

New Mountain Finance Corp  
Form 497  
April 03, 2017

Use these links to rapidly review the document

[TABLE OF CONTENTS PROSPECTUS SUPPLEMENT](#)

[INDEX TO FINANCIAL STATEMENTS](#)

[TABLE OF CONTENTS](#)

[TABLE OF CONTENTS 4](#)

[Table of Contents](#)

**Filed Pursuant to Rule 497  
Securities Act File No. 333-213195**

**This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, as amended, but the information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting an offer to buy these securities in any jurisdiction where the offer and sale is not permitted.**

**Subject to Completion, Dated April 3, 2017**

**PRELIMINARY PROSPECTUS SUPPLEMENT  
(to Prospectus dated October 7, 2016)**

**5,000,000 Shares**

**New Mountain Finance Corporation**

**Common Stock**

---

We are a Delaware corporation that was originally incorporated on June 29, 2010. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended. Our investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, our investments may also include equity interests. Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance.

The investments that we invest in are almost entirely rated below investment grade or may be unrated, which are often referred to as "leveraged loans", "high yield" or "junk" debt investments, and may be considered "high risk" or speculative compared to debt investments that are rated investment grade. Such issuers are considered more likely than investment grade issuers to default on their payments of interest and principal, and such risk of default could reduce our net asset value and income distributions. Our investments are also primarily floating rate debt investments that contain interest reset provisions that may make it more difficult for borrowers to make debt repayments to us if interest rates rise. In addition, some of our debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity. Our debt investments may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these securities. This illiquidity may make it more difficult to value our investments.

We are offering for sale 5,000,000 shares of our common stock. We have granted the underwriters a 30-day option to purchase up to 750,000 additional shares of our common stock at the public offering price, less underwriting discounts and commissions.

## Edgar Filing: New Mountain Finance Corp - Form 497

Our common stock is listed on the New York Stock Exchange under the symbol "NMFC". On March 31, 2017, the last reported sales price on the New York Stock Exchange for our common stock was \$14.90 per share, and the net asset value per share of our common stock on December 31, 2016 (the last date prior to the date of this prospectus supplement on which we determined our net asset value per share) was \$13.46.

***An investment in our common stock is very risky and highly speculative. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. In addition, the companies in which we invest in are subject to special risks. See "Risk Factors" beginning on page S-24 of this prospectus supplement and beginning on page 30 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in our common stock.***

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

**Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	Per Share	Total <sup>(1)</sup>
Public Offering Price	\$	\$
Sales Load (Underwriting Discounts and Commissions) <sup>(2)(3)</sup>	\$	\$
Proceeds to us (before expenses) <sup>(1)</sup>	\$	\$

(1) To the extent that the underwriters sell more than 5,000,000 shares of our common stock, the underwriters have the option to purchase up to an additional 750,000 shares of our common stock at the public offering price, less the sales load, within 30 days of the date of this prospectus supplement. If the underwriters exercise this option in full, the total public offering price, sales load and proceeds to us and will be \$ , \$ and \$ , respectively. See "Underwriting".

(2) See "Underwriting" for details of compensation to be received by the underwriters.

(3) We will incur approximately \$0.3 million of estimated expenses in connection with this offering.

The underwriters expect to deliver the shares against payment in New York, New York on or about \_\_\_\_\_, 2017.

### *Joint-Lead Bookrunners*

**Wells Fargo  
Securities**

**Morgan Stanley**

**Goldman,  
Sachs & Co.**

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

*Lead Manager*

**Baird**  
*Co-Managers*

**Janney Montgomery Scott**

**Oppenheimer & Co.**



Table of Contents

**TABLE OF CONTENTS**  
**PROSPECTUS SUPPLEMENT**

<u>ABOUT THIS PROSPECTUS SUPPLEMENT</u>	<u>S-iii</u>
<u>PROSPECTUS SUPPLEMENT SUMMARY</u>	<u>S-1</u>
<u>THE OFFERING</u>	<u>S-10</u>
<u>FEES AND EXPENSES</u>	<u>S-15</u>
<u>SELECTED FINANCIAL AND OTHER DATA</u>	<u>S-18</u>
<u>SELECTED QUARTERLY FINANCIAL DATA</u>	<u>S-23</u>
<u>RISK FACTORS</u>	<u>S-24</u>
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>S-31</u>
<u>CAPITALIZATION</u>	<u>S-33</u>
<u>USE OF PROCEEDS</u>	<u>S-34</u>
<u>PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS</u>	<u>S-35</u>
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>S-38</u>
<u>SENIOR SECURITIES</u>	<u>S-76</u>
<u>UNDERWRITING</u>	<u>S-78</u>
<u>LEGAL MATTERS</u>	<u>S-82</u>
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>S-82</u>
<u>AVAILABLE INFORMATION</u>	<u>S-82</u>
<u>INDEX TO FINANCIAL STATEMENTS</u>	<u>F-1</u>

**PROSPECTUS**

<u>ABOUT THIS PROSPECTUS</u>	<u>ii</u>
<u>PROSPECTUS SUMMARY</u>	<u>1</u>
<u>THE OFFERING</u>	<u>12</u>
<u>FEES AND EXPENSES</u>	<u>17</u>
<u>SELECTED FINANCIAL AND OTHER DATA</u>	<u>20</u>
<u>SELECTED QUARTERLY FINANCIAL DATA</u>	<u>25</u>
<u>DESCRIPTION OF RESTRUCTURING</u>	<u>26</u>
<u>RISK FACTORS</u>	<u>30</u>
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>64</u>
<u>USE OF PROCEEDS</u>	<u>66</u>
<u>PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS</u>	<u>67</u>
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>70</u>
<u>SENIOR SECURITIES</u>	<u>108</u>
<u>BUSINESS</u>	<u>110</u>
<u>PORTFOLIO COMPANIES</u>	<u>126</u>
<u>MANAGEMENT</u>	<u>133</u>
<u>PORTFOLIO MANAGEMENT</u>	<u>143</u>
<u>INVESTMENT MANAGEMENT AGREEMENT</u>	<u>145</u>
<u>ADMINISTRATION AGREEMENT</u>	<u>153</u>
<u>LICENSE AGREEMENT</u>	<u>153</u>
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	<u>154</u>
<u>CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS</u>	<u>156</u>
<u>DETERMINATION OF NET ASSET VALUE</u>	<u>158</u>
<u>DIVIDEND REINVESTMENT PLAN</u>	<u>161</u>
<u>DESCRIPTION OF SECURITIES</u>	<u>163</u>



Edgar Filing: New Mountain Finance Corp - Form 497

Table of Contents

<u>DESCRIPTION OF CAPITAL STOCK</u>	<u>163</u>
<u>DESCRIPTION OF PREFERRED STOCK</u>	<u>168</u>
<u>DESCRIPTION OF SUBSCRIPTION RIGHTS</u>	<u>169</u>
<u>DESCRIPTION OF WARRANTS</u>	<u>171</u>
<u>DESCRIPTION OF DEBT SECURITIES</u>	<u>173</u>
<u>MATERIAL FEDERAL INCOME TAX CONSIDERATIONS</u>	<u>189</u>
<u>REGULATION</u>	<u>200</u>
<u>PLAN OF DISTRIBUTION</u>	<u>207</u>
<u>SAFEKEEPING AGENT, TRANSFER AND DISTRIBUTION PAYING AGENT AND REGISTRAR</u>	<u>210</u>
<u>BROKERAGE ALLOCATION AND OTHER PRACTICES</u>	<u>210</u>
<u>LEGAL MATTERS</u>	<u>210</u>
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>210</u>
<u>AVAILABLE INFORMATION</u>	<u>211</u>
<u>PRIVACY NOTICE</u>	<u>211</u>
<u>INDEX TO FINANCIAL STATEMENTS</u>	<u>F-1</u>

S-ii

---

Table of Contents

**ABOUT THIS PROSPECTUS SUPPLEMENT**

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

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information and disclosure. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus, the information in this prospectus supplement shall control. Please carefully read this prospectus supplement and the accompanying prospectus together with any exhibits and the additional information described under "Available Information" and in the "Prospectus Supplement Summary", "Prospectus Summary" and "Risk Factors" sections of this prospectus supplement and the accompanying prospectus before you make an investment decision. Unless otherwise indicated, all information included in this prospectus supplement assumes no exercise by the underwriters of their option to purchase up to an additional 750,000 shares of our common stock.

Table of Contents

**PROSPECTUS SUPPLEMENT SUMMARY**

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

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

*"NMFC", the "Company", "we", "us" and "our" refers to New Mountain Finance Corporation, a Delaware corporation, which was incorporated on June 29, 2010, including, where appropriate, its wholly-owned direct and indirect subsidiaries;*

*"NMF Holdings" and "Predecessor Operating Company" refers to New Mountain Finance Holdings, L.L.C., a Delaware limited liability company.;*

*"NMF SLF" refers to New Mountain Finance SPV Funding, L.L.C., a Delaware limited liability company;*

*"SBIC GP" refers to New Mountain Finance SBIC G.P. L.L.C., a Delaware limited liability company;*

*"SBIC LP" refers to New Mountain Finance SBIC L.P., a Delaware limited partnership;*

*"Guardian AIV" refers to New Mountain Guardian AIV, L.P.;*

*"AIV Holdings" refers to New Mountain Finance AIV Holdings Corporation, a Delaware corporation which was incorporated on March 11, 2011, of which Guardian AIV was the sole stockholder;*

*"Investment Adviser" refers to New Mountain Finance Advisers BDC, L.L.C., our investment adviser;*

*"Administrator" refers to New Mountain Finance Administration, L.L.C., our administrator;*

*"New Mountain Capital" refers to New Mountain Capital Group, L.L.C. and its affiliates;*

*"Predecessor Entities" refers to New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries prior to our initial public offering;*

*"NMFC Credit Facility" refers to our Senior Secured Revolving Credit Agreement with Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, dated June 4, 2014, as amended (together with the related guarantee and security agreement);*



## Edgar Filing: New Mountain Finance Corp - Form 497

*"Holdings Credit Facility" refers to NMF Holdings' Second Amended and Restated Loan and Security Agreement with Wells Fargo Bank, National Association, dated December 18, 2014;*

*"Predecessor Holdings Credit Facility" refers to NMF Holdings' Amended and Restated Loan and Security Agreement with Wells Fargo Bank, National Association, dated May 19, 2011, as amended;*

*"SLF Credit Facility" refers to NMF SLF's Loan and Security Agreement with Wells Fargo Bank, National Association, dated October 27, 2010, as amended;*

S-1

---

## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

*"Convertible Notes" refers to our 5.00% convertible notes due 2019 issued on June 3, 2014 and September 30, 2016 under an indenture dated June 3, 2014 (the "Indenture"), between us and U.S. Bank National Association, as trustee; and*

*"Unsecured Notes" refers to our 5.313% unsecured notes due May 15, 2021 issued on May 6, 2016 and September 30, 2016 to institutional investors in a private placement.*

*For the periods prior to and as of December 31, 2013, all financial information provided in this prospectus supplement and the accompanying prospectus reflect our organizational structure prior to the restructuring on May 8, 2014 described under "Description of Restructuring" in the accompanying prospectus, where NMF Holdings functioned as the operating company.*

### **Overview**

We are a Delaware corporation that was originally incorporated on June 29, 2010 and completed our initial public offering ("IPO") on May 19, 2011. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, we are obligated to comply with certain regulatory requirements. We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

The Investment Adviser is a wholly-owned subsidiary of New Mountain Capital. New Mountain Capital is a firm with a track record of investing in the middle market and with assets under management of approximately \$15.0 billion, which includes total assets held by us. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. The Investment Adviser manages our day-to-day operations and provides us with investment advisory and management services. The Administrator, a wholly-owned subsidiary of New Mountain Capital, provides the administrative services necessary to conduct our day-to-day operations.

Our wholly-owned subsidiary, NMF Holdings, is a Delaware limited liability company whose assets are used to secure NMF Holdings' credit facility. For additional information about our organizational structure prior to May 8, 2014, see "Description of Restructuring" in the accompanying prospectus. NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID NGL Holdings, Inc. ("NMF QID") and NMF YP Holdings Inc. ("NMF YP"), our wholly-owned subsidiaries, 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). We consolidate our 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 the portfolio companies. Additionally, our wholly-owned subsidiary, New Mountain Finance Servicing, L.L.C. ("NMF Servicing"), serves as the administrative agent on certain investment transactions. SBIC LP, and its general partner, SBIC GP, were organized in Delaware as a limited partnership and limited liability company, respectively. SBIC LP and SBIC GP are our consolidated wholly-owned direct and indirect subsidiaries. SBIC LP received a license from the United States ("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").

Our investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, our investments may also

Table of Contents

include equity interests. Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to us, SBIC LP's investment objective is to generate current income and capital appreciation under our investment criteria. However, SBIC LP's investments must be in SBA eligible companies. Our portfolio may be concentrated in a limited number of industries. As of December 31, 2016, our top five industry concentrations were business services, software, consumer services, investment fund and education.

The investments that we invest in are almost entirely rated below investment grade or may be unrated, which are often referred to as "leveraged loans", "high yield" or "junk" debt investments, and may be considered "high risk" or speculative compared to debt investments that are rated investment grade. Such issuers are considered more likely than investment grade issuers to default on their payments of interest and principal, and such risk of default could reduce our net asset value and income distributions. Our investments are also primarily floating rate debt investments that contain interest reset provisions that may make it more difficult for borrowers to make debt repayments to us if interest rates rise. In addition, some of our debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity. Our debt investments may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these securities. This illiquidity may make it more difficult to value our investments.

As of December 31, 2016, our net asset value was \$938.6 million and our portfolio had a fair value of approximately \$1,558.8 million in 78 portfolio companies, with a weighted average yield to maturity at cost ("Yield to Maturity at Cost") of approximately 11.1%. This Yield to Maturity at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. This calculation excludes the impact of existing leverage. Yield to Maturity at Cost uses the London Interbank Offered Rate ("LIBOR") curves at each quarter's end date. The actual yield to maturity may be higher or lower due to the future selection of the LIBOR contracts by the individual companies in our portfolio or other factors.

### **Recent Developments**

#### ***SBA Green Light Letter***

On January 12, 2017, the SBA issued a "green light" letter inviting us to continue our application process to obtain a second license to form and operate a second SBIC subsidiary. If approved, the additional SBIC license would provide us with an incremental source of attractive long-term capital. Receipt of a green light letter from the SBA does not assure an applicant that the SBA will ultimately issue an SBIC license, and we have received no assurance or indication from the SBA that we will receive an additional SBIC license or of the timeframe in which we would receive an additional license, should one ultimately be granted.

#### ***Distribution***

On February 23, 2017, our board of directors declared a first quarter 2017 distribution of \$0.34 per share, which was paid on March 31, 2017 to holders of record as of March 17, 2017.

#### ***Appointment/Departure of Directors***

On March 13, 2017, our board of directors appointed Rome G. Arnold III as a Class III Director, whose term expires concurrent with the 2017 annual meeting of our stockholders.

## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

Additionally, Mr. Arnold was appointed to our audit committee, valuation committee, nominating and corporate governance committee and compensation committee. Mr. Arnold has replaced David R. Malpass, who resigned from our board of directors as of March 13, 2017. Mr. Malpass' resignation was not due to any disagreement with the Company.

Since January 2017, Mr. Arnold, 61, has served as a Senior Advisor at Rose and Co., a financial-technology startup company with a focus on digital media. From January 2012 through August 2016, Mr. Arnold was a Managing Director at UBS Securities in their Energy Group serving as the Head of Oil Field Services. In addition, Mr. Arnold currently serves as a director of Forbes Energy Services Ltd., an independent oilfield services contractor. Mr. Arnold received his B.A., cum laude, in Psychology and History of Art from Yale College. He received his M.B.A. from Harvard Business School, with High Distinction (Baker Scholar). Mr. Arnold brings his vast experience in investment banking and energy focus to our board of directors.

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

Set forth below is a preliminary estimate of our net asset value per share as of March 31, 2017 and a preliminary estimate of our net investment income per share range for the three months ended March 31, 2017. The following estimates are not a comprehensive statement of our financial condition or results for the period from December 31, 2016 through March 31, 2017. We advise you that our actual results for the three months ended March 31, 2017 may differ materially from these estimates, which are given only as of the date of this prospectus supplement, as a result of the completion of our financial closing procedures, final adjustments and other developments, including changes in interest rates, changes in the businesses to whom we have made loans or market and industry fluctuations, which may arise between now and the time that our financial results for the three months ended March 31, 2017 are finalized. This information is inherently uncertain.

As of the date of this prospectus supplement, we currently expect that our net investment income per share was between \$0.33 and \$0.34 for the three months ended March 31, 2017.

As of the date of this prospectus supplement, we estimate that our net asset value per share as of March 31, 2017 was approximately \$13.50 to \$13.60.

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

### **The Investment Adviser**

The Investment Adviser, a wholly-owned subsidiary of New Mountain Capital, manages our day-to-day operations and provides us with investment advisory and management services. In particular, the Investment Adviser is responsible for identifying attractive investment opportunities, conducting research and due diligence on prospective investments, structuring our investments and monitoring and servicing our investments. We currently do not have, and do not intend to have, any employees. As of March 31, 2017, the Investment Adviser was supported by over 120 staff members of New Mountain Capital, including approximately 75 investment professionals.

The Investment Adviser is managed by a five member investment committee (the "Investment Committee"), which is responsible for approving purchases and sales of our investments above \$10.0 million in aggregate by issuer. The Investment Committee currently consists of Steven B.

Table of Contents

Klinsky, Robert A. Hamwee, Adam B. Weinstein and John R. Kline. The fifth and final member of the Investment Committee will consist of a New Mountain Capital Managing Director who will hold the position on the Investment Committee on an annual rotating basis. Beginning in August 2016, Mathew J. Lori was appointed to the Investment Committee for a one year term. In addition, our executive officers and certain investment professionals of the Investment Adviser are invited to all Investment Committee meetings. Purchases and dispositions below \$10.0 million may be approved by our Chief Executive Officer. These approval thresholds are subject to change over time. We expect to benefit from the extensive and varied relevant experience of the investment professionals serving on the Investment Committee, which includes expertise in private equity, primary and secondary leveraged credit, private mezzanine finance and distressed debt.

**Competitive Advantages**

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

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

In making its investment decisions, the Investment Adviser applies New Mountain Capital's long-standing, consistent investment approach that has been in place since its founding more than 15 years ago. We focus on companies in defensive growth niches of the middle market space where we believe few debt funds have built equivalent research and operational size and scale.

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

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

1. A generalist approach, combined with proactive pursuit of the highest quality opportunities within carefully selected industries, identified via an intensive and structured ongoing research process;
2. Emphasis on strong downside protection and strict risk controls; and
3. Continued search for superior risk adjusted returns, combined with timely, intelligent exits and outstanding return performance.

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

The Investment Adviser's team members have extensive experience in the leveraged lending space. Steven B. Klinsky, New Mountain Capital's Founder, Chief Executive Officer and Managing Director and Chairman of our board of directors, was a general partner of Forstmann Little & Co., a manager of debt and equity funds totaling multiple billions of dollars in the 1980s and 1990s. He was also a co-founder of Goldman, Sachs & Co.'s Leverage Buyout Group in the period from 1981 to 1984. Robert A. Hamwee, our Chief Executive Officer and Managing Director of New Mountain Capital, was formerly President of GSC Group, Inc. ("GSC"), where he was the portfolio manager of

Table of Contents

GSC's distressed debt funds and led the development of GSC's CLOs. John R. Kline, our President and Chief Operating Officer and Managing Director of New Mountain Capital, worked at GSC as an investment analyst and trader for GSC's control distressed and corporate credit funds and at Goldman, Sachs & Co. in the Credit Risk Management and Advisory Group.

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

***Significant Sourcing Capabilities and Relationships***

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

***Risk Management through Various Cycles***

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

Emphasizes the origination or purchase of debt in what the Investment Adviser believes are defensive growth companies, which are less likely to be dependent on macro-economic cycles;

Targets investments in companies that are preeminent market leaders in their own industries, and when possible, investments in companies that have strong management teams whose skills are difficult for competitors to acquire or reproduce; and

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

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

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

Table of Contents

**Market Opportunity**

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

*The leverage finance market has a high level of financing needs over the next several years due to significant bank debt maturities and significant amounts of private equity investable capital.* We believe that the large dollar volume of loans that need to be refinanced will present attractive opportunities to invest capital in a manner consistent with our stated objectives.

*Middle market companies continue to face difficulties in accessing the capital markets.* We believe opportunities to serve the middle market will continue to exist. While many middle market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult in recent years as institutional investors have sought to invest in larger, more liquid offerings.

*Increased regulatory scrutiny of banks has reduced middle market lending.* We believe that many traditional bank lenders to middle market businesses have either exited or de-emphasized their service and product offerings in the middle market. These traditional lenders have instead focused on lending and providing other services to large corporate clients. We believe this has resulted in fewer key players and the reduced availability of debt capital to the companies we target.

*Attractive pricing.* Reduced access to, and availability of, debt capital typically increases the interest rates, or pricing, of loans for middle market lenders. Recent primary debt transactions in this market often include upfront fees, original issue discount, prepayment protections and, in some cases, warrants to purchase common stock, all of which should enhance the profitability of new loans to lenders.

*Conservative deal structures.* As a result of the credit crisis, many lenders are requiring larger equity contributions from financial sponsors. Larger equity contributions create an enhanced margin of safety for lenders because leverage is a lower percentage of the implied enterprise value of the company.

*Large pool of uninvested private equity capital available for new buyouts.* We expect that private equity firms will continue to pursue acquisitions and will seek to leverage their equity investments with mezzanine loans and/or senior loans (including traditional first and second lien, as well as unitranche loans) provided by companies such as ours.

