is a Delaware limited liability company. Until May 8, 2014, NMF Holdings was externally managed and was regulated as a BDC under the 1940 Act. As such, NMF Holdings was obligated to comply with certain regulatory requirements. NMF Holdings was treated as a partnership for United States (“U.S.”) federal income tax purposes for so long as it had at least two members. With the completion of the underwritten secondary offering on February 3, 2014, NMF Holdings’ existence as a partnership for U.S. federal income tax purposes terminated and NMF Holdings became an entity that is disregarded as a separate entity from its owner for U.S. federal tax purposes. For additional information on the Company’s organizational structure prior to May 8, 2014, see “—Restructuring”.

Until May 8, 2014, NMF Holdings was externally managed by New Mountain Finance Advisers BDC, L.L.C. (the “Investment Adviser”). As of May 8, 2014, the Investment Adviser serves as the external investment adviser to NMFC.

New Mountain Finance Administration, L.L.C. (the “Administrator”) provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital. 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. NMF Holdings, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. (“Guardian AIV”) by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately \$300.0 million of the \$5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising \$20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the “Predecessor Entities”.

Prior to December 18, 2014, New Mountain Finance SPV Funding, L.L.C. (“NMF SLF”) was a Delaware limited liability company. NMF SLF was a wholly-owned subsidiary of NMF Holdings and thus a wholly-owned indirect

subsidiary of the Company. NMF SLF was bankruptcy-remote and non-recourse to NMFC. As part of an amendment to the Company's existing credit facilities with Wells Fargo Bank, National Association, NMF SLF merged with and into NMF Holdings on December 18, 2014. See Note 7, Borrowings, for details.

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New Mountain Finance AIV Holdings Corporation

Until April 25, 2014, New Mountain Finance AIV Holdings Corporation (“AIV Holdings”) was a Delaware corporation that was originally incorporated on March 11, 2011. AIV Holdings was dissolved on April 25, 2014. Guardian AIV, a Delaware limited partnership, was AIV Holdings’ sole stockholder. AIV Holdings was a closed-end, non-diversified management investment company that was regulated as a BDC under the 1940 Act. As such, AIV Holdings was obligated to comply with certain regulatory requirements. AIV Holdings was treated, and complied with the requirements to qualify annually, as a RIC under the Code.

Structure

Prior to the Restructuring (as defined below) on May 8, 2014, NMFC and AIV Holdings were holding companies with no direct operations of their own, and their sole asset was their ownership in NMF Holdings. In connection with the IPO, NMFC and AIV Holdings each entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated (the “Operating Agreement”), of NMF Holdings, pursuant to which NMFC and AIV Holdings were admitted as members of NMF Holdings. NMFC acquired from NMF Holdings, with the gross proceeds of the IPO and the Concurrent Private Placement, common membership units (“units”) of NMF Holdings (the number of units were equal to the number of shares of NMFC’s common stock sold in the IPO and the Concurrent Private Placement). Additionally, NMFC received units of NMF Holdings equal to the number of shares of common stock of NMFC issued to the partners of New Mountain Guardian Partners, L.P. Guardian AIV was the parent of NMF Holdings prior to the IPO and, as a result of the transactions completed in connection with the IPO, obtained units in NMF Holdings. Guardian AIV contributed its units in NMF Holdings to its newly formed subsidiary, AIV Holdings, in exchange for common stock of AIV Holdings. AIV Holdings had the right to exchange all or any portion of its units in NMF Holdings for shares of NMFC’s common stock on a one-for-one basis at any time.

The original structure was designed to generally prevent NMFC from being allocated taxable income with respect to unrecognized gains that existed at the time of the IPO in the Predecessor Entities’ assets, and rather such amounts would be allocated generally to AIV Holdings. The result was that any distributions made to NMFC’s stockholders that were attributable to such gains generally were not treated as taxable dividends but rather as return of capital.

Since NMFC’s IPO, and through September 30, 2016, NMFC raised approximately \$454,040 in net proceeds from additional offerings of common stock and issued shares of its common stock valued at approximately \$288,416 on behalf of AIV Holdings for exchanged units. NMFC acquired from NMF Holdings units of NMF Holdings equal to the number of shares of NMFC’s common stock sold in the additional offerings. With the completion of the final secondary offering on February 3, 2014, NMFC owned 100.0% of the units of NMF Holdings, which became a wholly-owned subsidiary of NMFC.