**Operating and Regulatory Structure**

We are a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act and are required to maintain an asset coverage ratio, as defined in the 1940 Act, of at least 200.0%. We include the assets and liabilities of our consolidated subsidiaries for purposes of satisfying the requirements under the 1940 Act. See "Regulation" in the accompanying prospectus.

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





Table of Contents

asset diversification requirements. We intend to distribute to our stockholders substantially all of our annual taxable income except that we may retain certain net capital gains for reinvestment.

**Risks**

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

We may suffer credit losses;

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

There is uncertainty as to the value of our portfolio investments because most of our investments are, and may continue to be, in private companies and recorded at fair value;

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

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

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

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

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

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

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

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

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

## Edgar Filing: New Mountain Finance Corp - Form 497

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

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

S-8

---

Table of Contents

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

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

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

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

The market price of our common stock may fluctuate significantly; and

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

**Company Information**

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

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

***Historical Financial Information***

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

***Market Data***

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

Table of Contents

**THE OFFERING**

Common Stock Offered	We are offering 5,000,000 shares of our common stock. To the extent that the underwriters sell more than 5,000,000 shares of our common stock, the underwriters have the option to purchase up to an additional 750,000 shares of our common stock at the initial public offering price, less the underwriting discounts and commissions (sales load), within 30 days of the date of this prospectus supplement.
Shares of Our Common Stock Currently Outstanding	69,821,693 shares.
Shares of Our Common Stock Outstanding After This Offering	74,821,693 shares, excluding 750,000 shares of common stock issuable pursuant to the option to purchase additional shares granted to the underwriters. This amount does not include any shares which may be issuable upon conversion of existing securities.
Use of Proceeds	Our net proceeds from this offering will be approximately \$ million, after deducting \$ million of sales load and estimated offering expenses of approximately \$0.3 million payable by us. If the underwriters' option to purchase additional shares is exercised in full, our net proceeds from this offering will be approximately \$ million, after deducting \$ million of sales load and estimated offering expenses of approximately \$0.3 million payable by us. We intend to use the net proceeds from this offering primarily for new investments in portfolio companies in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus. We may also use a portion of the net proceeds from the sale of shares of our common stock sold in this offering for other general corporate purposes, including to temporarily repay indebtedness (which will be subject to reborrowing), and other working capital requirements. We are continuously identifying, reviewing and, to the extent consistent with our investment objective, funding new investments. As a result, we typically raise capital as we deem appropriate to fund such new investments. We expect that it will take up to three months for us to substantially invest the net proceeds of this offering, depending on the availability of attractive opportunities and market conditions. However, we can offer no assurance that we will be able to achieve this goal. Proceeds not immediately used for new investments or the temporary repayment of debt will be invested primarily in cash, cash equivalents, U.S. government securities and other high-quality investments that mature in one year or less from the date of the investment. These temporary investments are expected to provide a lower net return than we hope to achieve from our target investments and, accordingly, may result in lower distributions, if any, during such period. See "Use of Proceeds" in this prospectus supplement.
New York Stock Exchange Symbol	"NMFC"

Table of Contents

Investment Advisory Fees

We pay the Investment Adviser a fee for its services under an investment advisory and management agreement (the "Investment Management Agreement") consisting of two components—a base management fee and an incentive fee. Pursuant to the Investment Management Agreement, the base management fee is calculated at an annual rate of 1.75% of our gross assets, which equals our total assets on the Consolidated Statements of Assets and Liabilities, less (i) the borrowings under the SLF Credit Facility and (ii) cash and cash equivalents. The base management fee is payable quarterly in arrears, and is calculated based on the average value of our gross assets, which equals our total assets, as determined in accordance with accounting principles generally accepted in the United States of America ("GAAP"), less the borrowings under the SLF Credit Facility and cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter. We have not invested, and currently do not invest, in derivatives. To the extent we invest in derivatives in the future, we will use the actual value of the derivatives, as reported on our Consolidated Statements of Assets and Liabilities, for purposes of calculating our base management fee. Since our IPO, the base management fee calculation has deducted the borrowings under the SLF Credit Facility. The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to our existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the Predecessor Holdings Credit Facility and into the Holdings Credit Facility on December 18, 2014. Post credit facility merger and to be consistent with the methodology since our IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of our "Pre-Incentive Fee Adjusted Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature each as described in the Investment Management Agreement. The second part will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement) and will equal 20.0% of our "Adjusted Realized Capital Gains", if any, on a cumulative basis from inception through the end of the year, computed net of all "Adjusted Realized Capital Losses" and "Adjusted Unrealized Capital Depreciation" on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee each as described in the Investment Management Agreement. See "Investment Management Agreement" in the accompanying prospectus.

Table of Contents

Administrator

The Administrator serves as our administrator and arranges our office space and provides us with office equipment and administrative services. The Administrator performs, or oversees the performance of, our financial records, prepares reports to our stockholders and reports filed by us with the SEC, monitors the payment of our expenses, and oversees the performance of administrative and professional services rendered to us by others. We reimburse the Administrator for our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under an administration agreement, as amended and restated (the "Administration Agreement"). For the year ended December 31, 2016, we incurred approximately \$1.6 million of indirect administrative expenses, of which \$0.7 million of indirect administrative expenses were waived by the Administrator. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the year ended December 31, 2016, we reimbursed our Administrator approximately \$0.9 million, which represents approximately 0.1% of our gross assets on an annual basis. See "Administration Agreement" in the accompanying prospectus.

Distributions

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

Taxation of NMFC

We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. As a RIC, we generally will not pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that are timely distributed to our stockholders as dividends. To maintain our RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually to our stockholders at least 90.0% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See "Price Range of Common Stock and Distributions" in this prospectus supplement and in the accompanying prospectus and "Material Federal Income Tax Considerations" in the accompanying prospectus.

Table of Contents

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

Table of Contents

Available Information

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

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This information is available at the SEC's public reference room at 100 F Street, NE, Washington, District of Columbia 20549 and on the SEC's website at <http://www.sec.gov>. The public may obtain information on the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. This information is also available free of charge by contacting us at New Mountain Finance Corporation, 787 Seventh Avenue, 48th Floor, New York, New York 10019, by telephone at (212) 720-0300, or on our website at <http://www.newmountainfinance.com>. Information contained on our website or on the SEC's website about us is not incorporated into this prospectus supplement and the accompanying prospectus and you should not consider information contained on our website or on the SEC's website to be part of this prospectus supplement and the accompanying prospectus.

S-14

---



Table of Contents

**FEES AND EXPENSES**

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

<b>Stockholder transaction expenses:</b>	
Sales load borne by us (as a percentage of offering price)	%(1)
Offering expenses borne by us (as a percentage of offering price)	%(2)
Dividend reinvestment plan fees	N/A(3)
<b>Total stockholder transaction expenses (as a percentage of offering price)</b>	<b>%</b>
<b>Annual expenses (as a percentage of net assets attributable to common stock):</b>	
Base management fees	2.94%(4)
Incentive fees payable under the Investment Management Agreement	2.17%(5)
Interest payments on borrowed funds	2.74%(6)
Other expenses	0.74%(7)
Acquired fund fees and expenses	0.48%(8)
<b>Total annual expenses</b>	<b>9.07%(9)</b>

**Example**

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

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$	\$	\$	\$

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

## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

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

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$	\$	\$	\$

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

- (1) Represents the sales load to be paid by us with respect to the shares of common stock to be sold by us in this offering for which the calculation is adjusted. There is no guaranty that there will be any sales of our common stock pursuant to this prospectus supplement or the accompanying prospectus.
- (2) The offering expenses of this offering are estimated to be approximately \$0.3 million.
- (3) The de minimis expenses of the dividend reinvestment plan are included in "other expenses".
- (4) The base management fee under the Investment Management Agreement is based on an annual rate of 1.75% of our average gross assets for the two most recent quarters, which equals our total assets on the Consolidated Statements of Assets and Liabilities, less (i) the borrowings under the SLF Credit Facility and (ii) cash and cash equivalents. We have not invested, and currently do not invest, in derivatives. To the extent we invest in derivatives in the future, we will use the actual value of the derivatives, as reported on our Consolidated Statements of Assets and Liabilities, for purposes of calculating our base management fee. Since our IPO, the base management fee calculation has deducted the borrowings under the SLF Credit Facility. The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to our existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the Predecessor Holdings Credit Facility and into the Holdings Credit Facility on December 18, 2014. Post credit facility merger and to be consistent with the methodology since our IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. The base management fee reflected in the table above is based on the year ended December 31, 2016 and is calculated without deducting any management fees waived. The annual base management fee after deducting the management fee waiver as a percentage of net assets would be 2.42% based on the year ended December 31, 2016. See "Investment Management Agreement" in the accompanying prospectus.

(5)

Assumes that annual incentive fees earned by the Investment Adviser remain consistent with the incentive fees earned by the Investment Adviser during the year ended December 31, 2016 and includes accrued capital gains incentive fee. These accrued capital gains incentive fees would be paid by us if we ceased operations on December 31, 2016 and liquidated our investments at the December 31, 2016 valuation. As we cannot predict whether we will meet the thresholds for incentive fees under the Investment Management Agreement, the incentive fees paid in subsequent periods, if any, may be substantially different than the fees incurred during the year ended December 31, 2016. For

S-16

---

Table of Contents

more detailed information about the incentive fee calculations, see the "Investment Management Agreement" section of the accompanying prospectus.

(6)

We may borrow funds from time to time to make investments to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities or if the economic situation is otherwise conducive to doing so. The costs associated with these borrowings are indirectly borne by our stockholders. As of December 31, 2016, we had \$333.5 million, \$10.0 million, \$155.3 million, \$90.0 million and \$121.7 million of indebtedness outstanding under the Holdings Credit Facility, the NMFC Credit Facility, the Convertible Notes, the Unsecured Notes and the SBA-guaranteed debentures, respectively. For purposes of this calculation, we have assumed the December 31, 2016 amounts outstanding under the credit facilities, the Convertible Notes, the Unsecured Notes and the SBA-guaranteed debentures, and have computed interest expense using an assumed interest rate of 3.3% for the Holdings Credit Facility, 3.3% for the NMFC Credit Facility, 5.0% for the Convertible Notes, 5.313% for the Unsecured Notes and 3.2% for the SBA-guaranteed debentures, which were the rates payable as of December 31, 2016. See "Senior Securities" in this prospectus supplement and the accompanying prospectus.

(7)

"Other expenses" include our overhead expenses, including payments by us under the Administration Agreement based on the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under the Administration Agreement. Pursuant to the Administration Agreement, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. This expense ratio is calculated without deducting any expenses waived or reimbursed by the Administrator. Assuming the expenses waived or reimbursed by the Administrator at December 31, 2016, the annual expense ratio after deducting the expenses waived or reimbursed by the Administrator as a percentage of net assets would be 0.67%. For the year ended December 31, 2016, we reimbursed our Administrator approximately \$0.7 million, which represents approximately 0.09% of our net assets on an annualized basis. See "Administration Agreement" in the accompanying prospectus.

(8)

The holders of shares of our common stock indirectly bear the expenses of our investment in NMFC Senior Loan Program I, LLC ("SLP I") and NMFC Senior Loan Program II, LLC ("SLP II"). No management fee is charged on our investment in SLP I in connection with the administrative services provided to SLP I. As SLP II is structured as a private joint venture, no management fees are paid by SLP II. Future expenses for SLP I and SLP II may be substantially higher or lower because certain expenses may fluctuate over time.

(9)

The holders of shares of our common stock indirectly bear the cost associated with our annual expenses.

Table of Contents

**SELECTED FINANCIAL AND OTHER DATA**

The selected financial data should be read in conjunction with the respective consolidated financial statements and related consolidated notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this prospectus supplement and the accompanying prospectus. Financial information for the years ended December 31, 2016, December 31, 2015, December 31, 2014, December 31, 2013 and December 31, 2012 has been derived from the Predecessor Operating Company's and our financial statements and the related notes thereto that were audited by Deloitte & Touche LLP, an independent registered public accounting firm. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Senior Securities" in this prospectus supplement and the accompanying prospectus for more information.

The below selected financial and other data is for NMFC.

S-18

---

Edgar Filing: New Mountain Finance Corp - Form 497

Table of Contents

(in thousands except shares and per share data)

**Years Ended December 31,**

<b>New Mountain Finance Corporation</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Statement of Operations Data:</b>					
Investment income	\$ 168,084	\$ 153,855	\$ 91,923	\$	\$
Investment income allocated from NMF Holdings			43,678	90,876	37,511
Net expenses	79,976	71,360	34,727		
Net expenses allocated from NMF Holdings			20,808	40,355	17,719
Net investment income	88,108	82,495	80,066	50,521	19,792
Net realized (losses) gains on investments	(16,717)	(12,789)	357		
Net realized and unrealized gains (losses) allocated from NMF Holdings			9,508	11,443	12,087
Net change in unrealized appreciation (depreciation) of investments	40,131	(35,272)	(43,863)		
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(486)	(296)			
Net change in unrealized (depreciation) appreciation of investment in NMF Holdings				(44)	(95)
Benefit (provision) for taxes	642	(1,183)	(493)		
Net increase in net assets resulting from operations	111,678	32,955	45,575	61,920	31,784
<b>Per share data:</b>					
Net asset value	\$ 13.46	\$ 13.08	\$ 13.83	\$ 14.38	\$ 14.06
Net increase in net assets resulting from operations (basic)	1.72	0.55	0.88	1.76	2.14
Net increase in net assets resulting from operations (diluted)(1)	1.60	0.55	0.86	1.76	2.14
Distributions declared(2)	1.36	1.36	1.48	1.48	1.71
<b>Balance sheet data:</b>					
Total assets(3)	\$ 1,656,018	\$ 1,588,146	\$ 1,500,868	\$ 650,107	\$ 345,331
Holdings Credit Facility	333,513	419,313	468,108	N/A	N/A
Convertible Notes	155,523	115,000	115,000	N/A	N/A
SBA-guaranteed debentures	121,745	117,745	37,500	N/A	N/A
Unsecured Notes	90,000			N/A	N/A
NMFC Credit Facility	10,000	90,000	50,000	N/A	N/A
Total net assets	938,562	836,908	802,170	650,107	341,926
<b>Other data:</b>					
Total return based on market value(4)	19.68%	(4.00)%	9.66%	11.62%	24.84%
Total return based on net asset value(5)	13.98%	4.32%	6.56%	13.27%	16.61%
Number of portfolio companies at period end	78	75	71	N/A	N/A
Total new investments for the period(6)	\$ 558,068	\$ 612,737	\$ 720,871	N/A	N/A

Investment sales and repayments for the period(6)	\$ 547,078	\$ 483,936	\$ 384,568	N/A	N/A
Weighted average Yield to Maturity at Cost on debt portfolio at period end (unaudited)(7)	11.1%	10.7%	10.7%	N/A	N/A
Weighted average shares outstanding for the period (basic)	64,918,191	59,715,290	51,846,164	35,092,722	14,860,838
Weighted average shares outstanding for the period (diluted)	72,863,387	66,968,089	56,157,835	35,092,722	14,860,838
Portfolio turnover(6)	36.07%	33.93%	29.51%	N/A	N/A

(1)

In applying the if-converted method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive. For the year ended December 31, 2015, there was anti-dilution. For the years ended December 31, 2016 and December 31, 2014, there was no anti-dilution. For the years ended December 31, 2013 and December 31, 2012, due to reflecting earnings for the full year of operations of the Predecessor Operating Company assuming 100.0% NMFC ownership of Predecessor Operating Company and assuming all of AIV Holdings units in the Predecessor Operating Company were exchanged for public shares of NMFC during the years then ended, the earnings per share would be \$1.79 and \$2.18, respectively.

(2)

Distributions declared in the year ended December 31, 2014 include a \$0.12 per share special dividend related to realized capital gains attributable to NMF Holdings' warrant investments in Learning Care Group (US), Inc. Distributions declared in the year ended December 31, 2013 include a \$0.12 per share special dividend related to a distribution received attributable to NMF Holdings' investment in YP Equity Investors LLC. Distributions declared in the year ended December 31, 2012 include a \$0.23 per share special dividend related to estimated realized capital gains attributable to NMF Holdings' investments in Lawson Software, Inc. and Infor Lux Bond Company and a \$0.14 per

Table of Contents

share special dividend intended to minimize to the greatest extent possible NMFC's U.S. federal income or excise tax liability.

- (3) On January 1, 2016, we adopted Accounting Standard Update No. 2015-03, *Interest Imputation of Interest Subtopic 835-30 Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). Upon adoption, we revised our presentation of deferred financing costs from an asset to a liability, which is a direct deduction to our debt on the Consolidated Statements of Assets and Liabilities. In addition, as of December 31, 2015 and December 31, 2014, we retrospectively revised our presentation of \$14.0 million and \$14.1 million, respectively, of deferred financing costs that were previously presented as an asset, which resulted in a decrease to total assets and total liabilities as of December 31, 2015 and December 31, 2014. For the years ended December 31, 2013 and December 31, 2012, NMFC was a holding company with no direct operations of its own and its sole asset was its ownership in the Predecessor Operating Company and as such ASU 2015-03 did not apply to NMFC.
- (4) Total return is calculated assuming a purchase of common stock at the opening of the first day of the period and a sale on the closing of the last business day of the respective period ends. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under our dividend reinvestment plan.
- (5) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.
- (6) For the year ended December 31, 2014, amounts include our investment activity and the investment activity of the Predecessor Operating Company.
- (7) The weighted average Yield to Maturity at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the respective period ends and held until their respective maturities with no prepayments or losses and exited at par at maturity.



## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

As of May 8, 2014, NMFC assumed all operating activities previously undertaken by NMF Holdings. The following table sets forth selected financial and other data for NMF Holdings when it was the Predecessor Operating Company.

*(in thousands except units and per unit data)*

	<b>Years Ended December 31,</b>	
<b>New Mountain Finance Holdings, L.L.C.</b>	<b>2013</b>	<b>2012</b>
<b>Statement of Operations Data:</b>		
Total investment income	\$ 114,912	\$ 85,786
Net expenses	51,235	40,569
Net investment income	63,677	45,217
Net realized and unrealized gains (losses)	15,247	28,779
Net increase in net assets resulting from operations	78,924	73,996
<b>Per unit data:</b>		
Net asset value	\$ 14.38	\$ 14.06
Net increase in net assets resulting from operations (basic and diluted)	1.79	2.18
Distributions declared <sup>(1)</sup>	1.48	1.71
<b>Balance sheet data:</b>		
Total assets	\$ 1,147,841	\$ 1,025,564
Holdings Credit Facility	221,849	206,938
SLF Credit Facility	214,668	214,262
Total net assets	688,516	569,939
<b>Other data:</b>		
Total return at net asset value <sup>(2)</sup>	13.27%	16.61%
Number of portfolio companies at period end	59	63
Total new investments for the period	\$ 529,307	\$ 673,218
Investment sales and repayments for the period	\$ 426,561	\$ 423,874
Weighted average Yield to Maturity at Cost on debt portfolio at period end (unaudited) <sup>(3)</sup>	11.0%	10.3%
Weighted average Yield to Maturity on debt portfolio at period end (unaudited) <sup>(4)</sup>	10.6%	10.1%
Weighted average common membership units outstanding for the period	44,021,920	34,011,738
Portfolio turnover	40.52%	52.02%

(1) Distributions declared in the year ended December 31, 2013 include a \$0.12 per unit special dividend related to a distribution received attributable to NMF Holdings' investment in YP Equity Investors LLC. Distributions declared in the year ended December 31, 2012 include a \$0.23 per unit special dividend related to estimated realized capital gains attributable to NMF Holdings' investments in Lawson Software, Inc. and Infor Lux Bond Company and a \$0.14 per unit special dividend intended to minimize to the greatest extent possible NMFC's U.S. federal income or excise tax liability. Actual cash payments on the distributions declared to AIV Holdings only, for the quarters ended March 31, 2012, June 30, 2012, December 31, 2012 and March 31, 2013, were made on April 4, 2012, July 9, 2012, January 7, 2013 and April 5, 2013 respectively.

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

(3)

The weighted average Yield to Maturity at Cost calculation assumes that all investments not on non-accrual are purchased at the adjusted cost on the respective period ends and held until their respective maturities with no

Table of Contents

prepayments or losses and exited at par at maturity. Adjusted cost reflects the GAAP cost for post-IPO investments and a stepped up cost basis of pre-IPO investments (assuming a step-up to fair market value occurred on the IPO date).

- (4) The weighted average Yield to Maturity calculation assumes that all investments not on non-accrual are purchased at fair value on the respective period ends and held until their respective maturities with no prepayments or losses and exited at par at maturity. The weighted average Yield to Maturity was not calculated subsequent to December 31, 2013.

Table of Contents**SELECTED QUARTERLY FINANCIAL DATA**

The selected quarterly financial data should be read in conjunction with our respective consolidated financial statements and related consolidated notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this prospectus supplement and the accompanying prospectus. The following table sets forth certain quarterly financial data for each of the quarters for the fiscal years ended December 31, 2016 and December 31, 2015. This data is derived from our unaudited financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Senior Securities" included in this prospectus supplement and the accompanying prospectus for more information.

The below selected quarterly financial data is for NMFC.

*(in thousands except for per share data)*

Quarter Ended	Total Investment Income		Net Investment Income		Total Net Realized Gains (Losses) and Net Changes in Unrealized Appreciation (Depreciation) of Investments <sup>(1)</sup>		Net Increase (Decrease) in Net Assets Resulting from Operations	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
December 31, 2016	\$ 43,784	\$ 0.64	\$ 22,980	\$ 0.34	\$ 10,875	\$ 0.16	\$ 33,855	\$ 0.50
September 30, 2016	41,834	0.66	21,729	0.34	3,350	0.05	25,079	0.39
June 30, 2016	41,490	0.65	21,832	0.34	22,861	0.36	44,693	0.70
March 31, 2016	40,976	0.64	21,567	0.34	(13,516)	(0.21)	8,051	0.13
December 31, 2015	\$ 41,967	\$ 0.66	\$ 22,521	\$ 0.35	\$ (42,548)	\$ (0.66)	\$ (20,027)	\$ (0.31)
September 30, 2015	37,447	0.64	20,659	0.35	(10,855)	(0.18)	9,804	0.17
June 30, 2015	37,905	0.65	20,253	0.35	11		20,264	0.35
March 31, 2015	36,536	0.63	19,062	0.33	3,852	0.07	22,914	0.40

(1)

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

Table of Contents

**RISK FACTORS**

*Investing in our securities involves a number of significant risks. In addition to the other information contained in this prospectus supplement and the accompanying prospectus, you should consider carefully the following risks before making an investment in our securities. The risks set out below are not the only risks we face and you should read the risks set out in "Risk Factors" beginning on page 30 of the accompanying prospectus. Additional risks and uncertainties not presently known to us or not presently deemed material by us might also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline and you may lose all or part of your investment.*

**RISKS RELATED TO OUR BUSINESS AND STRUCTURE**

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

Recent U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the U.S. The federal debt limit was previously suspended since November 2, 2015, but the limit was reinstated on March 16, 2017. If legislation increasing the debt ceiling is not enacted, as needed, and the debt ceiling is reached, the U.S. federal government may stop or delay making payments on its obligations, which could negatively impact the U.S. economy and our portfolio companies. Multiple factors relating to the international operations of some of our portfolio companies and to particular countries in which they operate could negatively impact their business, financial condition and results of operations. In addition, disagreement over the federal budget has caused the U.S. federal government to shut down for periods of time. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

***Global economic, political and market conditions may adversely affect our business, results of operations and financial condition, including our revenue growth and profitability.***

The current worldwide financial market situation, as well as various social and political tensions in the U.S. and around the world, may contribute to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets, and may cause economic uncertainties or deterioration in the U.S. and worldwide. Since 2010, several European Union ("EU") countries, including Greece, Ireland, Italy, Spain, and Portugal, have faced budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. In June 2016, the United Kingdom ("U.K.") held a referendum in which voters approved an exit from the EU ("Brexit"), and, accordingly, on February 1, 2017, the U.K. Parliament voted in favor of allowing the U.K. government to begin the formal process of Brexit. Brexit created political and economic uncertainty and instability in the global markets (including currency and credit markets), and especially in the U.K. and the EU, and this uncertainty and instability may last indefinitely. In addition, the fiscal policy of foreign nations, such as Russia and China, may have a severe impact on the worldwide and U.S. financial markets. We cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

Table of Contents

As a result of the 2016 U.S. election, the Republican Party currently controls both the executive and legislative branches of government, which increases the likelihood that legislation may be adopted that could significantly affect the regulation of U.S. financial markets. Areas subject to potential change, amendment or repeal include the Dodd-Frank Act and the authority of the Federal Reserve and the Financial Stability Oversight Council. The U.S. may also potentially withdraw from or renegotiate various trade agreements and take other actions that would change current trade policies of the U.S. We cannot predict which, if any, of these actions will be taken or, if taken, their effect on the financial stability of the U.S. Such actions could have a significant adverse effect on our business, financial condition and results of operations. We cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

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

We depend on the investment judgment, skill and relationships of the investment professionals of the Investment Adviser, particularly Steven B. Klinsky, Robert A. Hamwee and John R. Kline, as well as other key personnel to identify, evaluate, negotiate, structure, execute, monitor and service our investments. The Investment Adviser, as an affiliate of New Mountain Capital, is supported by New Mountain Capital's team, which as of March 31, 2017 consisted of over 120 staff members of New Mountain Capital and its affiliates to fulfill its obligations to us under the Investment Management Agreement. The Investment Adviser may also depend upon New Mountain Capital to obtain access to investment opportunities originated by the professionals of New Mountain Capital and its affiliates. Our future success depends to a significant extent on the continued service and coordination of the key investment personnel of the Investment Adviser. The departure of any of these individuals could have a material adverse effect on our ability to achieve our investment objective.

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

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

We borrow money as part of our business plan. Borrowings, also known as leverage, magnify the potential for gain or loss on invested equity capital and may, consequently, increase the risk of investing in us. We expect to continue to use leverage to finance our investments, through senior securities issued by banks and other lenders. Lenders of these senior securities have fixed dollar claims on our assets that are superior to claims of our common stockholders. If the value of our assets decreases, leveraging would cause our net asset value to decline more sharply than it otherwise would have had it not leveraged. Similarly, any decrease in our income would cause our

Table of Contents

net income to decline more sharply than it would have had it not borrowed. Such a decline could adversely affect our ability to make common stock dividend payments. In addition, because our investments may be illiquid, we may be unable to dispose of them or to do so at a favorable price in the event we need to do so if we are unable to refinance any indebtedness upon maturity and, as a result, we may suffer losses. Leverage is generally considered a speculative investment technique.

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

At December 31, 2016, we had \$333.5 million, \$10.0 million, \$155.3 million, \$90.0 million and \$121.7 million of indebtedness outstanding under the Holdings Credit Facility, the NMFC Credit Facility, the Convertible Notes, the Unsecured Notes and the SBA-guaranteed debentures, respectively. The Holdings Credit Facility, NMFC Credit Facility and the SBA-guaranteed debentures had weighted average interest rates of 2.8%, 3.0% and 3.1%, respectively, for the year ended December 31, 2016. The interest rate on the Convertible Notes is 5.0% per annum and the interest rate on the Unsecured Notes is 5.313% per annum. In order for us to cover our annual interest payments on our outstanding indebtedness at December 31, 2016, we must achieve annual returns on our December 31, 2016 total assets of at least 1.6%.

**Illustration.** The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses and adjusted for unsettled securities purchased. The calculations in the table below are hypothetical. Actual returns may be higher or lower than those appearing below. The calculation assumes (i) \$1,656.0 million in total assets, (ii) a weighted average cost of borrowings of 3.6%, which assumes the weighted average interest rates as of December 31, 2016 for the Holdings Credit Facility, the NMFC Credit Facility and the SBA-guaranteed debentures and the interest rate as of December 31, 2016 for the Convertible Notes and Unsecured Notes, (iii) \$710.5 million in debt outstanding and (iv) \$938.6 million in net assets.

**Assumed Return on Our Portfolio  
(net of expenses)**

	(10.0)%	(5.0)%	0%	5.0%	10.0%
Corresponding return to stockholder	(20.4)%	(11.6)%	(2.8)%	6.1%	14.9%

***Our ability to enter into transactions involving derivatives and financial commitment transactions may be limited.***

The SEC has proposed a new rule under the 1940 Act that would govern the use of derivatives (defined to include any swap, security-based swap, futures contract, forward contract, option or any similar instrument) as well as financial commitment transactions (defined to include reverse repurchase agreements, short sale borrowings and any firm or standby commitment agreement or similar agreement) by BDCs. Under the proposed rule, a BDC would be required to comply with one of two alternative portfolio limitations and manage the risks associated with derivatives transactions and financial commitment transactions by segregating certain assets. Furthermore, a BDC that engages in more than a limited amount of derivatives transactions or that

Table of Contents

uses complex derivatives would be required to establish a formalized derivatives risk management program. If the SEC adopts this rule in the form proposed, our ability to enter into transactions involving such instruments may be hindered, which could have an adverse effect on our business, financial condition and results of operations.

**RISKS RELATED TO OUR OPERATIONS**

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

Our executive officers and directors, as well as the current or future investment professionals of the Investment Adviser, serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in your interests as stockholders. Although we are currently New Mountain Capital's only vehicle focused primarily on investing in the investments that we target, in the future, the investment professionals of the Investment Adviser and/or New Mountain Capital employees that provide services pursuant to the Investment Management Agreement may manage other funds which may from time to time have overlapping investment objectives with our own and, accordingly, may invest in, whether principally or secondarily, asset classes similar to those targeted by us. If this occurs, the Investment Adviser may face conflicts of interest in allocating investment opportunities to us and such other funds. Although the investment professionals will endeavor to allocate investment opportunities in a fair and equitable manner, it is possible that we may not be given the opportunity to participate in certain investments made by the Investment Adviser or persons affiliated with the Investment Adviser or that certain of these investment funds may be favored over us. When these investment professionals identify an investment, they may be forced to choose which investment fund should make the investment.

While we may co-invest with investment entities managed by the Investment Adviser or its affiliates to the extent permitted by the 1940 Act and the rules and regulations thereunder, the 1940 Act imposes significant limits on co-investment. As a result, on September 12, 2016, we, the Investment Adviser and certain affiliates of the Investment Adviser applied for exemptive relief from the SEC under the 1940 Act, which, if granted, would allow additional latitude to co-invest. However, there is no assurance when, or even if, we will obtain such relief. In the event the SEC does not grant us relief, we will be limited in our ability to invest in certain portfolio companies in which the Investment Adviser or any of its affiliates are investing or are invested. Even if we are able to obtain exemptive relief, we will be unable to participate in certain transactions originated by our Investment Adviser or its affiliates prior to receipt of such relief.

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



Table of Contents

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

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

We may issue debt securities, preferred stock, and we may borrow money from banks or other financial institutions, which we refer to collectively as "senior securities", up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200.0% after each issuance of senior securities. As a result of our SEC exemptive relief, we are permitted to exclude our SBA-guaranteed debentures from the definition of senior securities in the 200.0% asset coverage ratio we are required to maintain under the 1940 Act. If our asset coverage ratio is not at least 200.0%, we would be unable to issue senior securities, and if we had senior securities outstanding (other than any indebtedness issued in consideration of a privately arranged loan, such as any indebtedness outstanding under the Holdings Credit Facility and NMFC Credit Facility), we would be unable to make distributions to our stockholders. However, at December 31, 2016, our only senior securities outstanding were indebtedness under the Holdings Credit Facility, NMFC Credit Facility, Convertible Notes and Unsecured Notes. Therefore, at December 31, 2016, we would not have been precluded from paying distributions. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales may be disadvantageous.

The Holdings Credit Facility matures on December 18, 2019 and permits borrowings of \$495.0 million as of December 31, 2016. The Holdings Credit Facility had \$333.5 million in debt outstanding as of December 31, 2016. The NMFC Credit Facility matures on June 4, 2019 and permits borrowings of \$122.5 million as of December 31, 2016. The NMFC Credit Facility had \$10.0 million in debt outstanding as of December 31, 2016. The Convertible Notes mature on June 15, 2019. The Convertible Notes had \$155.3 million in debt outstanding as of December 31, 2016. The Unsecured Notes mature on May 15, 2021. The Unsecured Notes had \$90.0 million in debt outstanding as of December 31, 2016. The SBA-guaranteed debentures have ten year maturities and will begin to mature on March 1, 2025. As of December 31, 2016, \$121.7 million of SBA-guaranteed debentures were outstanding.

In addition, we may in the future seek to securitize other portfolio securities to generate cash for funding new investments. To securitize loans, we would likely create a wholly-owned subsidiary and contribute a pool of loans to the subsidiary. We would then sell interests in the subsidiary on a non-recourse basis to purchasers and we would retain all or a portion of the equity in the subsidiary. If we are unable to successfully securitize its loan portfolio, which must be done in compliance with the relevant restrictions in the Holdings Credit Facility, our ability to grow our business or fully execute our business strategy could be impaired and our earnings, if any, could decrease. The securitization market is subject to changing market conditions, and we may not be able to access this market when it would be otherwise deemed appropriate. Moreover, the successful securitization of our portfolio might expose us to losses as the residual investments in which we do not sell interests will tend to be those that are riskier and more apt to generate losses. The 1940 Act also may impose restrictions on the structure of any securitization.

Table of Contents

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

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

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

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

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

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

Table of Contents

backup, adding to costs, and can contribute to increased system stresses, including service interruptions.

In December 2015 the United Nations, of which the U.S. is a member, adopted a climate accord (the "Paris Agreement") with the long-term goal of limiting global warming and the short-term goal of significantly reducing greenhouse gas emissions. The U.S. subsequently ratified the Paris Agreement, and it entered into force on November 4, 2016. As a result, our portfolio companies, particularly those operating in the energy sector, may be subject to new or strengthened regulations or legislation which could increase their operating costs and/or decrease their revenues.

**RISKS RELATING TO OUR INVESTMENTS**

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

Our portfolio may be concentrated in a limited number of industries. For example, as of December 31, 2016, our investments in the business services and the software industries represented approximately 29.6% and 27.0%, respectively, of the fair value of our portfolio. A downturn in any particular industry in which we are invested could significantly impact the portfolio companies operating in that industry, and accordingly, the aggregate returns that we realize from our investment in such portfolio companies.

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

Table of Contents

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

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

the preliminary estimates of our net asset value and net investment income;

our future operating results;

our business prospects and the prospects of our portfolio companies;

the impact of investments that we expect to make;

our contractual arrangements and relationships with third parties;

the dependence of our future success on the general economy and its impact on the industries in which we invest;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

the adequacy of our cash resources and working capital; and

the timing of cash flows, if any, from the operations of our portfolio companies.

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

an economic downturn could impair our portfolio companies' ability to continue to operate, which could lead to the loss of some or all of our investments in such portfolio companies;

a contraction of available credit and/or an inability to access the equity markets could impair our lending and investment activities;

interest rate volatility could adversely affect our results, particularly if we elect to use leverage as part of our investment strategy;

## Edgar Filing: New Mountain Finance Corp - Form 497

currency fluctuations could adversely affect the results of our investments in foreign companies, particularly to the extent that we receive payments denominated in foreign currency rather than U.S. dollars;

the risks, uncertainties and other factors we identify in "Risk Factors" and elsewhere in this prospectus supplement, the accompanying prospectus and in our filings with the SEC; and

the results of our financial closing procedures.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, certain margins and levels

S-31

---

Table of Contents

of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus supplement or the accompanying prospectus should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in "Risk Factors" and elsewhere in this prospectus supplement and the accompanying prospectus. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus supplement. However, we will update this prospectus supplement to reflect any material changes to the information contained herein. The forward-looking statements and projections contained in this prospectus supplement are excluded from the safe harbor protection provided by Section 27A of the Securities Act.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization as of December 31, 2016:

on an actual basis;

on an as adjusted basis to give effect to the sale of 5,000,000 shares of our common stock by us in this offering at a public offering price of \$ per share, after deducting the estimated sales load (underwriting discounts and commissions) of approximately \$ million and estimated offering expenses of approximately \$0.3 million payable by us.

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

	Actual	As Adjusted (unaudited)
	(in thousands)	
<b>Assets:</b>		
Cash and cash equivalents	\$ 45,928	\$
Investments at fair value	1,558,817	
Other assets	51,273	
<b>Total assets</b>	<b>\$ 1,656,018</b>	<b>\$</b>
<b>Liabilities:</b>		
Net borrowings	\$ 696,740	\$
Other liabilities	20,716	
<b>Total liabilities</b>	<b>\$ 717,456</b>	<b>\$</b>
<b>Net assets</b>	<b>\$ 938,562</b>	<b>\$</b>
<b>Net assets:</b>		
Preferred stock, par value \$0.01 per share; 2,000,000 shares authorized, none issued	\$	\$
Common stock, par value \$0.01 per share; 100,000,000 shares authorized, 69,755,387 shares issued and 69,717,814 shares outstanding		698
Paid in capital in excess of par	1,001,862	
Treasury stock at cost, 37,573 shares held, respectively	(460)	
Accumulated undistributed net investment income	2,073	
Accumulated undistributed net realized losses on investments	(36,947)	
Net unrealized (depreciation) appreciation (net of provision for taxes)	(28,664)	
<b>Total net assets</b>	<b>938,562</b>	

Table of Contents

**USE OF PROCEEDS**

We estimate that we will receive net proceeds from the sale of the 5,000,000 shares of our common stock in this offering of approximately \$ million, after deducting underwriting discounts and commissions of approximately \$ million and estimated offering expenses of approximately \$0.3 million payable by us. If the underwriters' option to purchase additional shares is exercised in full, our net proceeds from this offering will be approximately \$ million, after deducting underwriting discounts and commissions of approximately \$ million and estimated offering expenses of approximately \$0.3 million payable by us.

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

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

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



Table of Contents**PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

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

Fiscal Year Ended	NAV Per Share <sup>(1)</sup>	Closing Sales Price <sup>(2)</sup>		Premium (Discount) of High Closing Sales to	Premium (Discount) of Low Closing Sales to	Declared Distributions Per Share <sup>(4)(5)</sup>
		High	Low	NAV <sup>(3)</sup>	NAV <sup>(3)</sup>	
<b>December 31, 2017</b>						
First Quarter		* \$ 14.90	\$ 14.00	*	* \$	0.34
<b>December 31, 2016</b>						
Fourth Quarter	\$ 13.46	\$ 14.30	\$ 13.20	6.24%	(1.93)%	\$ 0.34
Third Quarter	\$ 13.28	\$ 14.28	\$ 13.11	7.53%	(1.28)%	\$ 0.34
Second Quarter	\$ 13.23	\$ 12.90	\$ 12.10	(2.49)%	(8.54)%	\$ 0.34
First Quarter	\$ 12.87	\$ 12.96	\$ 11.09	0.70%	(13.83)%	\$ 0.34
<b>December 31, 2015</b>						
Fourth Quarter	\$ 13.08	\$ 14.17	\$ 12.15	8.33%	(7.11)%	\$ 0.34
Third Quarter	\$ 13.73	\$ 14.94	\$ 13.34	8.81%	(2.84)%	\$ 0.34
Second Quarter	\$ 13.90	\$ 15.14	\$ 14.49	8.92%	4.24%	\$ 0.34
First Quarter	\$ 13.89	\$ 15.06	\$ 14.30	8.42%	2.95%	\$ 0.34

- (1) NAV is determined as of the last date in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low closing sales prices. The NAVs shown are based on outstanding shares at the end of each period.
- (2) Closing sales price is determined as the high or low closing sales price noted within the respective quarter, not adjusted for distributions.
- (3) Calculated as of the respective high or low closing sales price divided by the quarter end NAV.
- (4) Represents the distributions declared or paid for the specified quarter.
- (5) Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. For the years ended December 31, 2016 and December 31, 2015, total distributions were \$88.8 million and \$81.0 million, respectively, of which the distributions were comprised of approximately 89.46% and 99.96%, respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 10.54% and 0.04%, respectively, of a return of capital.

\*

Not determinable at the time of filing.

On March 31, 2017, the last reported sales price of our common stock was \$14.90 per share. As of March 31, 2017, we had approximately 17 stockholders of record and approximately one beneficial owner whose shares are held in the names of brokers, dealers, funds, trusts and clearing agencies.

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from NAV or at premiums that are unsustainable over the long term are separate and distinct from the risk that our NAV will decrease. Since our initial public offering on May 19, 2011, our shares of common stock have traded at times at both a discount and a premium to the net assets attributable to those shares. As of March 31, 2017, our shares of common stock traded at a premium of

S-35

---

Table of Contents

approximately 10.7% of the NAV attributable to those shares as of December 31, 2016. It is not possible to predict whether the shares offered hereby will trade at, above, or below NAV.

We intend to pay quarterly distributions to our stockholders in amounts sufficient to maintain our status as a RIC. We intend to distribute approximately our entire Adjusted Net Investment Income (defined as net investment income adjusted to reflect income as if the cost basis of investments held at the IPO date had stepped-up to fair market value as of the IPO date) on a quarterly basis and substantially all of our taxable income on an annual basis, except that we may retain certain net capital gains for reinvestment. The distributions we pay to our stockholders in a year may exceed our taxable income for that year and, accordingly, a portion of such distributions may constitute a return of capital, which is a return of a portion of a stockholders original investment in our common stock, for U.S. federal tax purposes. Generally, a return of capital will reduce an investor's basis in our stock for U.S. federal income tax purposes, which will result in a higher tax liability when the stock is sold. The specific tax characteristics of our distributions will be reported to stockholders after the end of the calendar year.

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

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

## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

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

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount</b>
February 23, 2017	March 17, 2017	March 31, 2017	\$ 0.34
			\$ 0.34
November 4, 2016	December 15, 2016	December 29, 2016	\$ 0.34
August 2, 2016	September 16, 2016	September 30, 2016	0.34
May 3, 2016	June 16, 2016	June 30, 2016	0.34
February 22, 2016	March 17, 2016	March 31, 2016	0.34
			\$ 1.36
November 3, 2015	December 16, 2015	December 30, 2015	\$ 0.34
August 4, 2015	September 16, 2015	September 30, 2015	0.34
May 5, 2015	June 16, 2015	June 30, 2015	0.34
February 23, 2015	March 17, 2015	March 31, 2015	0.34
			\$ 1.36

Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. For the years ended December 31, 2016 and December 31, 2015, total distributions were \$88.8 million and \$81.0 million, respectively, of which the distributions were comprised of approximately 89.46% and 99.96%, respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 10.54% and 0.04%, respectively, of a return of capital. Future quarterly distributions, if any, will be determined by our board of directors.

Table of Contents

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

*The information contained in this section should be read in conjunction with the Selected Financial and Other Data and our Financial Statements and notes thereto appearing elsewhere in this prospectus supplement. For the periods prior to and as of May 8, 2014, all financial information provided in this section reflects our organizational structure prior to the restructuring on May 8, 2014 described under "Description of Restructuring" in the accompanying prospectus, where NMF Holdings functioned as the operating company. In addition to historical information, the following discussion and other parts of this prospectus supplement and the accompanying prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" appearing elsewhere in this prospectus supplement and the accompanying prospectus.*

**Overview**

We are a Delaware corporation that was originally incorporated on June 29, 2010 and completed our IPO on May 19, 2011. We are a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. As such, we are obligated to comply with certain regulatory requirements. We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. NMFC is also registered as an investment adviser under the Advisers Act.