Restructuring

As a BDC, AIV Holdings had been subject to the 1940 Act, including certain provisions applicable only to BDCs. Accordingly, and after careful consideration of the 1940 Act requirements applicable to BDCs, the cost of 1940 Act compliance and a thorough assessment of AIV Holdings’ business model, AIV Holdings’ board of directors determined that continuation as a BDC was not in the best interests of AIV Holdings and Guardian AIV. Specifically, given that AIV Holdings was formed for the sole purpose of holding units of NMF Holdings and AIV Holdings had disposed of all of the units of NMF Holdings that it was holding as of February 3, 2014, the board of directors of AIV Holdings approved and declared advisable at an in-person meeting held on March 25, 2014 the withdrawal of AIV Holdings’ election to be regulated as a BDC under the 1940 Act. In addition, the board of directors of AIV Holdings approved and declared advisable for AIV Holdings to terminate its registration under Section 12(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and to dissolve AIV Holdings under the laws of the State of Delaware. Upon receipt of the necessary stockholder consent to authorize the board of directors of AIV Holdings to withdraw AIV Holdings’ election to be regulated as a BDC, the withdrawal was filed and became effective upon receipt by the U.S. Securities and Exchange Commission (“SEC”) of AIV Holdings’ notification of withdrawal on Form N-54C on April 15, 2014. The board of directors of AIV Holdings believed that AIV Holdings met the requirements for filing the notification to withdraw its election to be regulated as a BDC, upon the receipt of the necessary stockholder consent. After the notification of withdrawal of AIV Holdings’ BDC election was filed with the SEC, AIV Holdings was no longer subject to the regulatory provisions of the 1940 Act applicable to BDCs generally, including regulations

related to insurance, custody, composition of its board of directors, affiliated transactions and any compensation arrangements.

In addition, on April 15, 2014, AIV Holdings filed a Form 15 with the SEC to terminate AIV Holdings' registration under Section 12(g) of the Exchange Act. After these SEC filings and any other federal or state regulatory or tax filings were made, AIV Holdings proceeded to dissolve under Delaware law by filing a certificate of dissolution in Delaware on April 25, 2014.

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Until May 8, 2014, as a BDC, NMF Holdings had been subject to the 1940 Act, including certain provisions applicable only to BDCs. Accordingly, and after careful consideration of the 1940 Act requirements applicable to BDCs, the cost of 1940 Act compliance and a thorough assessment of NMF Holdings' current business model, NMF Holdings' board of directors determined at an in-person meeting held on March 25, 2014 that continuation as a BDC was not in the best interests of NMF Holdings.

At the joint annual meeting of the stockholders of NMFC and the sole unit holder of NMF Holdings held on May 6, 2014, the stockholders of NMFC and the sole unit holder of NMF Holdings approved a proposal which authorized the board of directors of NMF Holdings to withdraw NMF Holdings' election to be regulated as a BDC. Additionally, the stockholders of NMFC approved a new investment advisory and management agreement between NMFC and the Investment Adviser. Upon receipt of the necessary stockholder/unit holder approval to authorize the board of directors of NMF Holdings to withdraw NMF Holdings' election to be regulated as a BDC, the withdrawal was filed and became effective upon receipt by the SEC of NMF Holdings' notification of withdrawal on Form N-54C on May 8, 2014.

Effective May 8, 2014, NMF Holdings amended and restated its Operating Agreement such that the board of directors of NMF Holdings was dissolved and NMF Holdings remained a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for NMF Holdings' credit facility, and NMFC assumed all other operating activities previously undertaken by NMF Holdings under the management of the Investment Adviser (collectively, the "Restructuring"). After the Restructuring, all wholly-owned direct and indirect subsidiaries of NMFC are consolidated with NMFC for both 1940 Act and financial statement reporting purposes, subject to any financial statement adjustments required in accordance with accounting principles generally accepted in the United States of America ("GAAP"). NMFC continues to remain a BDC under the 1940 Act.

Also, on May 8, 2014, NMF Holdings filed Form 15 with the SEC to terminate NMF Holdings' registration under Section 12(g) of the Exchange Act. As a special purpose entity, NMF Holdings is bankruptcy-remote and non-recourse to NMFC. In addition, the assets held at NMF Holdings will continue to be used to secure NMF Holdings' credit facility.

Current Organization

The Company's wholly-owned subsidiaries, NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID NGL Holdings, Inc. ("NMF QID") and NMF YP Holdings Inc. ("NMF YP"), are structured as Delaware entities that serve as tax blocker corporations which hold equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities). The Company consolidates its tax blocker corporations for accounting purposes. The tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of portfolio companies. Additionally, the Company has a wholly-owned subsidiary, New Mountain Finance Servicing, L.L.C. ("NMF Servicing") that serves as the administrative agent on certain investment transactions. New Mountain Finance SBIC, L.P. ("SBIC LP"), and its general partner, New Mountain Finance SBIC G.P., L.L.C. ("SBIC GP"), were organized in Delaware as a limited partnership and limited liability company, respectively. SBIC LP and SBIC GP are consolidated wholly-owned direct and indirect subsidiaries of the Company. SBIC LP received a license from the U.S. Small Business Administration (the "SBA") to operate as a small business investment company ("SBIC") under Section 301(c) of the Small Business Investment Act of 1958, as amended (the "1958 Act").

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The diagram below depicts the Company's organizational structure as of September 30, 2016.

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

** NMFC is the sole limited partner of SBIC LP. NMFC, directly or indirectly through SBIC GP, wholly-owns SBIC LP. NMFC owns 100.0% of SBIC GP which owns 1.0% of SBIC LP. NMFC owns 99.0% of SBIC LP.

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. In some cases, the Company's investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to the Company, SBIC LP's investment objective is to generate current income and capital appreciation under the investment criteria used by the Company, however, SBIC LP's investments must be in SBA eligible companies. The Company's portfolio may be concentrated in a limited number of industries. As of September 30, 2016, the Company's top five industry concentrations were software, business services, distribution & logistics, consumer services and education.

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, NMF Servicing, SBIC LP, SBIC GP, NMF Ancora, NMF QID and NMF YP. Previously, the Company consolidated its wholly-owned indirect subsidiary NMF SLF until it merged with and into NMF Holdings on December 18, 2014. See Note 7, Borrowings, for details.

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

The Company's interim consolidated financial statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-Q and Article 6 or 10 of Regulation S-X. Accordingly, the Company's interim consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2016.

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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; 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
 - c. 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.

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

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 September 30, 2016 and December 31, 2015, the Company held one collateralized agreement to resell with a cost basis of \$30,000 and \$30,000, respectively, and a carrying value of \$28,673 and \$29,704, respectively, and collateralized by a second lien bond in Northstar GOM Holdings Group LLC with a fair value of \$28,673 and \$29,704, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund with the most recently reported assets under management of approximately \$690,000 and assets under management of approximately \$716,590 as of December 31, 2015. Pursuant to the terms of the collateralized agreement, the private hedge fund is obligated to repurchase the collateral from the Company at the par value of the collateralized agreement once called upon by the Company or if the private hedge fund's total assets under management fall below the agreed upon thresholds. The collateralized agreement was called upon by the Company but the counterparty failed to repurchase the collateral at its par value in accordance with the terms of the collateralized agreement. As of September 30, 2016, litigation is on-going in the state of New York and the Cayman Islands to resolve this matter. The collateralized agreement earned interest at a weighted average rate of 16.0% and 15.0% per annum as of September 30, 2016 and December 31, 2015, respectively.

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 September 30, 2016 and December 31, 2015.

Revenue recognition

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

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

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

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

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

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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 consists 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. On January 1, 2016, the Company adopted Accounting Standards Update No. 2015-03, Interest—Imputation of Interest Subtopic 835-30—Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). Upon adoption, the Company revised its presentation of deferred financing costs from an asset to a liability, which is a direct deduction to its debt on the Consolidated Statements of Assets and Liabilities. In addition, the Company retrospectively revised its presentation of \$13,992 of deferred financing costs that were previously presented as an asset as of December 31, 2015, which resulted in a decrease to total assets and total liabilities as of December 31, 2015.

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

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

To continue to qualify and be subject to tax as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90.0% of its investment company taxable income, as defined by the Code. Since U.S. federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences between taxable income and the results of operations for financial reporting purposes may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

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

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

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

For the three and nine months ended September 30, 2016, the Company recognized a total income tax (provision) benefit of approximately \$(11) and \$706, respectively, for the Company’s consolidated subsidiaries. For the three and nine months ended September 30, 2016, the Company recorded current income tax expense of approximately \$22 and \$113, respectively, and deferred income tax benefit of approximately \$11 and \$819, respectively, which excludes a deferred tax (provision) benefit of \$(188) and \$34, respectively, attributable to one of the Company's consolidated subsidiaries. For the three and nine months ended September 30, 2015, the Company recognized a total provision for income taxes of approximately \$409 and \$1,347, respectively, for the Company’s consolidated subsidiaries. For the three and nine months ended September 30, 2015, the Company recorded current income tax (benefit) expense of approximately \$(172) and \$130, respectively, and deferred income tax provision of approximately \$581 and \$1,217, respectively.