The Investment Adviser is a wholly-owned subsidiary of New Mountain Capital. New Mountain Capital is a firm with a track record of investing in the middle market and with assets under management of approximately \$15.0 billion, which includes total assets held by us. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. The Investment Adviser manages our day-to-day operations and provides us with investment advisory and management services. The Administrator, a wholly-owned subsidiary of New Mountain Capital, provides the administrative services necessary to conduct our day-to-day operations.

Our wholly-owned subsidiary, NMF Holdings, is a Delaware limited liability company whose assets are used to secure NMF Holdings' credit facility. For additional information about our organizational structure prior to May 8, 2014, see "Historical Structure". NMF Ancora, NMF QID and NMF YP, our wholly-owned subsidiaries, 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). We consolidate our 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 the portfolio companies. Additionally, our wholly-owned subsidiary, NMF Servicing, serves as the administrative agent on certain investment transactions. SBIC LP and its general partner, SBIC GP, were organized in Delaware as a limited partnership and limited liability company, respectively. SBIC LP and SBIC GP are our consolidated wholly-owned direct and indirect subsidiaries. SBIC LP received a license from the SBA to operate as a SBIC under Section 301(c) of the 1958 Act.

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

Table of Contents

capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to us, SBIC LP's investment objective is to generate current income and capital appreciation under our investment criteria. However, SBIC LP's investments must be in SBA eligible companies. Our portfolio may be concentrated in a limited number of industries. As of December 31, 2016, our top five industry concentrations were business services, software, consumer services, investment fund and education.

The investments that we invest in are almost entirely rated below investment grade or may be unrated, which are often referred to as "leveraged loans", "high yield" or "junk" debt investments, and may be considered "high risk" or speculative compared to debt investments that are rated investment grade. Such issuers are considered more likely than investment grade issuers to default on their payments of interest and principal, and such risk of default could reduce our net asset value and income distributions. Our investments are also primarily floating rate debt investments that contain interest reset provisions that may make it more difficult for borrowers to make debt repayments to us if interest rates rise. In addition, some of our debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity. Our debt investments may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these securities. This illiquidity may make it more difficult to value our investments.

As of December 31, 2016, our net asset value was \$938.6 million and our portfolio had a fair value of approximately \$1,558.8 million in 78 portfolio companies, with a weighted average Yield to Maturity at Cost of approximately 11.1%.

**Historical Structure**

On May 19, 2011, we priced our 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, we sold an additional 2,172,000 shares of our common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a 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. In connection with our IPO and through a series of transactions, NMF Holdings acquired all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations. NMF Holdings, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of 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".

Until May 8, 2014, NMF Holdings was externally managed by the Investment Adviser 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 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.

Table of Contents

Prior to December 18, 2014, NMF SLF was a Delaware limited liability company. NMF SLF was a wholly-owned subsidiary of NMF Holdings and thus our wholly-owned indirect subsidiary. NMF SLF was bankruptcy-remote and non-recourse to us. As part of an amendment to our existing credit facilities with Wells Fargo Bank, National Association, NMF SLF merged with and into NMF Holdings on December 18, 2014. See " Borrowings" for additional information about our borrowings.

Since our IPO, and through December 31, 2016, we raised approximately \$533.1 million in net proceeds from additional offerings of common stock and issued shares of common stock valued at approximately \$288.4 million on behalf of AIV Holdings for exchanged units. We acquired from NMF Holdings units of NMF Holdings equal to the number of shares of our common stock sold in additional offerings. With the completion of the final secondary offering on February 3, 2014, we owned 100.0% of the units of NMF Holdings, which became our wholly-owned subsidiary.

**Recent Developments**

On January 12, 2017, the SBA issued a "green light" letter inviting us to continue our application process to obtain a second license to form and operate a second SBIC subsidiary. If approved, the additional SBIC license would provide us with an incremental source of attractive long-term capital. Receipt of a green light letter from the SBA does not assure an applicant that the SBA will ultimately issue an SBIC license and we have received no assurance or indication from the SBA that we will receive an additional SBIC license, or of the timeframe in which we would receive an additional license, should one ultimately be granted.

On February 23, 2017, our board of directors declared a first quarter 2017 distribution of \$0.34 per share payable on March 31, 2017 to holders of record as of March 17, 2017.

**Critical Accounting Policies**

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

***Basis of Accounting***

We consolidate our wholly-owned direct and indirect subsidiaries: NMF Holdings, NMF Servicing, SBIC LP, SBIC GP, NMF Ancora, NMF QID and NMF YP. Previously, we consolidated our wholly-owned indirect subsidiary NMF SLF until it merged with and into NMF Holdings on December 18, 2014. See " Borrowings" for additional information on our credit facilities. We are an investment company following accounting and reporting guidance as described in Accounting Standards Codification Topic 946, *Financial Services - Investment Companies*, ("ASC 946"). Prior to the restructuring, the Predecessor Operating Company consolidated its wholly-owned subsidiary, NMF SLF. NMFC did not consolidate the Predecessor Operating Company. Prior to the restructuring, NMFC applied investment company master-feeder financial statement presentation, as described in ASC 946, to its interest in the Predecessor Operating Company. NMFC observed that it is also industry practice to follow the presentation prescribed for a master fund-feeder fund structure in ASC 946 in instances in which a master fund is owned by more than one feeder fund and that such presentation provided stockholders of NMFC with a clearer depiction of their investment in the master fund.

Table of Contents

***Valuation and Leveling of Portfolio Investments***

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

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

- (1) Investments for which market quotations are readily available on an exchange are valued at such market quotations based on the closing price indicated from independent pricing services.
- (2) Investments for which indicative prices are obtained from various pricing services and/or brokers or dealers are valued through a multi-step valuation process, as described below, to determine whether the quote(s) obtained is representative of fair value in accordance with GAAP.
  - a. Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below); and
  - b. For investments other than bonds, we look at the number of quotes readily available and perform the following procedures:
    - i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained;
    - ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).
- (3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:
  - a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;
  - b. Preliminary valuation conclusions will then be documented and discussed with our senior management;
  - c. If an investment falls into (3) above for four consecutive quarters and if the investment's par value or its fair value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which we do not have a readily available market quotation will be reviewed by an independent valuation firm engaged by our board of directors; and





Table of Contents

d.

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

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

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

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

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

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

Quoted prices for similar assets or liabilities in active markets;

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

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

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

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

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

Table of Contents

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. 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 period in which the reclassifications occur.

The following table summarizes the levels in the fair value hierarchy that our portfolio investments fall into as of December 31, 2016:

(in thousands)	Total	Level I	Level II	Level III
First lien	\$ 700,580	\$	\$ 169,979	\$ 530,601
Second lien	604,203		280,026	324,177
Subordinated	66,559		41,906	24,653
Equity and other	187,475	28		187,447
Total investments	\$ 1,558,817	\$ 28	\$ 491,911	\$ 1,066,878

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

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

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

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

Table of Contents

**Market Based Approach:** We may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. We consider numerous factors when selecting the appropriate companies whose trading multiples are used to value our portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, and relevant risk factors, as well as size, profitability and growth expectations. We may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of December 31, 2016, we used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of our portfolio companies. We believe these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

**Income Based Approach:** We also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of December 31, 2016, we used the discount ranges set forth in the table below to value investments in our portfolio companies.

Edgar Filing: New Mountain Finance Corp - Form 497

Table of Contents

The unobservable inputs used in the fair value measurement of our Level III investments as of December 31, 2016 were as follows:

(in thousands) Type	Fair Value as of		Unobservable Input	Range		Weighted Average
	December 31, 2016	Approach		Low	High	
First lien	\$ 417,464	Market & income approach	EBITDA multiple	2.0x	15.0x	10.2x
			Revenue multiple	0.5x	8.0x	3.0x
			Discount rate	7.2%	12.3%	9.7%
			Broker quote	N/A	N/A	N/A
Second lien	86,801 26,336	Market quote Other	EBITDA multiple	N/A	N/A	N/A
			Discount rate	N/A	N/A	N/A
			Broker quote	N/A	N/A	N/A
			Other	N/A <sup>(1)</sup>	N/A	N/A
Subordinated	191,419	Market & income approach	EBITDA multiple	5.3x	16.0x	11.7x
			Revenue multiple	8.7%	13.0%	11.3%
			Discount rate	N/A	N/A	N/A
			Broker quote	N/A	N/A	N/A
Equity and other	96,315 36,443	Market quote Other	EBITDA multiple	N/A	N/A	N/A
			Revenue multiple	N/A	N/A	N/A
			Discount rate	N/A	N/A	N/A
			Other	N/A <sup>(1)</sup>	N/A	N/A
Equity and other	24,653	Market & income approach	EBITDA multiple	4.5x	8.5x	7.1x
			Revenue multiple	0.5x	1.0x	0.8x
			Discount rate	8.7%	15.8%	13.6%
			Broker quote	N/A	N/A	N/A
Equity and other	158,947	Market & income approach	EBITDA multiple	2.5x	13.0x	5.9x
			Revenue multiple	0.5x	1.0x	0.8x
			Discount rate	8.0%	18.9%	14.5%
			Expected life in years	8.8	9.3	9.1
			Volatility	32.2%	43.8%	36.4%
			Discount rate	2.5%	2.5%	2.5%
			Broker quote	N/A	N/A	N/A
			Other	N/A <sup>(1)</sup>	N/A	N/A
	\$ 1,066,878					

(1)

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

**NMFC Senior Loan Program I LLC**

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by us. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I is subject to restrictions, and as a result, such interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until 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 our core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with \$93.0 million of capital commitments and \$275.0 million of debt from a revolving credit facility and is managed by us. Our capital commitment is \$23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitment. As of December 31, 2016, SLP I had total investments with an aggregate fair value of approximately \$348.7 million, debt

## Edgar Filing: New Mountain Finance Corp - Form 497

outstanding of \$256.5 million and capital that had been called and funded of \$93.0 million. As of December 31, 2015, SLP I had total investments with an aggregate fair value of approximately \$349.7 million, debt outstanding of \$267.6 million and capital

S-45

---

Table of Contents

that had been called and funded of \$93.0 million. Our investment in SLP I is disclosed on our Consolidated Schedules of Investments as of December 31, 2016 and December 31, 2015.

We, as an investment adviser registered under the Advisers Act, act as the collateral manager to SLP I and are entitled to receive a management fee for our investment management services provided to SLP I. As a result, SLP I is classified as our affiliate. No management fee is charged on our investment in SLP I in connection with the administrative services provided to SLP I. For the years ended December 31, 2016, December 31, 2015 and December 31, 2014, we earned approximately \$1.2 million, \$1.2 million and \$0.5 million, respectively, in management fees related to SLP I which is included in other income. As of December 31, 2016 and December 31, 2015, approximately \$0.3 million and \$0.3 million, respectively, of management fees related to SLP I was included in receivable from affiliates. For the years ended December 31, 2016, December 31, 2015 and December 31, 2014, we earned approximately \$3.7 million, \$3.6 million and \$1.1 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of December 31, 2016 and December 31, 2015, approximately \$0.9 million and \$0.9 million, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

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

NMFC Senior Loan Program II LLC ("SLP II") was formed as a Delaware limited liability company on March 9, 2016 and commenced operations on April 12, 2016. SLP II is structured as a private joint venture investment fund between us and SkyKnight Income, LLC ("SkyKnight") and operates under a limited liability company agreement (the "SLP II Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within our core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP II, which has equal representation from us and SkyKnight. SLP II 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. We and SkyKnight have committed to provide \$79.4 million and \$20.6 million of equity to SLP II, respectively. As of December 31, 2016, we and SkyKnight have contributed \$71.5 million and \$18.5 million, respectively. Our investment in SLP II is disclosed on our Consolidated Schedule of Investments as of December 31, 2016.

On April 12, 2016, SLP II closed its \$275.0 million revolving credit facility with Wells Fargo Bank, National Association which matures on April 12, 2021 and bears interest at a rate of LIBOR plus 1.75% per annum. As of December 31, 2016, SLP II had total investments with an aggregate fair value of approximately \$361.7 million and debt outstanding under its credit facility of \$250.0 million.

Edgar Filing: New Mountain Finance Corp - Form 497

Table of Contents

The following table is a listing of the individual loans in SLP II's portfolio as of December 31, 2016:

Portfolio Company and Type of Investment	Industry	Interest Rate(1)	Maturity Date	Principal Amount or Par Value (in thousands)	Cost (in thousands)	Fair Value(2) (in thousands)
<b>First lien:</b>						
ADG, LLC	Healthcare Services	5.75% (L + 4.75%)	9/28/2023	\$ 17,207	\$ 17,040	\$ 17,121
AssuredPartners, Inc.	Business Services	5.25% (L + 4.25%)	10/21/2022	11,862	11,847	12,058
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.00% (L + 5.00%)	8/21/2023	14,962	14,819	14,963
Coinstar, LLC	Consumer Services	5.25% (L + 4.25%)	9/27/2023	4,987	4,963	5,054
Cvent, Inc.	Software	6.00% (L + 5.00%)	11/29/2023	10,000	9,901	10,125
DigiCert Holdings, Inc.	Software	6.00% (L + 5.00%)	10/21/2021	14,900	14,814	14,881
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)	Software	6.25% (L + 5.25%)	2/18/2022	10,507	10,350	10,402
Emerald 2 Limited	Business Services	5.00% (L + 4.00%)	5/14/2021	1,277	1,206	1,174
Engility Corporation (fka TASC, Inc.)	Federal Services	5.81% (Base + 4.72%)	8/14/2023	13,860	13,793	14,080
Evo Payments International, LLC	Business Services	6.00% (L + 5.00%)	12/22/2023	17,500	17,413	17,602
Explorer Holdings, Inc.	Healthcare Services	6.00% (L + 5.00%)	5/2/2023	4,975	4,929	5,028
Globallogic Holdings Inc.	Business Services	5.50% (L + 4.50%)	6/20/2022	10,000	9,900	10,013
GOBP Holdings Inc.	Retail	5.00% (L + 4.00%)	10/21/2021	14,955	14,816	14,985
Hyperion Insurance Group Limited	Business Services	5.50% (L + 4.50%)	4/29/2022	14,401	14,179	14,476
J.D. Power and Associates	Business Services	5.25% (L + 4.25%)	9/7/2023	9,975	9,927	10,075
Kronos Incorporated	Software	5.00% (L + 4.00%)	11/1/2023	10,000	9,951	10,105
Masergy Holdings, Inc.	Business Services	5.50% (L + 4.50%)	12/15/2023	7,500	7,463	7,563
McGraw-Hill Global Education Holdings, LLC	Education	5.00% (L + 4.00%)	5/4/2022	9,950	9,905	9,971
Ministry Brands, LLC	Software	6.00% (L + 5.00%)	12/2/2022	7,846	7,807	7,807
Mister Car Wash Holdings, Inc.	Consumer Services	5.25% (L + 4.25%)	8/20/2021	8,312	8,250	8,354
Navex Global, Inc.	Software		11/19/2021	14,933	14,718	14,858



Edgar Filing: New Mountain Finance Corp - Form 497

5.99%  
(L + 4.75%)

nThrive, Inc. (fka Precyse Acquisition Corp.)	Healthcare Services	6.50% (L + 5.50%)	10/20/2022	9,950	9,813	10,083
Poseidon Intermediate, LLC	Software	5.25% (L + 4.25%)	8/15/2022	14,962	14,962	15,055
Quest Software US Holdings Inc.	Software	7.00% (L + 6.00%)	10/31/2022	10,000	9,853	10,153
Rocket Software, Inc.	Software	5.25% (L + 4.25%)	10/14/2023	14,962	14,817	15,129
SolarWinds Holdings, Inc.	Software	5.50% (L + 4.50%)	2/3/2023	14,688	14,697	14,852
TTM Technologies, Inc.	Business Products	5.25% (L + 4.25%)	5/31/2021	13,548	13,444	13,599
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	5.75% (L + 4.75%)	11/23/2019	10,801	10,780	10,942
Vision Solutions, Inc.	Software	7.50% (Base + 6.50%)	6/16/2022	9,938	9,845	9,919
Vivid Seats LLC	Business Services	6.75% (L + 5.75%)	10/12/2022	4,000	3,922	3,985
WD Wolverine Holdings, LLC	Healthcare Services	6.50% (L + 5.50%)	10/17/2023	10,200	9,900	9,894
Zywave, Inc.	Software	6.00% (L + 5.00%)	11/17/2022	17,500	17,414	17,413
				<b>\$ 360,458</b>	<b>\$ 357,438</b>	<b>\$ 361,719</b>

(1)

All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2016.

(2)

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

## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

Below is certain summarized financial information for SLP II as of December 31, 2016 and for the year ended December 31, 2016:

	<b>December 31, 2016</b> <b>(in thousands)</b>
<b>Selected Balance Sheet Information:</b>	
Investments at fair value (cost of \$357,438)	\$361,719
Receivable from unsettled securities sold	1,007
Cash and other assets	10,138
<b>Total assets</b>	<b>\$372,864</b>
Credit facility	\$249,960
Deferred financing costs	(2,565)
Payable for unsettled securities purchased	24,862
Distribution payable	3,000
Other liabilities	3,350
<b>Total liabilities</b>	<b>278,607</b>
Members' capital	\$94,257
<b>Total liabilities and members' capital</b>	<b>\$372,864</b>

	<b>Year Ended</b> <b>December 31,</b> <b>2016<sup>(1)</sup></b> <b>(in thousands)</b>
<b>Selected Statement of Operations Information:</b>	
Interest income	\$7,463
Other income	572
<b>Total investment income</b>	<b>8,035</b>
Interest and other financing expenses	3,558
Other expenses	650
<b>Total expenses</b>	<b>4,208</b>
<b>Net investment income</b>	<b>3,827</b>
Net realized gains on investments	599
Net change in unrealized appreciation (depreciation) of investments	4,281
<b>Net increase in members' capital</b>	<b>\$8,707</b>

- (1) For the year ended December 31, 2016, amounts reported relate to the period from April 12, 2016 (commencement of operations) to December 31, 2016.

For the year ended December 31, 2016, we earned approximately \$3.5 million of dividend income related to SLP II, which is included in dividend income. As of December 31, 2016, approximately \$2.4 million of dividend income related to SLP II was included in interest and dividend receivable.

S-48

---

Table of Contents

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

***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. As of December 31, 2016, NMNLC had assets of approximately \$75.5 million and non-recourse asset level debt outstanding of approximately \$47.9 million. We have contributed \$27.0 million to NMNLC as of December 31, 2016. Our investment in NMNLC is disclosed on our Consolidated Schedule of Investments as of December 31, 2016.

Below is certain summarized property information for NMNLC as of December 31, 2016:

<b>Tenant</b>	<b>Lease Expiration Date</b>	<b>Location</b>	<b>Total Square Feet (in thousands)</b>	<b>Equity as of December 31, 2016 (in thousands)</b>
A.P. Plasman, Inc.	9/30/2031	Ontario, Canada	436	\$ 7,294
Plasman Corp, LLC / A-Brite LP	9/30/2033	Fort Payne, AL Cleveland, OH	261	5,132
FMH Conveyors, LLC	10/31/2031	Jonesboro, AR	195	5,136
J.R. Automation Technologies, LLC	1/31/2031	Holland, MI	88	2,061
Kirlin Group, LLC	6/30/2029	Rockville, MD	95	7,547
				<b>\$ 27,170</b>

For the year ended December 31, 2016, we earned approximately \$0.5 million of dividend income related to NMNLC, which is included in dividend income. For the year ended December 31, 2016, New Mountain Capital reimbursed NMNLC approximately \$0.2 million in non-recurring organizational expenses incurred in connection with the formation and organization of NMNLC. As of December 31, 2016, approximately \$0.5 million of dividend income related to NMNLC was included in interest and dividend receivable.

***Collateralized agreements or repurchase financings***

We follow the guidance in Accounting Standards Codification Topic 860, *Transfers and Servicing - Secured Borrowing and Collateral*, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of December 31, 2016 and December 31, 2015, we held one collateralized agreement to resell with a cost basis of \$30.0 million and \$30.0 million, respectively, and a carrying value of \$29.2 million and \$29.7 million, respectively, and collateralized by a second lien bond in Northstar GOM Holdings Group LLC with a fair value of \$29.2 million and \$29.7 million, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund with the most recently reported assets under management of approximately \$690.0 million and assets under management

Table of Contents

of approximately \$716.6 million as of December 31, 2015. Pursuant to the terms of the collateralized agreement, the private hedge fund is obligated to repurchase the collateral from us at the par value of the collateralized agreement once called upon by us or if the private hedge fund's total assets under management fall below the agreed upon thresholds. The collateralized agreement was called upon by us but the counterparty failed to repurchase the collateral at its par value in accordance with the terms of the collateralized agreement. As of December 31, 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 December 31, 2016 and December 31, 2015, respectively.

**Revenue Recognition**

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

*Interest and dividend income:* Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. We have loans and certain preferred equity investments in the portfolio that contain a payment-in-kind ("PIK") interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and 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. We may from time to time enter into bridge financing commitments, an obligation to provide interim financing to a counterparty until permanent credit can be obtained. These commitments are short-term in nature and may expire unfunded. A fee is received for providing such commitments. Structuring fees and upfront fees are recognized as income when earned, usually when paid at the closing of the investment, and are non-refundable.

Table of Contents

Prior to the Restructuring, our revenue recognition policies were as follows:

*Revenue, expenses, and capital gains (losses):* At each quarterly valuation date, the Predecessor Operating Company's investment income, expenses, net realized gains (losses), and net increase (decrease) in unrealized appreciation (depreciation) were allocated to us based on our pro-rata interest in the net assets of the Predecessor Operating Company. This was recorded on our Statements of Operations. Realized gains and losses are recorded upon sales of our investments in the Predecessor Operating Company. Net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C. is the difference between the net asset value per share and the closing price per share for shares issued as part of the dividend reinvestment plan on the dividend payment date. This net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C. includes the unrealized appreciation (depreciation) from the IPO. We used the proceeds from our IPO and Concurrent Private Placement to purchase units in the Predecessor Operating Company at \$13.75 per unit (our IPO price per share). At the IPO date, \$13.75 per unit represented a discount to the actual net asset value per unit of the Predecessor Operating Company. As a result, we experienced immediate unrealized appreciation on our investment.

All expenses were paid and recorded by the Predecessor Operating Company. Expenses were allocated to us based on pro-rata ownership interest. In addition, the Predecessor Operating Company paid all of the offering costs related to the IPO and subsequent offerings. We recorded our portion of the offering costs as a direct reduction to net assets and the cost of our investment in the Predecessor Operating Company.

**Monitoring of Portfolio Investments**

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

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

Investment Rating 1 Investment is performing materially above expectations;

Investment Rating 2 Investment is performing materially in-line with expectations. All new loans are rated 2 at initial purchase;

Investment Rating 3 Investment is performing materially below expectations and risk has increased materially since the original investment; and

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

Table of Contents

The following table shows the distribution of our investments on the 1 to 4 investment rating scale at fair value as of December 31, 2016:

Investment Rating	Par Value <sup>(1)</sup>		As of December 31, 2016	
		Percent	Fair Value	Percent
Investment Rating 1	\$ 136.7	9.1%	\$ 136.9	8.8%
Investment Rating 2	1,278.0	84.7%	1,399.7	89.8%
Investment Rating 3	20.5	1.4%	12.6	0.8%
Investment Rating 4	72.7	4.8%	9.6	0.6%
	\$ 1,507.9	100.0%	\$ 1,558.8	100.0%

(1)

Excludes shares and warrants.

As of December 31, 2016, all investments in our portfolio had an Investment Rating of 1 or 2 with the exception of four portfolio companies. As of December 31, 2016, two portfolio companies had an Investment Rating of 3 and three portfolio companies had an Investment Rating of 4, which includes a portfolio company that had a portion of our investment included in Investment Rating of 3 and a portion included in Investment Rating of 4.

During the fourth quarter of 2016, we placed a portion of our first lien position in Sierra Hamilton LLC / Sierra Hamilton Finance, Inc. ("Sierra") on non-accrual status due to its ongoing restructuring. As of December 31, 2016, the portion of Sierra first lien placed on non-accrual status represented an aggregate cost basis of \$8.2 million, an aggregate fair value of \$5.3 million and total unearned interest income of \$0.6 million for the year then ended.

During the third quarter of 2016, we placed our entire second lien position in Transtar Holding Company ("Transtar") on non-accrual status due to its ongoing restructuring. As of December 31, 2016, our investment in Transtar had an aggregate cost basis of \$31.2 million, an aggregate fair value of \$3.9 million and total unearned interest income of approximately \$4.0 million for the year then ended.

During the third quarter of 2016, we received notice that there would be no recovery of the outstanding principal and interest owed on our two super priority first lien positions in ATI Acquisition Company ("ATI"). As of June 30, 2016, our first lien positions in ATI had an aggregate cost of \$1.5 million and an aggregate fair value of \$0 and no unearned interest income for the period then ended. We wrote off our first lien positions in ATI and recognized an aggregate realized loss of \$1.5 million during the three months ended September 30, 2016. As of December 31, 2016, our preferred shares and warrants in Ancora Acquisition LLC, which were received as a result of our first lien positions in ATI, had an aggregate cost basis of \$0.1 million and an aggregate fair value of \$0.4 million.

During the second quarter of 2016, we placed a portion of our first lien position in Permian Tank & Manufacturing, Inc. ("Permian") on non-accrual status due to its ongoing restructuring. As of September 30, 2016, our investment in Permian had an aggregate cost basis of \$24.4 million, an aggregate fair value of \$7.1 million and total unearned interest income of \$1.3 million for the nine months then ended. In October 2016, Permian completed a restructuring which resulted in a material modification of the original terms and an extinguishment of our original investment in Permian. Prior to the extinguishment in October 2016, our original investment in Permian had an aggregate cost of \$25.0 million, an aggregate fair value of \$7.1 million and total unearned interest income of \$1.4 million for the year ended December 31, 2016. The extinguishment resulted in a realized loss of \$17.9 million. Post restructuring, our investments in Permian have been restored to full accrual status. As of December 31, 2016, our investments in Permian have an aggregate cost basis of \$9.0 million and an aggregate fair value of \$11.2 million.

Table of Contents**Portfolio and Investment Activity**

The fair value of our investments was approximately \$1,558.8 million in 78 portfolio companies at December 31, 2016, approximately \$1,512.2 million in 75 portfolio companies at December 31, 2015 and approximately \$1,424.7 million in 71 portfolio companies at December 31, 2014.

The following table shows our portfolio and investment activity for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 :

(in millions)	Years Ended December 31,		
	2016	2015	2014 <sup>(1)</sup>
New investments in 43, 36 and 43 portfolio companies, respectively	\$ 558.1	\$ 612.7	\$ 720.9
Debt repayments in existing portfolio companies	479.5	400.8	267.5
Sales of securities in 10, 15 and 14 portfolio companies, respectively	67.6	83.1	117.0
Change in unrealized appreciation on 71, 23 and 20 portfolio companies, respectively	76.5	44.7	21.2
Change in unrealized depreciation on 24, 70 and 60 portfolio companies, respectively	(36.4)	(79.9)	(63.9)

(1)

For the year ended December 31, 2014, amounts represent the investment activity of the Predecessor Operating Company through and including May 7, 2014 and our investment activity from May 8, 2014 through December 31, 2014.

At December 31, 2016 and December 31, 2015, our weighted average Yield to Maturity at Cost was approximately 11.1% and 10.7%, respectively.

#### Recent Accounting Standards Updates

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Presentation of Financial Statements - Going Concern Subtopic 205-40 - Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 will explicitly require management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. Earlier adoption is permitted. We adopted ASU 2014-15 and the adoption did not have an impact on our consolidated financial statements and disclosures.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, *Consolidation Topic 810 - Amendments to the Consolidation Analysis* ("ASU 2015-02"), which modifies the consolidation analysis in determining if limited partnerships or similar type entities fall under the variable interest model or voting interest model, particularly those that have fee arrangements and related party relationships. ASU 2015-02 was effective for all public entities for interim and annual reporting periods beginning after December 15, 2015. Earlier adoption is permitted. On January 1, 2016, we adopted ASU 2015-02. The adoption did not have an impact on our consolidated financial statements and disclosures.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest Subtopic 835-30 - Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which changed the presentation of debt issuance costs in financial statements. Under ASU 2015-03, an entity presents such costs on the statement of assets and liabilities as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. The new standard was effective for all public entities for interim and annual reporting periods beginning after December 15, 2015. Earlier adoption is permitted. On January 1, 2016, we adopted ASU 2015-03. Upon adoption, we revised our presentation of deferred



Table of Contents

financing costs from an asset to a liability, which is a direct deduction to our debt on the Consolidated Statements of Assets and Liabilities. In addition, we retrospectively revised our 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.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments - Overall Subtopic 825-10 Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial assets and liabilities. ASU 2016-01 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The new guidance must be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of ASU 2016-01. We are in the process of evaluating the impact that this guidance will have on our consolidated financial statements and disclosures.

**Results of Operations**

Under GAAP, our IPO did not step-up the cost basis of the Predecessor Operating Company's existing investments to fair market value at the IPO date. Since the total value of the Predecessor Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, and different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold, repaid or mature in the future. We track the transferred (or fair market) value of each of the Predecessor Operating Company's investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts income as if each investment was purchased at the date of the IPO (or stepped up to fair market value). The respective "Adjusted Net Investment Income" (defined as net investment income adjusted to reflect income as if the cost basis of investments held at the IPO date had stepped-up to fair market value as of the IPO date) is used in calculating both the incentive fee and dividend payments.

Edgar Filing: New Mountain Finance Corp - Form 497

Table of Contents

The following table for the year ended December 31, 2016 is adjusted to reflect the step-up to fair market value and the allocation of the incentive fees related to hypothetical capital gains out of the adjusted post-incentive fee net investment income.

(in thousands)	Year Ended December 31, 2016	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments <sup>(1)</sup>	Adjusted Year Ended December 31, 2016
<b>Investment income</b>				
Interest income	\$ 147,425	\$ (65)	\$	\$ 147,360
Dividend income	11,200			11,200
Other income	9,459			9,459
<b>Total investment income<sup>(2)</sup></b>	<b>168,084</b>	<b>(65)</b>		<b>168,019</b>
Total expenses pre-incentive fee <sup>(3)</sup>	57,965			57,965
<b>Pre-Incentive Fee Net Investment Income</b>	<b>110,119</b>	<b>(65)</b>		<b>110,054</b>
Incentive fee	22,011			22,011
<b>Post-Incentive Fee Net Investment Income</b>	<b>88,108</b>	<b>(65)</b>		<b>88,043</b>
Net realized losses on investments <sup>(4)</sup>	(16,717)	(151)		(16,868)
Net change in unrealized appreciation (depreciation) of investments <sup>(4)</sup>	40,131	216		40,347
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(486)			(486)
Benefit for taxes	642			642
Capital gains incentive fees				
<b>Net increase in net assets resulting from operations</b>	<b>\$ 111,678</b>		<b>\$</b>	<b>111,678</b>

(1) For the year ended December 31, 2016, we incurred total incentive fees of \$22.0 million, of which none was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.

(2) Includes income from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

(3) Includes expense waivers and reimbursements of \$0.7 million and management fee waivers of \$4.8 million.

(4) Includes net realized gains and losses on investments and net change in unrealized (depreciation) appreciation of investments from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

For the year ended December 31, 2016, we had an approximately \$0.1 million adjustment to interest income for amortization, a decrease of approximately \$0.2 million to net realized losses and an increase of approximately \$0.2 million to net change in unrealized appreciation

## Edgar Filing: New Mountain Finance Corp - Form 497

(depreciation) to adjust for the stepped-up cost basis of the transferred investments as discussed above. For the year ended December 31, 2016, total adjusted investment income of \$168.0 million consisted of approximately \$135.2 million in cash interest from investments, approximately \$4.3 million in PIK interest from investments, approximately \$4.9 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$3.0 million, approximately \$8.0 million in cash dividends from investments, \$3.2 million in PIK dividends from investments and approximately \$9.4 million in other income. Our Adjusted Net Investment Income was \$88.0 million for the year ended December 31, 2016.

S-55

---

## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

In accordance with GAAP, for the year ended December 31, 2016, we did not have an accrual for hypothetical capital gains incentive fee based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of the period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value. As of December 31, 2016, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

The following table for the year ended December 31, 2015 is adjusted to reflect the step-up to fair market value and the allocation of the incentive fees related to hypothetical capital gains out of the adjusted post-incentive fee net investment income.

(in thousands)	Year Ended December 31, 2015	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments <sup>(1)</sup>	Adjusted Year Ended December 31, 2015
<b>Investment income</b>				
Interest income	\$ 140,074	\$ (131)	\$	\$ 139,943
Dividend income	5,771			5,771
Other income	8,010			8,010
<b>Total investment income<sup>(2)</sup></b>	<b>153,855</b>	<b>(131)</b>		<b>153,724</b>
Total expenses pre-incentive fee <sup>(3)</sup>	50,769			50,769
<b>Pre-Incentive Fee Net Investment Income</b>	<b>103,086</b>	<b>(131)</b>		<b>102,955</b>
Incentive fee	20,591			20,591
<b>Post-Incentive Fee Net Investment Income</b>	<b>82,495</b>	<b>(131)</b>		<b>82,364</b>
Net realized losses on investments <sup>(4)</sup>	(12,789)	(78)		(12,867)
Net change in unrealized (depreciation) appreciation of investments <sup>(4)</sup>	(35,272)	209		(35,063)
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(296)			(296)
Provision for taxes	(1,183)			(1,183)
Capital gains incentive fees				
<b>Net increase in net assets resulting from operations</b>	<b>\$ 32,955</b>			<b>\$ 32,955</b>

(1)

For the year ended December 31, 2015, we incurred total incentive fees of \$20.6 million, of which none was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.

Table of Contents

- (2) Includes income from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.
- (3) Includes expense waivers and reimbursements of \$0.7 million and management fee waivers of \$5.2 million.
- (4) Includes net realized gains and losses on investments net change in unrealized (depreciation) appreciation of investments from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

For the year ended December 31, 2015, we had a \$0.1 million adjustment to interest income for amortization, a decrease of \$0.1 million to net realized losses and an increase of \$0.2 million to net change in unrealized depreciation to adjust for the stepped-up cost basis of the transferred investments as discussed above. For the year ended December 31, 2015, total adjusted investment income of \$153.7 million consisted of approximately \$130.0 million in cash interest from investments, approximately \$3.9 million in PIK interest from investments, approximately \$3.6 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$2.4 million, approximately \$3.2 million in dividend income, \$2.6 million in PIK dividends from investments and approximately \$8.0 million in other income. Our Adjusted Net Investment Income was \$82.4 million for the year ended December 31, 2015.

In accordance with GAAP, for the year ended December 31, 2015, we did not have an accrual for hypothetical capital gains incentive fee based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of each period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value. As of December 31, 2015, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

Edgar Filing: New Mountain Finance Corp - Form 497

Table of Contents

The following table for the year ended December 31, 2014 is adjusted to reflect the step-up to fair market value and the allocation of the incentive fees related to hypothetical capital gains out of the adjusted post-incentive fee net investment income.

(in thousands)	Year Ended December 31, 2014	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments <sup>(1)</sup>	Adjusted Year Ended December 31, 2014
<b>Investment income</b>				
Interest income	\$ 85,123	\$ (193)		\$ 84,930
Dividend income	2,309			2,309
Other income	4,491			4,491
<b>Investment income allocated from NMF Holdings</b>				
Interest income	40,515			40,515
Dividend income	2,368			2,368
Other income	795			795
<b>Total investment income<sup>(2)</sup></b>	<b>135,601</b>	<b>(193)</b>		<b>135,408</b>
Total expenses pre-incentive fee <sup>(3)</sup>	43,766			43,766
<b>Pre-Incentive Fee Net Investment Income</b>	<b>91,835</b>	<b>(193)</b>		<b>91,642</b>
Incentive fee	11,769		6,549	18,318
<b>Post-Incentive Fee Net Investment Income</b>	<b>80,066</b>	<b>(193)</b>	<b>(6,549)</b>	<b>73,324</b>
Net realized gains (losses) on investments	357	(456)		(99)
Net realized gains on investments allocated from NMF Holdings	8,568			8,568
Net change in unrealized (depreciation) appreciation of investments <sup>(4)</sup>	(43,863)	649		(43,214)
Net change in unrealized appreciation (depreciation) of investments allocated from NMF Holdings	940			940
Provision for taxes	(493)			(493)
Capital gains incentive fees			6,549	6,549
<b>Net increase in net assets resulting from operations</b>	<b>\$ 45,575</b>			<b>\$ 45,575</b>

- 
- (1) For the year ended December 31, 2014, we incurred total incentive fees of \$11.8 million, of which \$(6.5) million related to the reduction of the capital gains incentive fee accrual on a hypothetical liquidation basis.
- (2) Includes income from non-controlled/non-affiliated investments and non-controlled/affiliated investments.
- (3) Includes expense waivers and reimbursements of \$1.1 million and management fee waivers of \$0.7 million.
- (4)

Edgar Filing: New Mountain Finance Corp - Form 497

Includes net change in unrealized (depreciation) appreciation of investments from non-controlled/non-affiliated investments and non-controlled/affiliated investments.

For the year ended December 31, 2014, we had a \$0.2 million adjustment to interest income for amortization, a decrease of \$0.5 million to net realized gains and an increase of \$0.7 million to

S-58

---

## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

net change in unrealized depreciation to adjust for the stepped-up cost basis of the transferred investments as discussed above. For the year ended December 31, 2014, total adjusted investment income of \$135.4 million consisted of approximately \$114.5 million in cash interest from investments, approximately \$4.6 million in PIK interest from investments, approximately \$3.9 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$2.5 million, approximately \$4.6 million in dividend income and approximately \$5.3 million in other income. Our Adjusted Net Investment Income was \$73.3 million for the year ended December 31, 2014.

In accordance with GAAP, for the year ended December 31, 2014, we decreased our hypothetical capital gains incentive fee accrual by \$6.5 million based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of each period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value. As of December 31, 2014, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

### **Results of Operations for the Years Ended December 31, 2016, December 31, 2015 and December 31, 2014**

#### *Revenue*

	<b>Years Ended December 31,</b>		
<b>(in thousands)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Interest income	\$ 147,425	\$ 140,074	\$ 85,123
Interest income allocated from the Predecessor Operating Company			40,515
<b>Total interest income</b>	<b>147,425</b>	<b>140,074</b>	<b>125,638</b>
Dividend income	11,200	5,771	2,309
Dividend income allocated from the Predecessor Operating Company			2,368
<b>Total dividend income</b>	<b>11,200</b>	<b>5,771</b>	<b>4,677</b>
Other income	9,459	8,010	4,491
Other income allocated from the Predecessor Operating Company			795
<b>Total other income</b>	<b>9,459</b>	<b>8,010</b>	<b>5,286</b>
<b>Total investment income</b>	<b>\$ 168,084</b>	<b>\$ 153,855</b>	<b>\$ 135,601</b>

Our total investment income increased by approximately \$14.2 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015. The 9% increase in total investment income primarily results from an increase in interest income of approximately \$7.4 million from the year ended December 31, 2015 to the year ended December 31, 2016, which is attributable to larger invested balances and prepayment fees received associated with the early repayments of nine different portfolio companies held as of December 31, 2015. Our larger invested balances were driven by the proceeds from the October 2016 primary offering of our common stock, our May 2016 and September 2016 unsecured notes issuances and our September 2016



Table of Contents

convertible notes issuance, as well as our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. The increase in dividend income of approximately \$5.4 million during the year ended December 31, 2016 as compared to the year ended December 31, 2015 was primarily attributable to distributions from our investments in SLP I, SLP II and NMNLC and PIK dividend income from an equity position. The increase in other income, which represents fees that are generally non-recurring in nature, of approximately \$1.4 million during the year ended December 31, 2016 as compared to the year ended December 31, 2015 was primarily attributable to structuring, upfront, amendment, consent and commitment fees received from 28 different portfolio companies and management fees from a non-controlled/affiliated portfolio company and a controlled portfolio company.

Our total investment income increased by approximately \$18.3 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014. The 13% increase in total investment income primarily results from an increase in interest income of approximately \$14.4 million from the year ended December 31, 2014 to the year ended December 31, 2015, which is attributable to larger invested balances and prepayment fees received associated with the early repayments or partial repayments of nine different portfolio companies held as of December 31, 2014. Our larger invested balances were driven by the proceeds from the September 2015 primary offering of our common stock, our use of leverage from our revolving credit facilities, SBA-guaranteed debentures and the deployment of the June 2014 proceeds from the issuance of \$115.0 million of convertible notes to originate new investments. The increase in dividend income of approximately \$1.1 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014 was primarily attributable to distributions from our investment in SLP I and PIK dividends income from an equity position. The increase in other income, which represents fees that are generally non-recurring in nature, of approximately \$2.7 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014 was primarily attributable to structuring, upfront, amendment and consent fees received from 22 different portfolio companies, commitment fees received from three bridge facilities and management fees from a non-controlled/affiliated portfolio company.

Table of Contents*Operating Expenses*

(in thousands)	Years Ended December 31,		
	2016	2015	2014
Management fee	\$ 27,551	\$ 25,858	\$ 13,593
Management fee allocated from Predecessor Operating Company			5,983
Less: management fee waiver	(4,824)	(5,219)	(686)
Total management fee	22,727	20,639	18,890
Incentive fee	22,011	20,591	12,070
Incentive fee allocated from Predecessor Operating Company			6,248
Total incentive fee	22,011	20,591	18,318
Capital gains incentive fee <sup>(1)</sup>			(8,573)
Capital gains incentive fee allocated from Predecessor Operating Company <sup>(1)</sup>			2,024
Total capital gains incentive fee <sup>(1)</sup>			(6,549)
Interest and other financing expenses	28,452	23,374	13,269
Interest and other financing expenses allocated from Predecessor Operating Company			4,764
Total interest and other financing expenses	28,452	23,374	18,033
Professional fees	3,087	3,214	2,390
Professional fees allocated from Predecessor Operating Company			1,238
Total professional fees	3,087	3,214	3,628
Administrative fees	2,683	2,450	1,470
Administrative expenses allocated from Predecessor Operating Company			761
Total administrative expenses	2,683	2,450	2,231
Other general and administrative expenses	1,589	1,665	1,138
Other general and administrative expenses allocated from Predecessor Operating Company			555
Total other general and administrative expenses	1,589	1,665	1,693
Total expenses	80,549	71,933	56,244
Less: expenses waived and reimbursed	(725)	(733)	(1,145)
Net expenses before income taxes	79,824	71,200	55,099
Income tax expense	152	160	436
Net expenses after income taxes	\$ 79,976	\$ 71,360	\$ 55,535

(1)

Capital gains incentive fee accrual assumes a hypothetical liquidation basis.