As of September 30, 2016 and December 31, 2015, the Company had \$857 and \$1,676, 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. As of September 30, 2016 and December 31, 2015, the Company had a deferred tax asset of \$554 and \$520, respectively, attributable to one of the Company's consolidated subsidiaries primarily related to net operating losses. The Company has determined that it is more likely than not that the subsidiary will have insufficient taxable income to realize some portion or all of the deferred tax asset. As such, as of September 30, 2016 and December 31, 2015, a full valuation allowance of \$554 and \$520, respectively, has been recorded against the deferred tax asset.

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The Company has adopted the Income Taxes topic of the Accounting Standards Codification Topic 740 (“ASC 740”). ASC 740 provides guidance for income taxes, including how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on its analysis, the Company has determined that there were no uncertain income tax positions that do not meet the more likely than not threshold through December 31, 2015. The 2013 through 2015 tax years remain subject to examination by the U.S. federal, state, and local tax authorities.

Dividends—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 adjusted 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 on behalf of its stockholders for reinvestment of any distributions declared, 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 plan—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 may, but is not obligated to, repurchase its outstanding common stock in the open market from time to time provided that it complies with the Company's 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 will be conducted in accordance with the 1940 Act. Unless amended or extended by the Company's board of directors, the Company expects the repurchase program to be in place until the earlier of December 31, 2016 or until \$50,000 of the Company's outstanding shares of common stock have been repurchased. During the three and nine months ended September 30, 2016, the Company repurchased a total of 0 and 248,499 shares, respectively, of the Company's common stock in the open market for \$0 and \$2,948, respectively, including commissions paid.

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

Foreign securities—The accounting records of the Company are maintained in U.S. dollars. Investment securities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies on

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

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

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Use of estimates—The preparation of the Company’s consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Company’s consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Changes in the economic environment, financial markets, and other metrics used in determining these estimates could cause actual results to differ from the estimates used, and the differences could be material. Dividend income recorded related to distributions received from flow-through investments is an accounting estimate based on the most recent estimate of the tax treatment of the distribution.

Note 3. Investments

At September 30, 2016, the Company’s investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	\$673,021	\$648,743
Second lien	628,537	589,827
Subordinated	90,874	86,614
Equity and other	172,323	193,795
Total investments	\$1,564,755	\$1,518,979

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	\$427,175	\$420,899
Business Services	385,472	397,546
Distribution & Logistics	140,973	114,079
Consumer Services	111,740	112,341
Education	93,569	94,620
Healthcare Services	74,612	74,957
Investment Fund	70,640	70,640
Energy	96,815	68,226
Federal Services	62,993	63,120
Media	22,999	26,319
Business Products	25,618	24,098
Retail	21,010	20,784
Net Lease	16,500	16,500
Healthcare Information Technology	14,639	14,850
Total investments	\$1,564,755	\$1,518,979

At December 31, 2015, the Company’s investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	\$711,601	\$670,023
Second lien	656,165	631,985
Subordinated	95,429	87,005
Equity and other	105,521	123,211
Total investments	\$1,568,716	\$1,512,224

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Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	\$384,805	\$370,892
Business Services	367,109	368,409
Education	167,222	165,947
Distribution & Logistics	123,053	117,375
Federal Services	95,459	95,477
Consumer Services	69,250	68,269
Energy	96,717	65,521
Healthcare Services	66,923	63,255
Media	43,489	47,804
Healthcare Products	38,664	37,648
Business Products	35,188	33,420
Manufacturing	29,852	29,850
Investment Fund	23,000	21,914
Retail	21,032	21,000
Industrial Services	6,953	5,443
Total investments	\$1,568,716	\$1,512,224

During the third quarter of 2016, the Company placed its entire second lien position in Transtar Holding Company ("Transtar") on non-accrual status due to its ongoing restructuring. As of September 30, 2016, the Company's investment in Transtar had an aggregate cost basis of \$30,900, an aggregate fair value of \$3,786 and total unearned interest income of \$1,598 and \$2,440 for the three and nine months then ended, respectively.