## Edgar Filing: New Mountain Finance Corp - Form 497

Our total net operating expenses increased by approximately \$8.6 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015. Our management fee increased by approximately \$2.1 million, net of a management fee waiver, and incentive fees increased by approximately \$1.4 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015. The increase in management fee and incentive fee from the year ended December 31, 2015 to the year ended December 31, 2016 was attributable to larger invested balances, driven by the proceeds from the October 2016 primary offering of our common stock, our May 2016 and September 2016 unsecured notes issuances and our September 2016 convertible notes issuance and our use of leverage from our revolving credit facilities and SBA-guaranteed

S-61

---

Table of Contents

debentures to originate new investments. No capital gains incentive fee was accrued for the year ended December 31, 2016.

Interest and other financing expenses increased by approximately \$5.1 million during the year ended December 31, 2016, primarily due to our issuance of our unsecured notes and additional issuance of our convertible notes and higher drawn balances on our SBA-guaranteed debentures and NMFC Credit Facility (as defined below). Our total professional fees, total administrative expenses, net of expenses waived and reimbursed, and total other general and administrative expenses remained relatively flat for the year ended December 31, 2016 as compared to the year ended December 31, 2015.

Our total net operating expenses increased by approximately \$15.8 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014. Our management fee increased by approximately \$1.7 million, net of a management fee waiver, and incentive fees increased by approximately \$2.3 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014. The increase in management fee and incentive fee from the year ended December 31, 2014 to the year ended December 31, 2015 was attributable to larger invested balances, driven by the proceeds from the September 2015 primary offering of our common stock, our use of leverage from our revolving credit facilities, SBA-guaranteed debentures and the deployment of the June 2014 Proceeds from the issuance of \$115.0 million of convertible notes to originate new investments. No capital gains incentive fee was accrued for the year ended December 31, 2015.

Interest and other financing expenses increased by approximately \$5.3 million during the year ended December 31, 2015, primarily due to our issuance of \$115.0 million of convertible notes, the closing of the NMFC Credit Facility (as defined below) during the second quarter of 2014 and the drawing on SBA-guaranteed debentures beginning in the fourth quarter of 2014. Our total professional fees, total administrative expenses and total other general and administrative expenses marginally decreased by approximately \$0.2 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014. Our expenses waived and reimbursed decreased by approximately \$0.4 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014 due to the expiration of the expense cap on March 31, 2014.

## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

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

(in thousands)	Years Ended December 31,		
	2016	2015	2014
Net realized (losses) gains on investments	\$ (16,717)	\$ (12,789)	\$ 357
Net realized gains on investments allocated from Predecessor Operating Company			8,568
Total realized (losses) gains on investments	(16,717)	(12,789)	8,925
Net change in unrealized appreciation (depreciation) of investments	40,131	(35,272)	(43,863)
Net change in unrealized appreciation (depreciation) of investments allocated from Predecessor Operating Company			940
Total change in unrealized appreciation (depreciation) of investments	40,131	(35,272)	(42,923)
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(486)	(296)	
Benefit (provision) for taxes	642	(1,183)	(493)
Total net realized gains (losses) and net change in unrealized appreciation (depreciation) of investments	\$ 23,570	\$ (49,540)	\$ (34,491)

Our net realized losses and unrealized gains resulted in a net gain of approximately \$23.6 million for the year ended December 31, 2016 compared to the net realized and unrealized losses resulting in a net loss of approximately \$49.5 million for the same period in 2015. We look at net realized and unrealized gains or losses together as movement in unrealized appreciation or depreciation can be the result of realizations. The net gain for the year ended December 31, 2016 was primarily driven by the overall increase in the market prices of our investments during the period and sales or repayments of investments with fair values in excess of December 31, 2015 valuations, resulting in net realized gains being greater than the reversal of the cumulative net unrealized gains for those investments. The net gain was offset by a \$17.9 million realized loss on an investment resulting from the modification of terms on a portfolio company that was accounted for as an extinguishment. The benefit for income taxes was primarily attributable to three equity investments that are held in our three tax blocker corporations as of December 31, 2016.

The net loss of approximately \$49.5 million for the year ended December 31, 2015 compared to the net realized gains and unrealized losses resulting in a net loss of approximately \$34.5 million for the same period in 2014. We look at net realized and unrealized gains or losses together as movement in unrealized appreciation or depreciation can be the result of realizations. The net loss for the year ended December 31, 2015 was primarily driven by the overall decrease in the market prices of our investments during the period and \$29.7 million of realized losses on investments resulting from the modification of terms on three portfolio companies that were accounted for as extinguishments. These losses were partially offset by sales or repayments of investments with fair values in excess of December 31, 2014 valuations, resulting in net realized gains being greater than the reversal of the cumulative net unrealized gains for those investments which included the sale of two portfolio companies resulting in realized gains of approximately \$14.2 million. The provision for income taxes was primarily attributable to three equity investments that are held in our three tax blocker corporations as of December 31, 2015.

The net loss for the year ended December 31, 2014 was primarily driven by the overall decrease in the market prices of our investments during the period and the partial write-down related to two portfolio companies. These losses were partially offset by a \$5.6 million gain from the sale of NMF Holdings' warrant investments in one portfolio company and sales or repayments of

Table of Contents

investments with fair values in excess of December 31, 2013 valuations, resulting in net realized gains being greater than the reversal of the cumulative net unrealized gains for those investments. The provision for income taxes was attributable to one warrant investment that is held in a tax blocker corporation as of December 31, 2014.

**Liquidity and Capital Resources**

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

Since our IPO, and through December 31, 2016, we raised approximately \$533.1 million in net proceeds from additional offerings of common stock and issued shares valued at approximately \$288.4 million on behalf of AIV Holdings for exchanged units. We acquired from the Predecessor Operating Company units of the Predecessor Operating Company equal to the number of shares of our common stock sold in the additional offerings.

On October 28, 2016, we completed a public offering of 5,750,000 shares of common stock (including 750,000 shares of common stock that were issued pursuant to the full exercise of the option granted to the underwriters to purchase additional shares) at a public offering price of \$13.50 per share. The Investment Adviser paid all of the underwriters' sales load and an additional supplemental payment of \$0.25 per share, which reflects the difference between the public offering price of \$13.50 per share and the net proceeds of \$13.75 per share. All payments made by the Investment Adviser are not subject to reimbursement by us. We received net proceeds from this offering of approximately \$79.1 million.

Our liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, and, we expect, through periodic follow-on equity offerings. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the 1940 Act, is at least 200.0% after such borrowing.

At December 31, 2016, December 31, 2015 and December 31, 2014, we had cash and cash equivalents of approximately \$45.9 million, \$30.1 million and \$23.4 million, respectively. Our cash provided by (used in) operating activities during the years ended December 31, 2016, December 31, 2015 and December 31, 2014, was approximately \$60.5 million, \$(63.3) million and \$(289.6) million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

***Borrowings***

***Holdings Credit Facility*** On December 18, 2014 we entered into the Second Amended and Restated Loan and Security Agreement (the "Holdings Credit Facility"), among us, as the Collateral Manager, NMF Holdings as the Borrower, Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian, which is structured as a revolving credit facility and matures on December 18, 2019.

Immediately prior to amending the Holdings Credit Facility, NMF SLF merged with and into NMF Holdings. The Holdings Credit Facility effectively amended and restated the Predecessor

Table of Contents

Holdings Credit Facility (as defined below), merged with the SLF Credit Facility (as defined below), and combined the amount of borrowings previously available.

The maximum amount of revolving borrowings available under the Holdings Credit Facility is \$495.0 million, which is the aggregate of the \$280.0 million previously available under the Predecessor Holdings Credit Facility (as defined below) and the \$215.0 million previously available under the SLF Credit Facility (as defined below). Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by Wells Fargo Securities, LLC. The Holdings Credit Facility is non-recourse to us and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires us to maintain a minimum asset coverage ratio. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

Effective January 1, 2016, the Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.50% per annum for all other investments. Previously, the Holdings Credit Facility bore interest at a rate of LIBOR plus 2.00% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.75% per annum for all other investments. The Holdings Credit Facility also charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

Prior to December 18, 2014, the Loan and Security Agreement, as amended and restated, dated May 19, 2011 (the "Predecessor Holdings Credit Facility") among NMF Holdings as the Borrower and Collateral Administrator, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, was structured as a revolving credit facility and would mature on October 27, 2016.

The maximum amount of revolving borrowings available under the Predecessor Holdings Credit Facility was \$280.0 million. Until December 18, 2014, NMF Holdings was permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien or non-first lien debt securities, respectively, and up to 70.0% and 45.0% of the purchase price of specified first lien debt securities and specified non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, National Association. The Predecessor Holdings Credit Facility was amended and restated on May 6, 2014 and as a result, it was non-recourse to us and was collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Predecessor Holdings Credit Facility were capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Predecessor Holdings Credit Facility. The Predecessor Holdings Credit Facility contained certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. In addition, the Predecessor Holdings Credit Facility required us to maintain a minimum asset coverage ratio. However, the covenants were generally not tied to mark to market fluctuations in the prices of NMF Holdings' investments, but rather to the performance of the underlying portfolio companies.

The Predecessor Holdings Credit Facility bore interest at a rate of LIBOR plus 2.75% per annum and charged a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

Table of Contents

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred, together, on the Holdings Credit Facility and the Predecessor Holdings Credit Facility for the years ended December 31, 2016, December 31, 2015 and December 31, 2014.

(in millions)	Years Ended December 31,		
	2016	2015	2014
Interest expense	\$ 9.5	\$ 10.5	\$ 7.1
Non-usage fee	\$ 0.8	\$ 0.5	\$ 0.2
Amortization of financing costs	\$ 1.6	\$ 1.6	\$ 0.9
Weighted average interest rate	2.8%	2.6%	2.9%
Effective interest rate	3.5%	3.2%	3.4%
Average debt outstanding	\$ 341.1	\$ 394.9	\$ 244.6

As of December 31, 2016, December 31, 2015 and December 31, 2014, the outstanding balance on the Holdings Credit Facility was \$333.5 million, \$419.3 million and \$468.1 million, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

**SLF Credit Facility** NMF SLF's Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the "SLF Credit Facility") among NMF SLF as the Borrower, NMF Holdings as the Collateral Administrator, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, was structured as a revolving credit facility and was set to mature on October 27, 2016. The maximum amount of revolving borrowings available under the SLF Credit Facility was \$215.0 million. The SLF Credit Facility was non-recourse to us and secured by all assets of NMF SLF on an investment by investment basis. All fees associated with the origination or upsizing of the SLF Credit Facility were capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the SLF Credit Facility. The SLF Credit Facility contained certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. The covenants were generally not tied to mark to market fluctuations in the prices of NMF SLF's investments, but rather to the performance of the underlying portfolio companies. NMF SLF was not restricted from the purchase or sale of loans with an affiliate. Therefore, specified loans could be moved as collateral between the Holdings Credit Facility and the SLF Credit Facility. The SLF Credit Facility merged with the Holdings Credit Facility on December 18, 2014.

Until December 18, 2014, the SLF Credit Facility permitted borrowings of up to 70.0% of the purchase price of pledged first lien debt securities and up to 25.0% of the purchase price of specified second lien loans, of which, up to 25.0% of the aggregate outstanding loan balance of all pledged debt securities in the SLF Credit Facility was allowed to be derived from second lien loans, subject to approval by Wells Fargo Bank, National Association.

The SLF Credit Facility bore interest at a rate of LIBOR plus 2.00% per annum for first lien loans and LIBOR plus 2.75% per annum for second lien loans, respectively. A non-usage fee was paid, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).



## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the SLF Credit Facility for the years ended December 31, 2016, December 31, 2015 and December 31, 2014.

(in millions)	Years Ended December 31,		
	2016 <sup>(1)</sup>	2015 <sup>(1)</sup>	2014 <sup>(2)</sup>
Interest expense	\$	\$	\$ 4.5
Non-usage fee	\$	\$	\$ <sup>(3)</sup>
Amortization of financing costs	\$	\$	\$ 0.8
Weighted average interest rate		%	2.2%
Effective interest rate		%	2.6%
Average debt outstanding	\$	\$	\$ 209.3

- (1) Not applicable, as the SLF Credit Facility merged with and into the Holdings Credit Facility on December 18, 2014.
- (2) For the year ended December 31, 2014, amounts reported relate to the period from January 1, 2014 to December 17, 2014 (date of merger).
- (3) For the year ended December 31, 2014, the total non-usage fee was less than \$50 thousand.

As of December 31, 2014, the SLF Credit Facility had merged with the Holdings Credit Facility.

**NMFC Credit Facility** The Senior Secured Revolving Credit Agreement, as amended, dated June 4, 2014 (together with the related guarantee and security agreement, the "NMFC Credit Facility"), among us as the Borrower, Goldman Sachs Bank USA as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders, is structured as a senior secured revolving credit facility and matures on June 4, 2019. The NMFC Credit Facility is guaranteed by certain of our domestic subsidiaries and proceeds from the NMFC Credit Facility may be used for general corporate purposes, including the funding of portfolio investments.

As of December 31, 2016, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$122.5 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

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

Table of Contents

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the years ended December 31, 2016, December 31, 2015 and December 31, 2014.

(in millions)	Years Ended December 31,		
	2016	2015	2014 <sup>(1)</sup>
Interest expense	\$ 2.0	\$ 1.7	\$ 0.2
Non-usage fee	\$ 0.2	\$ 0.1	\$ 0.1
Amortization of financing costs	\$ 0.4	\$ 0.4	\$ 0.1
Weighted average interest rate	3.0%	2.7%	2.7%
Effective interest rate	3.8%	3.5%	3.4%
Average debt outstanding	\$ 66.9	\$ 60.5	\$ 11.2

(1) For the year ended December 31, 2014, amounts reported relate to the period from June 4, 2014 (commencement of the NMFC Credit Facility) to December 31, 2014.

As of December 31, 2016, December 31, 2015 and December 31, 2014, the outstanding balance on the NMFC Credit Facility was \$10.0 million, \$90.0 million and \$50.0 million, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

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

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

The following table summarizes certain key terms related to the convertible features of our Convertible Notes as of December 31, 2016.

	December 31, 2016
Initial conversion premium	12.5%
Initial conversion rate <sup>(1)</sup>	62.7746
Initial conversion price	\$ 15.93
Conversion premium at December 31, 2016	11.7%
Conversion rate at December 31, 2016 <sup>(1)(2)</sup>	63.2794
Conversion price at December 31, 2016 <sup>(2)(3)</sup>	\$ 15.80
Last conversion price calculation date	June 3, 2016

(1) Conversion rates denominated in shares of common stock per \$1.0 thousand principal amount of the Convertible Notes converted.



Table of Contents

(2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.

(3) The conversion price in effect at December 31, 2016 was calculated on the last anniversary of the issuance and will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in dividends in excess of \$0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of \$14.05 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 71.1893 per \$1.0 thousand principal amount of the Convertible Notes. We have determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

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

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

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

The following table summarizes the interest expense and amortization of financing costs incurred on the Convertible Notes for the years ended December 31, 2016, December 31, 2015 and December 31, 2014.

	<b>Years Ended December 31,</b>		
<b>(in millions)</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>(1)</sup></b>
Interest expense	\$ 6.3	\$ 5.8	\$ 3.3
Amortization of financing costs	\$ 0.9	\$ 0.7	\$ 0.4
Amortization of premium	\$ <sup>(2)</sup>	\$	\$
Effective interest rate	5.7%	5.6%	5.6%
Average debt outstanding	\$ 125.2	\$ 115.0	\$ 115.0

(1) For the year ended December 31, 2014, amounts reported relate to the period from June 3, 2014 (commencement of the Convertible Notes) to December 31, 2014.

(2) For the year ended December 31, 2016, the total amortization of premium was less than \$50 thousand.

As of December 31, 2016, December 31, 2015 and December 31, 2014, the outstanding balance on the Convertible Notes was \$155.3 million, \$115.0 million and \$115.0 million, respectively, and NMFC was in compliance with the terms of the Indenture on such dates.



Table of Contents

**Unsecured Notes** On May 6, 2016, we issued \$50.0 million in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the "Unsecured Notes"), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, we entered into an amended and restated note purchase agreement (the "NPA") and issued an additional \$40.0 million in aggregate principal amount of Unsecured Notes to institutional investors in a private placement. The NPA provides for future issuances of Unsecured Notes in separate series or tranches. The Unsecured Notes are equal in priority with our other unsecured indebtedness, including our Convertible Notes.

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

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

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the years ended December 31, 2016, December 31, 2015 and December 31, 2014.

(in millions)	Years Ended December 31,		
	2016 <sup>(1)</sup>	2015 <sup>(2)</sup>	2014 <sup>(2)</sup>
Interest expense	\$ 2.3	\$	\$
Amortization of financing costs	\$ 0.2	\$	\$
Effective interest rate	5.8%	%	%
Average debt outstanding	\$ 65.5	\$	\$

(1) For the year ended December 31, 2016, amounts reported relate to the period from May 6, 2016 (issuance of the Unsecured Notes) to December 31, 2016.

(2) Not applicable, as the Unsecured Notes were issued on May 6, 2016.

As of December 31, 2016, the outstanding balance on the Unsecured Notes was \$90.0 million and we were in compliance with the terms of the NPA.

**SBA-guaranteed debentures** On August 1, 2014, SBIC LP received an SBIC license from the SBA.

The SBIC license allows SBIC LP to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures.

## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

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

The maximum amount of borrowings available under current SBA regulations for a single licensee is \$150.0 million as long as the licensee has at least \$75.0 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing.

As of December 31, 2016 and December 31, 2015, SBIC LP had regulatory capital of approximately \$75.0 million and \$72.4 million, respectively, and SBA-guaranteed debentures outstanding of \$121.7 million and \$117.7 million, respectively. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes our SBA-guaranteed debentures as of December 31, 2016.

(in millions) Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
<b>Fixed SBA-guaranteed debentures:</b>				
March 25, 2015	March 1, 2025	\$ 37.5	2.517%	0.355%
September 23, 2015	September 1, 2025	37.5	2.829%	0.355%
September 23, 2015	September 1, 2025	28.8	2.829%	0.742%
March 23, 2016	March 1, 2026	13.9	2.507%	0.742%
September 21, 2016	September 1, 2026	4.0	2.051%	0.742%
<b>Total SBA-guaranteed debentures</b>		<b>\$ 121.7</b>		

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

The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the years ended December 31, 2016, December 31, 2015 and December 31, 2014.

(in millions)	Years ended December 31,		
	2016	2015	2014 <sup>(1)</sup>
Interest expense	\$ 3.8	\$ 1.7	\$ (2)
Amortization of financing costs	\$ 0.4	\$ 0.2	\$ (2)
Weighted average interest rate	3.1%	2.4%	0.9%
Effective interest rate	3.5%	2.7%	1.3%
Average debt outstanding	\$ 119.8	\$ 71.9	\$ 29.2

(1) For the year ended December 31, 2014, amounts reported relate to the period from August 1, 2014 (receipt of the SBIC license) to December 31, 2014. The initial SBA-guaranteed debenture borrowing occurred on November 17, 2014.

(2) For the year ended December 31, 2014, the total interest expense and amortization of financing costs were less than \$50 thousand.

## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

The SBIC program is designed to stimulate the flow of private investor capital into eligible small businesses, as defined by the SBA. Under SBA regulations, SBIC LP is subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible smaller businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in small businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to us. SBIC LP is subject to an annual periodic examination by an SBA examiner to determine SBIC LP's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared on a basis of accounting other than GAAP (such as ASC 820) by an independent auditor. As of December 31, 2016, December 31, 2015 and December 31, 2014, SBIC LP was in compliance with SBA regulatory requirements.

### ***Off-Balance Sheet Arrangements***

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of December 31, 2016 and December 31, 2015, we had outstanding commitments to third parties to fund investments totaling \$44.3 million and \$26.3 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

We may from time to time enter into financing commitment letters or bridge financing commitments, which could require funding in the future. As of December 31, 2016 and December 31, 2015, we had commitment letters to purchase investments in aggregate par amount of \$14.8 million and \$0, respectively. As of December 31, 2016 and December 31, 2015, we had not entered into any bridge financing commitments which could require funding in the future.

As of December 31, 2016 and December 31, 2015, we had unfunded commitments related to our equity investment in SLP II of \$7.9 million and \$0, respectively, which may be funded at our discretion.

### ***Contractual Obligations***

A summary of our significant contractual payment obligations as of December 31, 2016 is as follows:

#### **Contractual Obligations Payments Due by Period**

(in millions)	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Holdings Credit Facility <sup>(1)</sup>	\$ 333.5	\$	\$ 333.5	\$	\$
Convertible Notes <sup>(2)</sup>	155.3		155.3		
SBA-guaranteed debentures <sup>(3)</sup>	121.7				121.7
Unsecured Notes <sup>(4)</sup>	90.0			90.0	
NMFC Credit Facility <sup>(5)</sup>	10.0		10.0		
<b>Total Contractual Obligations</b>	<b>\$ 710.5</b>	<b>\$</b>	<b>\$ 498.8</b>	<b>\$ 90.0</b>	<b>\$ 121.7</b>

(1) Under the terms of the \$495.0 million Holdings Credit Facility, all outstanding borrowings under that facility (\$333.5 million as of December 31, 2016) must be repaid on or before December 18, 2019. As of December 31, 2016, there was approximately \$161.5 million of possible capacity remaining under the Holdings Credit Facility.

(2) The \$155.3 million Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option.