During the second quarter of 2016, the Company placed a portion of its first lien position in Permian Tank & Manufacturing, Inc. ("Permian") on non-accrual status due to its ongoing restructuring. As of September 30, 2016, the portion of the Permian first lien position placed on non-accrual status represented an aggregate cost basis of \$17,111, an aggregate fair value of \$4,945 and total unearned interest income of \$448 and \$1,273 for the three and nine months then ended, respectively.

During the third quarter of 2016, the Company received notice that there would be no recovery of the outstanding principle and interest owed on its two super priority first lien positions in ATI Acquisition Company ("ATI"). As of June 30, 2016, the Company's first lien positions in ATI had an aggregate cost of \$1,528 and an aggregate fair value of \$0 and no unearned interest income for the period then ended. The Company wrote off its first lien positions in ATI and recognized an aggregate realized loss of \$1,528 during the three months ended September 30, 2016. As of September 30, 2016, the Company's preferred shares and warrants in Ancora Acquisition LLC, which were received as a result of the Company's first lien positions in ATI, had an aggregate cost basis of \$83 and an aggregate fair value of \$393.

During the first quarter of 2015, the Company placed a portion of its second lien position in Edmentum, Inc. ("Edmentum") on non-accrual status due to its ongoing restructuring. As of March 31, 2015, the Company's investment in Edmentum had an aggregate cost basis of \$30,771, an aggregate fair value of \$15,575 and total unearned interest income of \$438 for the three months then ended. In June 2015, Edmentum completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company's original investment in Edmentum. Prior to the extinguishment in June 2015, the Company's original investment in Edmentum had an aggregate cost of \$31,636, an aggregate fair value of \$16,437 and total unearned interest income of \$851 for the six months ended June 30, 2015. The extinguishment resulted in a realized loss of \$15,199. Post restructuring, the Company's investments in Edmentum have been restored to full accrual status. As of September 30, 2016, the Company's investments in Edmentum have an aggregate cost basis of \$22,472 and an aggregate fair value of \$23,684. During the first quarter of 2015, the Company's first lien position in Education Management LLC ("EDMC") was non-income producing as a result of the portfolio company undergoing a restructuring. As of December 31, 2014, the Company's investment in EDMC had an aggregate cost basis of \$2,987, an aggregate fair value of \$1,376 and no unearned interest income for the three months then ended. In January 2015, EDMC completed a restructuring which

resulted in a material modification of the original terms and an extinguishment of the Company's original investment in EDMC. Prior to the extinguishment in January 2015, the Company's original investment in EDMC had an aggregate cost of \$2,987, an aggregate fair value of \$1,376 and no unearned interest income for the period then ended. The extinguishment resulted in a realized loss

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of \$1,611. Post restructuring, the Company's investments in EDMC are income producing. As of September 30, 2016, the Company's investments in EDMC have an aggregate cost basis of \$1,478 and an aggregate fair value of \$176.

During the third quarter of 2014, the Company placed a portion of its first lien position in UniTek Global Services, Inc. ("UniTek") on non-accrual status in anticipation of a voluntary petition for a "Pre-Packaged" Chapter 11 Bankruptcy in the U.S. Bankruptcy Court for the District of Delaware, which was filed on November 3, 2014. As of December 31, 2014, the Company's investments in UniTek had an aggregate cost basis of \$47,357, an aggregate fair value of \$35,227 and total unearned interest income of \$975 for the year then ended. In January 2015, UniTek emerged from "Pre-Packaged" Chapter 11 Bankruptcy and completed its restructuring. The restructuring resulted in a material modification of the original terms and an extinguishment of the Company's original investments in UniTek. Prior to the extinguishment in January 2015, the Company's original investments in UniTek had an aggregate cost of \$52,902, an aggregate fair value of \$40,137 and total unearned interest income of \$68 for the period then ended. The extinguishment resulted in a realized loss of \$12,765. Post restructuring, the Company's investments in UniTek have been restored to full accrual status. As of September 30, 2016, the Company's investments in UniTek have an aggregate cost basis of \$41,213 and an aggregate fair value of \$55,058.

As of September 30, 2016, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$13,926 and \$0, respectively. As of September 30, 2016, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$4,157. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of September 30, 2016.

As of December 31, 2015, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$17,576 and \$0, respectively. As of December 31, 2015, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$8,678. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2015.

NMFC Senior Loan Program I LLC

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by the Company. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I is subject to restrictions, and as a result, such interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until June 10, 2019, subject to earlier termination pursuant to certain terms of the SLP I Agreement. The term may be extended for up to one year pursuant to certain terms of the SLP I Agreement. SLP I has a three year re-investment period. 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 \$275,000 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 commitment. As of September 30, 2016, SLP I had total investments with an aggregate fair value of approximately \$330,272, debt outstanding of \$241,217 and capital that had been called and funded of \$93,000. As of December 31, 2015, SLP I had total investments with an aggregate fair value of approximately \$349,704, debt outstanding of \$267,617 and capital that had been called and funded of \$93,000. The Company's investment in SLP I is disclosed on the Company's Consolidated Schedules of Investments as of September 30, 2016 and December 31, 2015.

The Company, as an investment adviser registered under the Advisers Act, acts as the collateral manager to SLP I and is entitled to receive a management fee for its investment management services provided to SLP I. As a result, SLP I is classified as an affiliate of the Company. No management fee is charged on the Company's investment in SLP I in connection with the administrative services provided to SLP I. For the three and nine months ended September 30, 2016, the Company earned approximately \$284 and \$877, respectively, in management fees related to SLP I, which is included in other income. For the three and nine months ended September 30, 2015, the Company earned

approximately \$308 and \$905, respectively, in management fees related to SLP I, which is included in other income. As of September 30, 2016 and December 31, 2015, approximately \$284 and \$311, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three and nine months ended September 30, 2016, the Company earned approximately \$1,061 and \$2,868, respectively, of dividend income related to SLP I, which is included in dividend income. For the three and nine months ended September 30, 2015, the Company earned approximately \$892 and \$2,701, respectively, of dividend income related to SLP I, which is included in dividend income. As of September 30, 2016 and December 31, 2015, approximately \$1,061 and \$918, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

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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 has a three year investment period and will continue in existence until April 12, 2021. The term may be extended for up to one year pursuant to certain terms of the SLP II Agreement.

SLP II is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP II to call down on capital commitments requires approval by the board of managers of SLP II. The Company and SkyKnight have committed to provide \$79,400 and \$20,600 of equity to SLP II, respectively. As of September 30, 2016 the Company and SkyKnight have contributed \$47,640 and \$12,360, respectively. The Company's investment in SLP II is disclosed on the Company's Consolidated Schedule of Investments as of September 30, 2016.

On April 12, 2016, SLP II closed its \$275,000 revolving credit facility with Wells Fargo Bank, National Association which matures on April 12, 2021 and bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.75% per annum. As of September 30, 2016, SLP II had total investments with an aggregate fair value of approximately \$231,329 and debt outstanding under its credit facility of \$158,400.

The following table is a listing of the individual loans in SLP II's portfolio as of September 30, 2016:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
First lien:						
ADMI Corp. (aka Aspen Dental)	Healthcare Services	5.25% (L + 4.25%)	4/29/2022	\$ 1,990	\$ 1,985	\$ 2,004
AssuredPartners, Inc.	Business Services	5.75% (L + 4.75%)	10/21/2022	8,891	8,891	8,954
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.00% (L + 5.00%)	8/21/2023	15,000	14,851	14,963
Coinstar, LLC	Consumer Services	5.25% (L + 4.25%)	9/27/2023	5,000	4,975	5,044
Cvent, Inc.	Software	6.00% (L + 5.00%)	6/16/2023	10,000	9,900	10,025
DigiCert Holdings, Inc.	Software	6.00% (L + 5.00%)	10/21/2021	14,937	14,847	14,900
Emerald 2 Limited	Business Services	5.00% (L + 4.00%)	5/14/2021	1,277	1,203	1,194
Engility Corporation (fka TASC, Inc.)	Federal Services	5.75% (L + 4.75%)	8/14/2023	14,118	14,048	14,268
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)	Software	6.25% (L + 5.25%)	2/18/2022	10,534	10,370	10,218
Explorer Holdings, Inc.	Healthcare Services	6.00% (L + 5.00%)	5/2/2023	4,988	4,940	5,034
GOBP Holdings Inc.	Retail	5.00% (L + 4.00%)	10/21/2021	15,243	15,094	15,222
Hyperion Insurance Group Limited			4/29/2022	9,913	9,746	9,727