Table of Contents

- (3) Our SBA-guaranteed debentures will begin to mature on March 1, 2025.
- (4) The \$90.0 million Unsecured Notes will mature on May 15, 2021 unless earlier repurchased.
- (5) Under the terms of the \$122.5 million NMFC Credit Facility, all outstanding borrowings under that facility (\$10.0 million as of December 31, 2016) must be repaid on or before June 4, 2019. As of December 31, 2016, there was approximately \$112.5 million of possible capacity remaining under the NMFC Credit Facility.

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

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

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

**Distributions and Dividends**

Distributions declared and paid to stockholders for the year ended December 31, 2016 totaled \$88.8 million.

The following table reflects cash distributions, including dividends and returns of capital, if any, per share that have been declared by our board of directors for the years ended December 31, 2016 and December 31, 2015:

<b>Fiscal Year Ended</b>	<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Per Share Amount</b>
<b><i>December 31, 2016</i></b>				
Fourth Quarter	November 4, 2016	December 15, 2016	December 29, 2016	\$ 0.34
Third Quarter	August 2, 2016	September 16, 2016	September 30, 2016	0.34
Second Quarter	May 3, 2016	June 16, 2016	June 30, 2016	0.34
First Quarter	February 22, 2016	March 17, 2016	March 31, 2016	0.34
				\$ 1.36
<b><i>December 31, 2015</i></b>				
Fourth Quarter	November 3, 2015	December 16, 2015	December 30, 2015	\$ 0.34
Third Quarter	August 4, 2015	September 16, 2015	September 30, 2015	0.34
Second Quarter	May 5, 2015	June 16, 2015	June 30, 2015	0.34
First Quarter	February 23, 2015	March 17, 2015	March 31, 2015	0.34
				\$ 1.36

## Edgar Filing: New Mountain Finance Corp - Form 497

Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. For the years ended December 31, 2016 and December 31, 2015, total distributions were \$88.8 million and \$81.0 million, respectively, of which the distributions were comprised of approximately 89.46% and 99.96%, respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 10.54% and 0.04%, respectively,

S-73

---

Table of Contents

of a return of capital. Future quarterly distributions, if any, will be determined by our board of directors.

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

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

**Related Parties**

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

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

We have entered into an Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges our office space and provides office equipment and administrative services necessary to conduct our respective day-to-day operations pursuant to the Administration Agreement. We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of our chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further restricted by us, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the year ended December 31, 2016, approximately \$1.6 million of indirect administrative expenses were included in administrative expenses, of which \$0.7 million were waived by the Administrator. As of December 31, 2016, no indirect administrative expenses were payable to the Administrator.

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

Table of Contents

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

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, to our investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with the Investment Adviser's allocation procedures. On September 12, 2016, we filed an exemptive application with the SEC to permit us to co-invest with funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. Any such order, if granted by the SEC, will be subject to certain terms and conditions. Furthermore, there is no assurance when, or if, this application for exemptive relief will be granted by the SEC.

Table of Contents**SENIOR SECURITIES**

Information about our senior securities as of December 31, 2016, December 31, 2015 and December 31, 2014 and information about NMF Holdings' senior securities as of December 31, 2013, 2012, 2011, 2010 and 2009 are shown in the following table. The report of Deloitte & Touche LLP, an independent registered public accounting firm, on the senior securities table as of December 31, 2016, 2015, 2014, 2013, 2012, 2011, 2010 and 2009 is attached, or incorporated by reference, as an exhibit to the registration statement of which this prospectus supplement and accompanying prospectus are a part.

<b>Class and Year<sup>(1)</sup></b>	<b>Total Amount Outstanding Exclusive of Treasury Securities<sup>(2)</sup></b> (in millions)	<b>Asset Coverage Per Unit<sup>(3)</sup></b>	<b>Involuntary Liquidating Preference Per Unit<sup>(4)</sup></b>	<b>Average Market Value Per Unit<sup>(5)</sup></b>
<b>December 31, 2016</b>				
Holdings Credit Facility	\$ 333.5	\$ 2,593	\$	N/A
Convertible Notes	155.3	2,593		N/A
Unsecured Notes	90.0	2,593		N/A
NMFC Credit Facility	10.0	2,593		N/A
<b>December 31, 2015</b>				
Holdings Credit Facility	419.3	2,341		N/A
Convertible Notes	115.0	2,341		N/A
NMFC Credit Facility	90.0	2,341		N/A
<b>December 31, 2014</b>				
Holdings Credit Facility	468.1	2,267		N/A
Convertible Notes	115.0	2,267		N/A
NMFC Credit Facility	50.0	2,267		N/A
<b>December 31, 2013</b>				
Holdings Credit Facility	221.8	2,577		N/A
SLF Credit Facility	214.7	2,577		N/A
<b>December 31, 2012</b>				
Holdings Credit Facility	206.9	2,353		N/A
SLF Credit Facility	214.3	2,353		N/A
<b>December 31, 2011</b>				
Holdings Credit Facility	129.0	2,426		N/A
SLF Credit Facility	165.9	2,426		N/A
<b>December 31, 2010<sup>(6)</sup></b>				
Holdings Credit Facility	59.7	3,074		N/A
SLF Credit Facility	56.9	3,074		N/A
<b>December 31, 2009<sup>(6)</sup></b>				
Holdings Credit Facility	77.7	4,080		N/A

(1)

We have excluded our SBA-guaranteed debentures from this table as a result of the SEC exemptive relief that permits us to exclude such debentures from the definition of senior securities in the 200.0% asset coverage ratio we are required to maintain under the 1940 Act. At December 31, 2016, December 31, 2015 and December 31, 2014, we had \$121.7 million, \$117.7 million and \$37.5 million, respectively, in SBA-guaranteed debentures outstanding. At December 31, 2013, 2012, 2011, 2010 and 2009, we had no outstanding SBA-guaranteed debentures. Total asset coverage per unit including the SBA-guaranteed debentures as of December 31, 2016, December 31, 2015 and December 31, 2014 is \$2,320, \$2,128 and \$2,196, respectively, and unchanged for the prior years.

(2)

Total amount of each class of senior securities outstanding at the end of the period presented.

- (3) Asset coverage per unit is the ratio of the carrying value of our total assets, less all liabilities excluding indebtedness represented by senior securities in this table, to the aggregate amount of senior securities representing indebtedness.

S-76

---

Table of Contents

Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness and is calculated on a consolidated basis.

- (4) The amount to which such class of senior security would be entitled upon the voluntary liquidation of the issuer in preference to any security junior to it. The " " in this column indicates that the SEC expressly does not require this information to be disclosed for certain types of senior securities.
- (5) Not applicable because the senior securities are not registered for public trading.
- (6) Prior to NMFC's IPO on May 19, 2011, these credit facilities existed at the Predecessor Entities.

Table of Contents

**UNDERWRITING**

We and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Wells Fargo Securities, LLC, Morgan Stanley & Co. LLC and Goldman, Sachs & Co. are the representatives of the underwriters.

<b>Underwriter</b>	<b>Number of Shares</b>
Wells Fargo Securities, LLC	
Morgan Stanley & Co. LLC	
Goldman, Sachs & Co.	
Keefe, Bruyette & Woods, Inc.	
Robert W. Baird & Co. Incorporated	
Janney Montgomery Scott LLC	
Oppenheimer & Co. Inc.	
<b>Total</b>	<b>5,000,000</b>

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional 750,000 shares from us. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions (sales load) to be paid to the underwriters. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 750,000 additional shares.

**Sales Load by Us**

	<b>No Exercise</b>	<b>Full Exercise</b>
Per Share	\$	\$
Total	\$	\$

Because the Financial Industry Regulatory Authority, or FINRA, views the common stock offered hereby as interests in a direct participation program, the offering is being made in compliance with the requirements of FINRA Rule 2310. Investor suitability with respect to the common stock should be judged similarly to suitability with respect to other securities that are listed for trading on a national securities exchange.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.



Table of Contents

Shares sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ per share from the public offering price. If all the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We, each of our officers and directors and each of the members of the Investment Adviser's investment committee have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any shares of our common stock or securities convertible into or exchangeable for shares of our common stock during the period from the date of this prospectus supplement continuing through the date 45 days after the date of this prospectus supplement, except with the prior written consent of Wells Fargo Securities, LLC, Morgan Stanley & Co. LLC and Goldman, Sachs & Co.

Our common stock is listed on the New York Stock Exchange under the symbol "NMFC".

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from us in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own account, may have the effect of preventing or retarding a decline in the market price of the company's stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

We estimate that the offering expenses that will be borne by us in connection with the sale of shares of our common stock offered by us in this offering will be approximately \$0.3 million.

## Edgar Filing: New Mountain Finance Corp - Form 497

### Table of Contents

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates may, from time to time, perform various financial advisory and investment banking services for us, for which they will receive customary fees and expenses. In addition, an affiliate of Wells Fargo Securities, LLC is a lender under the Holdings Credit Facility and affiliates of Goldman, Sachs & Co., Morgan Stanley & Co. LLC and Keefe, Bruyette & Woods, Inc. are lenders under the NMFC Credit Facility. Certain directly or indirectly held registered broker dealers, investment advisors, and bank subsidiaries of Wells Fargo & Company, an affiliate of Wells Fargo Securities, LLC an underwriter in this offering, hold approximately 8.7% of our common stock.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We intend to use the net proceeds from the sale of shares of our common stock sold in this offering primarily for new investments in portfolio companies in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus. We may also use a portion of the net proceeds from the sale of shares of our common stock sold in this offering for other general corporate purposes, including to temporarily repay indebtedness (which will be subject to reborrowing), and other working capital needs. Affiliates of Wells Fargo Securities, LLC are lenders under the Holdings Credit Facility and affiliates of Goldman, Sachs & Co., Morgan Stanley & Co. LLC and Keefe, Bruyette & Woods, Inc. are lenders under the NMFC Credit Facility. Accordingly, affiliates of Wells Fargo Securities, LLC, Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Keefe, Bruyette & Woods, Inc. may receive more than 5.0% of the net proceeds of this offering to the extent such proceeds are used to temporarily repay outstanding indebtedness under the Holdings Credit Facility or the NMFC Credit Facility.

The principal business address of Wells Fargo Securities, LLC is 550 South Tryon Street, Charlotte, North Carolina 28202, the principal business address of Morgan Stanley & Co. LLC is 1585 Broadway, New York, New York 10036, and the principal business address of Goldman, Sachs & Co. is 200 West Street, New York, New York 10282.

Each of the underwriters may arrange to sell common shares offered hereby in certain jurisdictions outside the United States, either directly or through affiliates, where they are permitted to do so. In that regard, Wells Fargo Securities, LLC may arrange to sell shares in certain jurisdictions through an affiliate, Wells Fargo Securities International Limited, or WFSIL. WFSIL is a wholly-owned indirect subsidiary of Wells Fargo & Company and an affiliate of Wells Fargo Securities, LLC. WFSIL is a United Kingdom incorporated investment firm regulated by the Financial Conduct Authority. Wells Fargo Securities is the trade name for certain corporate and investment banking services of Wells Fargo & Company and its affiliates, including Wells Fargo Securities, LLC and WFSIL.

Table of Contents

***Hong Kong***

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) ("Companies (Winding Up and Miscellaneous Provisions) Ordinance") or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("Securities and Futures Ordinance"), or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

***Singapore***

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for 6 months after that corporation has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation's securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore ("Regulation 32").

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that trust has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on

Table of Contents

terms that such rights or interest are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.

**LEGAL MATTERS**

Certain legal matters regarding the shares of common stock offered hereby will be passed upon for us by Eversheds Sutherland (US) LLP, Washington, District of Columbia. Certain legal matters in connection with the shares of common stock offered hereby will be passed upon for the underwriters by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, New York. Fried, Frank, Harris, Shriver & Jacobson LLP represents New Mountain Capital, L.L.C. and its portfolio companies from time to time in the ordinary course of business.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated financial statements and the related information included in the Senior Securities table and the effectiveness of internal control over financial reporting, included in this prospectus supplement and the accompanying prospectus, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports appearing herein and elsewhere in the registration statement. Such financial statements and information included in the Senior Securities table have been so included in reliance upon the reports of such firm, given their authority as experts in accounting and auditing.

The principal business address of Deloitte & Touche LLP is 30 Rockefeller Center Plaza, New York, New York 10112.

**AVAILABLE INFORMATION**

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

We are required to file with or submit to the SEC annual, quarterly and current reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, District of Columbia 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC, which are available on the SEC's website at <http://www.sec.gov>. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, District of Columbia 20549. This information will also be available free of charge by contacting us at 787 Seventh Avenue, 48th Floor, New York, New York 10019, by telephone at (212) 720-0300, or on our website at <http://www.newmountainfinance.com>. Information contained on our website or on the SEC's website about us is not incorporated into this prospectus supplement and the accompanying prospectus and you should not consider information contained on our website or on the SEC's website to be part of this prospectus supplement and the accompanying prospectus.

Table of Contents

**INDEX TO FINANCIAL STATEMENTS**

	<b>PAGE</b>
<b>AUDITED FINANCIAL STATEMENTS</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<b>New Mountain Finance Corporation</b>	
<u>Consolidated Statements of Assets and Liabilities as of December 31, 2016 and December 31, 2015</u>	<u>F-3</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2016, December 31, 2015 and December 31, 2014</u>	<u>F-4</u>
<u>Consolidated Statements of Changes in Net Assets for the years ended December 31, 2016, December 31, 2015 and December 31, 2014</u>	<u>F-5</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014</u>	<u>F-6</u>
<u>Consolidated Schedule of Investments as of December 31, 2016</u>	<u>F-7</u>
<u>Consolidated Schedule of Investments as of December 31, 2015</u>	<u>F-18</u>
<u>Notes to the Consolidated Financial Statements of New Mountain Finance Corporation</u>	<u>F-29</u>
F-1	

---

Table of Contents

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying consolidated statements of assets and liabilities of New Mountain Finance Corporation and subsidiaries (the "Company"), including the consolidated schedules of investments, as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2016 and the consolidated financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of investments as of December 31, 2016 and 2015, by correspondence with the custodian, loan agents and borrowers; where replies were not received we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements and consolidated financial highlights referred to above present fairly, in all material respects, the financial position of New Mountain Finance Corporation and subsidiaries as of December 31, 2016 and 2015, and the results of their operations, changes in their net assets, and their cash flows for each of the three years in the period ended December 31, 2016 and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2017, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

New York, New York  
February 28, 2017

Table of Contents

## New Mountain Finance Corporation

## Consolidated Statements of Assets and Liabilities

(in thousands, except shares and per share data)

	December 31, 2016	December 31, 2015
<b>Assets</b>		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of \$1,379,603 and \$1,438,415, respectively)	\$ 1,346,556	\$ 1,377,515
Non-controlled/affiliated investments (cost of \$54,996 and \$89,047, respectively)	57,440	87,287
Controlled investments (cost of \$140,579 and \$41,254, respectively)	154,821	47,422
Total investments at fair value (cost of \$1,575,178 and \$1,568,716, respectively)	1,558,817	1,512,224
Securities purchased under collateralized agreements to resell (cost of \$30,000 and \$30,000, respectively)	29,218	29,704
Cash and cash equivalents	45,928	30,102
Interest and dividend receivable	17,833	13,832
Receivable from unsettled securities sold	990	
Receivable from affiliates	346	360
Other assets	2,886	1,924
<b>Total assets</b>	<b>\$ 1,656,018</b>	<b>\$ 1,588,146</b>
<b>Liabilities</b>		
<b>Borrowings</b>		
Holdings Credit Facility	\$ 333,513	\$ 419,313
Convertible Notes	155,523	115,000
SBA-guaranteed debentures	121,745	117,745
Unsecured Notes	90,000	
NMFC Credit Facility	10,000	90,000
Deferred financing costs (net of accumulated amortization of \$12,279 and \$8,822, respectively)	(14,041)	(13,992)
Net borrowings	696,740	728,066
Management fee payable	5,852	5,466
Incentive fee payable	5,745	5,622
Interest payable	3,172	2,343
Payable for unsettled securities purchased	2,740	5,441
Deferred tax liability	1,034	1,676
Payable to affiliates	136	564
Other liabilities	2,037	2,060
<b>Total liabilities</b>	<b>717,456</b>	<b>751,238</b>
<b>Commitments and contingencies (See Note 9)</b>		
<b>Net assets</b>		
Preferred stock, par value \$0.01 per share, 2,000,000 shares authorized, none issued		
Common stock, par value \$0.01 per share, 100,000,000 shares authorized, 69,755,387 and 64,005,387 shares issued, respectively, and 69,717,814 and 64,005,387 shares outstanding, respectively	698	640
Paid in capital in excess of par	1,001,862	899,713
Treasury stock at cost, 37,573 and 0 shares held, respectively	(460)	

Edgar Filing: New Mountain Finance Corp - Form 497

Accumulated undistributed net investment income	2,073	4,164
Accumulated undistributed net realized (losses) gains on investments	(36,947)	1,342
Net unrealized (depreciation) appreciation (net of provision for taxes of \$1,034 and \$1,676, respectively)	(28,664)	(68,951)
<b>Total net assets</b>	\$ 938,562	\$ 836,908
<b>Total liabilities and net assets</b>	\$ 1,656,018	\$ 1,588,146
Number of shares outstanding	69,717,814	64,005,387
<b>Net asset value per share</b>	\$ 13.46	\$ 13.08

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



Table of Contents**New Mountain Finance Corporation****Consolidated Statements of Operations**

(in thousands, except shares and per share data)

	<b>Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Investment income(1)</b>			
From non-controlled/non-affiliated investments:			
Interest income	\$ 140,983	\$ 132,665	\$ 85,123
Dividend income	220	(407)	1,243
Other income	7,708	5,996	4,023
From non-controlled/affiliated investments:			
Interest income	4,538	5,402	
Dividend income	3,884	3,619	1,066
Other income	1,193	1,965	468
From controlled investments:			
Interest income	1,904	2,007	
Dividend income	7,096	2,559	
Other income	558	49	
<b>Investment income allocated from New Mountain Finance Holdings, L.L.C.(2)</b>			
Interest income			40,515
Dividend income			2,368
Other income			795
Total investment income	168,084	153,855	135,601
<b>Expenses</b>			
Incentive fee(1)	22,011	20,591	12,070
Capital gains incentive fee(1)			(8,573)
Total incentive fees(1)	22,011	20,591	3,497
Management fee(1)	27,551	25,858	13,593
Interest and other financing expenses(1)	28,452	23,374	13,269
Professional fees(1)	3,087	3,214	2,390
Administrative expenses(1)	2,683	2,450	1,470
Other general and administrative expenses(1)	1,589	1,665	1,138
Net expenses allocated from New Mountain Finance Holdings, L.L.C.(2)			20,808
Total expenses	85,373	77,152	56,165
Less: management fee waived (see Note 5)(1)	(4,824)	(5,219)	(686)
Less: expenses waived and reimbursed (see Note 5)(1)	(725)	(733)	(380)

Edgar Filing: New Mountain Finance Corp - Form 497

Net expenses		79,824	71,200	55,099
Net investment income before income taxes		88,260	82,655	80,502
Income tax expense(1)		152	160	436
<b>Net investment income</b>		<b>88,108</b>	<b>82,495</b>	<b>80,066</b>
Net realized (losses) gains:				
Non-controlled/non-affiliated investments(1)		(16,717)	(12,789)	357
Investments allocated from New Mountain Finance Holdings, L.L.C.(2)				8,568
Net change in unrealized appreciation (depreciation):				
Non-controlled/non-affiliated investments(1)		30,742	(40,807)	(43,324)
Non-controlled/affiliated investments(1)		1,315	(633)	(539)
Controlled investments(1)		8,074	6,168	
Securities purchased under collateralized agreements to resell(1)		(486)	(296)	
Investments allocated from New Mountain Finance Holdings, L.L.C.(2)				940
Benefit (provision) for taxes(1)		642	(1,183)	(493)
<b>Net realized and unrealized gains (losses)</b>		<b>23,570</b>	<b>(49,540)</b>	<b>(34,491)</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$</b>	<b>111,678</b>	<b>\$ 32,955</b>	<b>\$ 45,575</b>
Basic earnings per share	\$	1.72	\$ 0.55	\$ 0.88
Weighted average shares of common stock outstanding basic (See Note 12)		64,918,191	59,715,290	51,846,164
Diluted earnings per share	\$	1.60	\$ 0.55	\$ 0.86
Weighted average shares of common stock outstanding diluted (See Note 12)		72,863,387	66,968,089	56,157,835
Distributions declared and paid per share	\$	1.36	\$ 1.36	\$ 1.48

(1) For the year ended December 31, 2014, the amounts reported relate to the period from May 8, 2014 to December 31, 2014.

(2) For the year ended December 31, 2014, the amounts reported relate to the period from January 1, 2014 to May 7, 2014.