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	Business Services	5.50% (L + 4.50%)					
J.D. Power and Associates	Business Services	5.25% (L + 4.25%)	9/7/2023	10,000	9,950	10,100	
McGraw-Hill Global Education Holdings, LLC	Education	5.00% (L + 4.00%)	5/4/2022	9,975	9,928	10,040	
Navex Global, Inc.	Software	5.98% (L + 4.75%)	11/19/2021	14,967	14,742	14,743	
Netsmart Technologies, Inc.	Healthcare I.T.	5.75% (L + 4.75%)	4/19/2023	7,980	7,904	8,027	
Precyse Acquisition Corp.	Healthcare Services	6.50% (L + 5.50%)	10/20/2022	9,975	9,833	10,062	
Quest Software US Holdings Inc.	Software	7.00% (L + 6.00%)	10/31/2022	10,000	9,850	9,850	
SolarWinds Holdings, Inc.	Software	5.50% (L + 4.50%)	2/3/2023	15,725	15,735	15,890	
TTM Technologies, Inc.	Business Products	5.25% (L + 4.25%)	5/31/2021	15,000	14,872	15,215	
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	5.75% (L + 4.75%)	11/23/2019	10,829	10,807	10,877	
VF Holding Corp.	Software	4.75% (L + 3.75%)	6/30/2023	5,000	4,976	5,022	
Vision Solutions, Inc.	Software	7.50% (L + 6.50%)	6/16/2022	10,000	9,904	9,950	
					\$ 231,342	\$ 229,351	\$ 231,329

(1) For each investment, the current interest rate provided reflects the rate in effect as of September 30, 2016.

Represents the fair value in accordance with Accounting Standards Codification Topic 820, Fair Value

(2) Measurements and Disclosures ("ASC 820"). The Company's board of directors does not determine the fair value of the investments held by SLP II.

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Below is certain summarized financial information for SLP II as of September 30, 2016 and for the three and nine months ended September 30, 2016:

Selected Balance Sheet Information:	September 30, 2016
Investments at fair value (cost of \$229,351)	\$231,329
Receivable from unsettled securities sold	15,993
Cash and other assets	3,511
Total assets	\$250,833
Credit facility	\$158,400
Deferred financing costs	(2,716)
Payable for unsettled securities purchased	28,705
Distribution payable	1,450
Other liabilities	3,108
Total liabilities	188,947
Members' capital	\$61,886
Total liabilities and members' capital	\$250,833

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016(1)
Selected Statement of Operations Information:		
Interest income	\$ 2,698	\$ 3,326
Other income	114	163
Total investment income	2,812	3,489
Interest and other financing expenses	1,398	1,931
Other expenses	134	463
Total expenses	1,532	2,394
Net investment income	1,280	1,095
Net realized gains on investments	229	263
Net change in unrealized appreciation (depreciation) of investments	1,863	1,978
Net increase in members' capital	\$ 3,372	\$ 3,336

(1) For the nine months ended September 30, 2016, amounts reported relate to the period from April 12, 2016 (commencement of operations) to September 30, 2016.

For the three and nine months ended September 30, 2016, the Company earned approximately \$1,151 and \$1,151, respectively, of dividend income related to SLP II, which is included in dividend income. As of September 30, 2016, approximately \$1,151 of dividend income related to SLP II was included in interest and dividend receivable.

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

New Mountain Net Lease Corporation

New Mountain Net Lease Corporation ("NMNLC") was formed as a Maryland corporation on April 18, 2016 and commenced operations on August 12, 2016. NMNLC was formed to acquire commercial real properties that are

subject to "triple net" leases and to qualify as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code. NMNLC is as an operating company that will actively manage the properties and negotiate long term leases. It is intended to further add value by renovating, rehabilitating, developing, re-tenanting or re-positioning such properties over time. The Company has determined that NMNLC is not an investment company under ASC 946 and in accordance with such guidance

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the Company will generally not consolidate its investment in a company other than a wholly-owned investment company subsidiary. Accordingly, NMNLC is a wholly-owned non-consolidated portfolio company of the Company. Unconsolidated Significant Subsidiaries

In accordance with Regulation S-X Rule 10-01(b)(1), the Company evaluates its unconsolidated controlled portfolio companies as significant subsidiaries under this rule.

As of September 30, 2016, the Company did not have any significant unconsolidated subsidiaries under Regulation S-X Rule 10-01(b)(1).

Investment risk factors

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

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

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

Note 4. Fair Value

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

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

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

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

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

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

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

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

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

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in the transfer of certain investments within the fair value hierarchy from period to period. Reclassifications impacting the fair value hierarchy are reported as transfers in/out of the respective leveling categories as of the beginning of the quarter in which the reclassifications occur.

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of September 30, 2016:

	Total	Level I	Level II	Level III
First lien	\$648,743	\$ —	\$191,393	\$457,350
Second lien	589,827	—	302,339	287,488
Subordinated	86,614	—	44,066	42,548
Equity and other	193,795	28	2	193,765
Total investments	\$1,518,979	\$ 28	\$537,800	\$981,151

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of December 31, 2015:

	Total	Level I	Level II	Level III
First lien	\$670,023	\$ —	\$329,133	\$340,890
Second lien	631,985	—	449,227	182,758
Subordinated	87,005	—	33,546	53,459
Equity and other	123,211	316	15	122,880
Total investments	\$1,512,224	\$ 316	\$811,921	\$699,987

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended September 30, 2016, 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 September 30, 2016:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, June 30, 2016	\$820,742	\$331,531	\$288,137	\$41,734	\$159,340
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	888	(1,122)	42	—	1,968
Net change in unrealized (depreciation) appreciation	(7,697)	(246)	(5,245)	171	(2,377)
Purchases, including capitalized PIK and revolver fundings	124,859	73,280	13,556	643	37,380
Proceeds from sales and paydowns of investments	(45,409)	(33,861)	(9,002)	—	(2,546)
Transfers into Level III(1)	87,768	87,768	—	—	—
Fair Value, September 30, 2016	\$981,151	\$457,350	\$287,488	\$42,548	\$193,765
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:	\$(7,020)	\$(1,562)	\$(5,203)	\$171	\$(426)

(1) As of September 30, 2016, portfolio investments were transferred into Level III from Level II at fair value as of the beginning of the quarter in which the reclassification occurred.

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The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended September 30, 2015, 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 September 30, 2015:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, June 30, 2015	\$423,307	\$199,465	\$67,867	\$55,292	\$100,683
Total gains or losses included in earnings:					
Net realized gains on investments	274	12	—	—	262
Net change in unrealized (depreciation) appreciation	(963)	468	(720)	(390)	(321)
Purchases, including capitalized PIK and revolver fundings	171,195	111,289	41,481	282	18,143
Proceeds from sales and paydowns of investments(1)	(6,011)	(1,480)	(3,050)	(924)	(557)
Transfers into Level III(1)	15,079	15,079	—	—	—
Transfers out of Level III(1)	(27,607)	(27,607)	—	—	—
Fair Value, September 30, 2015	\$575,274	\$297,226	\$105,578	\$54,260	\$118,210
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:	\$(1,256)	\$468	\$(720)	\$(390)	\$(614)

(1) As of September 30, 2015, 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 quarter in which the reclassification occurred.

The following table summarizes the changes in fair value of Level III portfolio investments for the nine months ended September 30, 2016, 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 September 30, 2016:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2015	\$699,987	\$340,890	\$182,758	\$53,459	\$122,880
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	2,396	(582)	891	119	1,968
Net change in unrealized appreciation (depreciation)	1,808	6,433	(10,813)	2,104	4,084
Purchases, including capitalized PIK and revolver fundings	266,509	112,351	84,913	1,866	67,379
Proceeds from sales and paydowns of investments	(145,166)	(84,451)	(43,169)	(15,000)	(2,546)
Transfers into Level III(1)	179,931	107,023	72,908	—	—
Transfers out of Level III(1)	(24,314)	(24,314)	—	—	—
Fair Value, September 30, 2016	\$981,151	\$457,350	\$287,488	\$42,548	\$193,765
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:	\$(1,923)	\$3,621	\$(12,887)	\$2,224	\$5,119

(1) As of September 30, 2016, 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 quarter in which the reclassification occurred.

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The following table summarizes the changes in fair value of Level III portfolio investments for the nine months ended September 30, 2015, 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 September 30, 2015:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2014	\$419,681	\$169,180	\$134,406	\$35,470	\$80,625
Total gains or losses included in earnings:					
Net realized (losses) gains on investments	(12,742)	(10,907)	(14,542)	—	12,707
Net change in unrealized appreciation (depreciation)	20,820	10,375	13,217	(3,395)	623
Purchases, including capitalized PIK and revolver fundings(1)	296,488	156,793	77,724	23,109	38,862
Proceeds from sales and paydowns of investments(1)	(164,778)	(44,020)	(105,227)	(924)	(14,607)
Transfers into Level III(2)	43,412	43,412	—	—	—
Transfers out of Level III(2)	(27,607)				