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

Table of Contents**New Mountain Finance Corporation****Consolidated Statements of Changes in Net Assets**

(in thousands, except share data)

	<b>Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Increase (decrease) in net assets resulting from operations:</b>			
Net investment income <sup>(1)</sup>	\$ 88,108	\$ 82,495	\$ 57,196
Net investment income allocated from New Mountain Finance Holdings, L.L.C. <sup>(2)</sup>			22,870
Net realized (losses) gains on investments <sup>(1)</sup>	(16,717)	(12,789)	357
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C. <sup>(2)</sup>			8,568
Net change in unrealized appreciation (depreciation) of investments <sup>(1)</sup>	40,131	(35,272)	(43,863)
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell <sup>(1)</sup>	(486)	(296)	
Net change in unrealized appreciation (depreciation) of investments allocated from New Mountain Finance Holdings, L.L.C. <sup>(2)</sup>			940
Benefit (provision) for taxes <sup>(1)</sup>	642	(1,183)	(493)
<b>Net increase in net assets resulting from operations</b>	<b>111,678</b>	<b>32,955</b>	<b>45,575</b>
<b>Capital transactions</b>			
Net proceeds from shares sold	79,063	79,415	141,157
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C. <sup>(2)</sup>			(250)
Deferred offering costs <sup>(1)</sup>	(328)	(285)	(476)
Value of shares issued for exchanged units			38,840
Distributions declared to stockholders from net investment income	(88,764)	(81,002)	(71,365)
Distributions declared to stockholders from net realized gains			(6,247)
Reinvestment of distributions	2,953	3,655	4,829
Repurchase of shares under repurchase program	(2,948)		
<b>Total net (decrease) increase in net assets resulting from capital transactions</b>	<b>(10,024)</b>	<b>1,783</b>	<b>106,488</b>
<b>Net increase in net assets</b>	<b>101,654</b>	<b>34,738</b>	<b>152,063</b>
<b>Net assets at the beginning of the period</b>	<b>836,908</b>	<b>802,170</b>	<b>650,107</b>
<b>Net assets at the end of the period<sup>(3)</sup></b>	<b>\$ 938,562</b>	<b>\$ 836,908</b>	<b>\$ 802,170</b>
<b>Capital share activity</b>			
Shares sold	5,750,000	5,750,000	9,775,000
Shares issued for exchanged units			2,671,938
Shares issued from reinvestment of distributions		257,497	326,197
Shares reissued from repurchase program in connection with reinvestment of distributions	210,926		
Shares repurchased under repurchase program	(248,499)		
<b>Net increase in shares outstanding</b>	<b>5,712,427</b>	<b>6,007,497</b>	<b>12,773,135</b>

- 
- (1) For the year ended December 31, 2014, the amounts reported relate to the period from May 8, 2014 to December 31, 2014.
- (2) For the year ended December 31, 2014, the amounts reported relate to the period from January 1, 2014 to May 7, 2014.
- (3) For the years ended December 31, 2016, December 31, 2015 and December 31, 2014, includes accumulated undistributed net investment income of \$2,073, \$4,164 and \$2,530, respectively.

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

Table of Contents

## New Mountain Finance Corporation

## Consolidated Statements of Cash Flows

(in thousands)

	Years Ended December 31,		
	2016	2015	2014
<b>Cash flows from operating activities</b>			
Net increase in net assets resulting from operations	\$ 111,678	\$ 32,955	\$ 45,575
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:			
Net investment income allocated from New Mountain Finance Holdings, L.L.C.(2)			(22,870)
Net realized losses (gains) on investments(1)	16,717	12,789	(357)
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C.(2)			(8,568)
Net change in unrealized (appreciation) depreciation of investments(1)	(40,131)	35,272	43,863
Net change in unrealized depreciation (appreciation) of securities purchased under collateralized agreements to resell	486	296	
Net change in unrealized (appreciation) depreciation of investments allocated from New Mountain Finance Holdings, L.L.C.(2)			(940)
Amortization of purchase discount(1)	(3,096)	(2,511)	(1,721)
Amortization of deferred financing costs(1)	3,457	2,955	1,713
Amortization of premium on Convertible Notes(1)	(28)		
Non-cash investment income(1)	(7,644)	(5,978)	(3,479)
<b>(Increase) decrease in operating assets:</b>			
Cash and cash equivalents from New Mountain Finance Holdings, L.L.C.(3)			957
Purchase of investments and delayed draw facilities(1)	(557,897)	(609,667)	(529,540)
Proceeds from sales and paydowns of investments(1)	547,078	483,936	261,747
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities(1)	177	157	29
Cash paid for purchase of drawn portion of revolving credit facilities(1)	(348)	(3,227)	(2,548)
Cash paid for drawn revolvers(1)	(11,651)	(4,376)	
Cash repayments on drawn revolvers(1)	10,202	6,052	380
Cash paid for securities purchased under collateralized agreements to resell(1)			(30,000)
Interest and dividend receivable(1)	(4,001)	(2,088)	(207)
Receivable from affiliates(1)	14	130	(106)
Receivable from unsettled securities sold(1)	(990)	8,912	(8,912)
Other assets(1)	(1,080)	(156)	196
Purchase of investment in New Mountain Finance Holdings, L.L.C.(2)			(58,644)
Distributions from New Mountain Finance Holdings, L.L.C.(2)			15,247
<b>Increase (decrease) in operating liabilities(1):</b>			
Incentive fee payable	123	819	(1,522)

Edgar Filing: New Mountain Finance Corp - Form 497

Management fee payable	386	322	(911)
Payable for unsettled securities purchased	(2,701)	(21,019)	17,054
Interest payable	829	991	1,259
Deferred tax liability	(642)	1,183	493
Payable to affiliates	(428)	(258)	589
Capital gains incentive fee payable			(8,573)
Other liabilities	(2)	(836)	225
<b>Net cash flows provided by (used in) operating activities</b>	<b>60,508</b>	<b>(63,347)</b>	<b>(289,571)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from shares sold	79,063	79,415	141,157
Distributions paid	(85,811)	(77,347)	(72,783)
Offering costs paid(1)	(261)	(325)	(478)
Proceeds from Holdings Credit Facility(1)	177,600	400,355	384,721
Repayment of Holdings Credit Facility(1)	(263,400)	(449,150)	(314,400)
Proceeds from Convertible Notes(1)	40,552		115,000
Proceeds from SBA-guaranteed debentures(1)	4,000	80,245	37,500
Proceeds from Unsecured Notes	90,000		
Proceeds from NMFC Credit Facility(1)	166,500	148,800	72,000
Repayment of NMFC Credit Facility(1)	(246,500)	(108,800)	(22,000)
Proceeds from SLF Credit Facility(1)			21,255
Repayment of SLF Credit Facility(1)			(37,700)
Deferred financing costs paid(1)	(3,477)	(3,189)	(11,256)
Repurchase of shares under repurchase program	(2,948)		
<b>Net cash flows (provided by) used in financing activities</b>	<b>(44,682)</b>	<b>70,004</b>	<b>313,016</b>
<b>Net increase in cash and cash equivalents</b>	<b>15,826</b>	<b>6,657</b>	<b>23,445</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>30,102</b>	<b>23,445</b>	
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 45,928</b>	<b>\$ 30,102</b>	<b>\$ 23,445</b>

**Supplemental disclosure of cash flow information**

Cash interest paid	\$ 23,768	\$ 18,683	\$ 9,924
Income taxes paid	85	217	437
<b>Non-cash operating activities:</b>			
Non-cash activity on investments	\$ 7,186	\$ 60,652	\$
<b>Non-cash financing activities:</b>			
Value of shares reissued from repurchase program in connection with dividend reinvestment plan	\$ 2,953	\$	\$
Value of shares issued in connection with dividend reinvestment plan		3,655	4,829
Accrual for offering costs(1)	598	638	516
Accrual for deferred financing costs(1)	99	81	375
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C(2)			(250)
SLF Credit Facility merger with the Holdings Credit Facility(1)			198,555
New Mountain Finance AIV Holdings Corporation exchange of New Mountain Finance Holdings, L.L.C. units for shares			38,840

- (1) For the year ended December 31, 2014, the amounts reported relate to the period from May 8, 2014 to December 31, 2014.
- (2) For the year ended December 31, 2014, the amounts reported relate to the period from January 1, 2014 to May 7, 2014.
- (3) Represents the cash and cash equivalent balance of New Mountain Finance Holdings, L.L.C.'s at the date of restructuring. See Note 1. *Formation and Business Purpose*.

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

[Table of Contents](#)

## New Mountain Finance Corporation

## Consolidated Schedule of Investments

December 31, 2016

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
<b>Non-Controlled/Non-Affiliated Investments</b>							
<b>Funded Debt Investments Australia</b>							
Project Sunshine IV Pty Ltd** Media	First lien(2)	8.00% (L + 7.00%/M)	9/23/2019	\$ 6,012	\$ 5,992	\$ 6,005	0.64
<b>Total Funded Debt Investments Australia</b>				<b>\$ 6,012</b>	<b>\$ 5,992</b>	<b>\$ 6,005</b>	<b>0.64</b>
<b>Funded Debt Investments Luxembourg</b>							
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	\$ 24,362	\$ 18,103	
	Second lien(3)	10.50% (L + 9.25%/Q)	7/30/2020	8,204	8,332	6,030	
				32,834	32,694	24,133	2.57
<b>Total Funded Debt Investments Luxembourg</b>				<b>\$ 32,834</b>	<b>\$ 32,694</b>	<b>\$ 24,133</b>	<b>2.57</b>
<b>Funded Debt Investments Netherlands</b>							
Eiger Acquisition B.V. (Eiger -Borrower, LLC)** Software	Second lien(3)	10.13% (L + 9.13%/Q)	2/17/2023	\$ 10,000	\$ 9,371	\$ 9,799	1.04
<b>Total Funded Debt Investments Netherlands</b>				<b>\$ 10,000</b>	<b>\$ 9,371</b>	<b>\$ 9,799</b>	<b>1.04</b>
<b>Funded Debt Investments United Kingdom</b>							
Er Newco LLC** Software	Second lien(3)	10.50% (L + 9.50%/Q)	1/31/2023	\$ 32,500	\$ 31,814	\$ 29,514	3.14
				<b>\$ 32,500</b>	<b>\$ 31,814</b>	<b>\$ 29,514</b>	<b>3.14</b>



Total Funded Debt Investments	United Kingdom						
Funded Debt Investments	United States						
BCO Software Inc. Software		First lien(2)	6.50% (L + 5.50%/M)	12/4/2020	\$ 29,475	\$ 28,444	\$ 29,634
		Subordinated(3)	11.38%/S	12/1/2021	15,000	14,659	15,038
					44,475	43,103	44,672 4.76
Avex Global, Inc. Software		First lien(4)	5.99% (L + 4.75%/Q)	11/19/2021	4,563	4,530	4,540
		First lien(2)	5.99% (L + 4.75%/Q)	11/19/2021	2,583	2,563	2,570
		Second lien(4)	10.31% (L + 8.75%/Q)	11/18/2022	18,187	17,984	17,823
		Second lien(3)	10.31% (L + 8.75%/Q)	11/18/2022	19,813	19,282	19,417
					45,146	44,359	44,350 4.73
Call International, Inc. Business Services		First lien(2)	7.75% (L + 6.75%/Q)	9/28/2020	41,544	41,150	41,543 4.43
MeasuredPartners, Inc. Business Services		Second lien(3)	10.00% (L + 9.00%/M)	10/20/2023	20,200	19,480	20,394
		Second lien(2)	10.00% (L + 9.00%/M)	10/20/2023	20,000	19,282	20,192
					40,200	38,762	40,586 4.32
Manawa Resource Holdings LLC(13) Manawa Resource Management LLC Energy		First lien(3)	10.50% (Base + 8.00%/Q)	5/12/2019	40,000	39,903	39,825 4.24
Monos Incorporated Software		Second lien(2)	9.25% (L + 8.25%/Q)	11/1/2024	36,000	35,458	37,159 3.96
NetVet Care Centers LLC Consumer Services		Second lien(3)	10.25% (L + 9.25%/Q)	6/17/2021	24,000	23,820	24,240
		Second lien(3)	10.50% (L + 9.50%/Q)	6/17/2021	6,500	6,444	6,565
		Second lien(3)	9.50% (L + 8.50%/Q)	6/17/2021	6,000	5,910	5,910
					36,500	36,174	36,715 3.91

Edgar Filing: New Mountain Finance Corp - Form 497

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

F-7

---

Table of Contents

## New Mountain Finance Corporation

## Consolidated Schedule of Investments (Continued)

December 31, 2016

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Ascend Learning, LLC Education	Second lien(3)	9.50% (L + 8.50%/Q)	11/30/2020	\$ 35,227	\$ 34,895	\$ 34,963	3.73%
Weston Solutions, Inc. Business Services	First lien(2)	10.50% (L + 9.50%/M)	12/31/2020	34,821	34,821	34,821	3.71%
Redbox Automated Retail, LLC Consumer Services	First lien(2)	8.50% (L + 7.50%/Q)	9/27/2021	33,469	32,987	32,601	3.47%
Valet Waste Holdings, Inc. Business Services	First lien(2)	8.00% (L + 7.00%/Q)	9/24/2021	29,625	29,320	29,625	
	First lien(3)(11) Drawn	8.00% (L + 7.00%/Q)	9/24/2021	2,250	2,222	2,250	
				31,875	31,542	31,875	3.40%
VetCor Professional Practices LLC Consumer Services	First lien(4)	7.25% (L + 6.25%/Q)	4/20/2021	19,306	19,159	19,306	
	First lien(2)	7.25% (L + 6.25%/Q)	4/20/2021	7,793	7,652	7,793	
	First lien(4)	7.25% (L + 6.25%/Q)	4/20/2021	2,677	2,655	2,677	
	First lien(4)(11) Drawn	7.25% (L + 6.25%/Q)	4/20/2021	373	365	373	
				30,149	29,831	30,149	3.21%
Integro Parent Inc. Business Services	First lien(2)	6.75% (L + 5.75%/Q)	10/31/2022 10/30/2023	19,806 10,000	19,463 9,910	19,607 9,750	

Edgar Filing: New Mountain Finance Corp - Form 497

	Second lien(3)	10.25% (L + 9.25%/Q)			29,806	29,373	29,357	3.13%
ProQuest LLC Business Services	Second lien(3)	10.00% (L + 9.00%/M)	12/15/2022		28,700	28,188	28,700	3.06%
CRGT Inc. Federal Services	First lien(2)	7.50% (L + 6.50%/M)	12/19/2020		27,409	27,252	27,478	2.93%
Evo Payments International, LLC Business Services	First lien(2)	6.00% (L + 5.00%/M)	12/22/2023		2,500	2,487	2,515	
	Second lien(2)	10.00% (L + 9.00%/M)	12/23/2024		25,000	24,813	24,813	
					27,500	27,300	27,328	2.91%
Severin Acquisition, LLC Software	Second lien(4)	9.75% (L + 8.75%/Q)	7/29/2022		15,000	14,873	15,000	
	Second lien(4)	9.75% (L + 8.75%/Q)	7/29/2022		4,154	4,118	4,154	
	Second lien(4)	10.25% (L + 9.25%/Q)	7/29/2022		3,273	3,243	3,305	
	Second lien(3)	10.00% (L + 9.00%/Q)	7/29/2022		2,361	2,338	2,384	
	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	
					26,913	26,676	26,989	2.88%
Marketo, Inc. Software	First lien(3)	10.50% (L + 9.50%/Q)	8/16/2021		26,820	26,442	26,418	2.81%
Ansira Holdings, Inc. Business Services	First lien(2)	7.50% (L + 6.50%/Q)	12/20/2022		26,182	26,051	26,051	2.78%
Pelican Products, Inc. Business Products	Second lien(3)	9.25% (L + 8.25%/Q)	4/9/2021		15,500	15,506	15,170	
	Second lien(2)	9.25% (L + 8.25%/Q)	4/9/2021		10,000	10,107	9,788	
					25,500	25,613	24,958	2.66%
DigiCert Holdings, Inc. Software	First lien(2)		10/21/2021		24,750	24,134	24,719	2.63%

Edgar Filing: New Mountain Finance Corp - Form 497

		6.00%						
		(L + 5.00%/Q)						
Thrive, Inc. (fka Precyse Acquisition Corp.)								
Healthcare Services	Second lien(2)	10.75%	4/20/2023	25,000	24,593	24,711	2.63%	
		(L + 9.75%/M)						
AAC Holding Corp.								
Education	First lien(2)	8.25%	9/30/2020	23,918	23,637	23,918	2.55%	
		(L + 7.25%/M)						
Ryan, LLC								
Business Services	First lien(2)	6.75%	8/7/2020	23,927	23,656	23,785	2.53%	
		(L + 5.75%/M)						
EN Engineering, LLC								
Business Services	First lien(2)	7.00%	6/30/2021	21,107	20,940	21,107		
		(L + 6.00%/Q)						
	First lien(2)	7.78%	6/30/2021	2,189	2,170	2,189		
		(Base + 5.55%/Q)						
				23,296	23,110	23,296	2.48%	

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

Table of Contents

## New Mountain Finance Corporation

## Consolidated Schedule of Investments (Continued)

December 31, 2016

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
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	2.41%
Vision Solutions, Inc.							
Software	First lien(2)	7.50% (Base + 6.50%/Q)	6/16/2022	22,359	22,153	22,317	2.38%
KeyPoint Government Solutions, Inc.							
Federal Services	First lien(2)	7.75% (L + 6.50%/Q)	11/13/2017	22,411	22,312	22,299	2.38%
TW-NHME Holdings Corp.(20)							
National HME, Inc.							
Healthcare Services	Second lien(4)	10.25% (L + 9.25%/Q)	7/14/2022	21,500	21,268	21,500	
	Second lien(3)	10.25% (L + 9.25%/Q)	7/14/2022	500	494	500	
				22,000	21,762	22,000	2.34%
T'SUGAR LLC							
Retail	First lien(4)	10.50% (L + 9.50%/Q)	10/23/2019	20,790	20,189	20,467	2.18%
First American Payment Systems, L.P.							
Business Services	Second lien(2)	10.75% (L + 9.50%/M)	4/12/2019	18,643	18,483	18,643	1.99%

Edgar Filing: New Mountain Finance Corp - Form 497

DCA Investment Holding, LLC							
Healthcare Services	First lien(2)	6.25% (L + 5.25%/Q)	7/2/2021	17,632	17,493	17,632	
	First lien(3)(11) Drawn	8.00% (P + 4.25%/Q)	7/2/2021	752	744	752	
				18,384	18,237	18,384	1.96%
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien(2)	9.25% (L + 8.25%/M)	7/23/2020	18,500	18,379	18,046	1.92%
Project Alpha Intermediate Holding, Inc.							
Software	First lien(2)	9.25% (L + 8.25%/M)	8/22/2022	17,955	17,784	17,775	1.89%
Pipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien(4)	8.25% (L + 7.25%/Q)	8/4/2022	17,775	17,626	17,775	1.89%
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien(2)	12.25%/S(8)	12/15/2018	25,000	25,000	16,012	
	First lien(3)	12.25%/S(8)	12/15/2018	2,660	2,231	1,704	
				27,660	27,231	17,716	1.89%
Greenway Health, LLC (fka Vitera Healthcare Solutions, LLC)							
Software	First lien(2)	6.00% (L + 5.00%/Q)	11/4/2020	1,891	1,880	1,865	
	Second lien(2)	9.25% (L + 8.25%/Q)	11/4/2021	14,000	13,448	13,650	
				15,891	15,328	15,515	1.65%
PYP Holdings LLC / Print Media Holdings LLC(12)							
PYP LLC / Print Media LLC							
Media	First lien(2)	12.25% (L + 11.00%/M)	6/4/2018	15,267	15,197	15,191	1.62%
Netsmart Inc. / Netsmart Technologies, Inc.							
Healthcare Information Technology	Second lien(2)	10.50% (L + 9.50%/Q)	10/19/2023	15,000	14,648	14,944	1.59%
Event, Inc.							
Software	First lien(3)	6.00% (L + 5.00%/Q)	11/29/2023	5,000	4,963	5,064	
	Second lien(3)	11.00% (L + 10.00%/Q)	5/29/2024	10,000	9,851	9,850	
				15,000	14,814	14,914	1.59%

Edgar Filing: New Mountain Finance Corp - Form 497

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

F-9

---



Table of Contents

## New Mountain Finance Corporation

## Consolidated Schedule of Investments (Continued)

December 31, 2016

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Merijet Holdings, Inc. Distribution & Logistics	First lien(4)	9.00% (L + 8.00%/M)	7/15/2021	\$ 12,536	\$ 12,449	\$ 12,442	
	First lien(4)	9.00% (L + 8.00%/M)	7/15/2021	2,089	2,075	2,074	
				14,625	14,524	14,516	1.55
W Holdings, LLC Business Services	Second lien(4)	9.75% (L + 8.75%/Q)	12/30/2021	14,265	14,147	14,265	1.52
Seidon Intermediate, LLC Software	Second lien(2)	9.50% (L + 8.50%/Q)	8/15/2023	13,000	12,829	13,000	1.39
Wave, Inc. Software	Second lien(4)	10.00% (L + 9.00%/Q)	11/17/2023	11,000	10,918	10,918	1.16
Tricent Technologies Business Services	Second lien(2)	9.50% (L + 8.50%/Q)	4/14/2022	12,500	12,316	10,719	1.14
McKissock Investment, LLC(14) McKissock, LLC Education	First lien(2)	7.50% (L + 6.50%/Q)	8/5/2019	6,463	6,421	6,463	
	First lien(2)	7.50% (L + 6.50%/Q)	8/5/2019	3,081	3,064	3,081	
	First lien(2)	7.50% (L + 6.50%/Q)	8/5/2019	994	988	994	
				10,538	10,473	10,538	1.12
Quest Software US Holdings Inc. Software	First lien(2)		10/31/2022	10,000	9,854	10,152	1.08

Edgar Filing: New Mountain Finance Corp - Form 497

		7.00%						
		(L + 6.00%/Q)						
Energy Holdings, Inc.								
Business Services	Second lien(2)	9.50%						
		(L + 8.50%/Q)	12/16/2024	10,000	9,938	10,000	1.07	
PowerPlan Holdings, Inc.								
Software	Second lien(2)	10.00%						
		(L + 9.00%/M)	2/23/2023	10,000	9,916	10,000	1.07	
R Arsenal Holdings II Corp.								
Business Services	First lien(2)	8.25%						
		(L + 7.25%/Q)	9/8/2022	9,975	9,879	9,875	1.05	
American Tire Distributors, Inc.								
Distribution & Logistics	Subordinated(3)	10.25%/S						
			3/1/2022	9,700	9,523	9,353	1.00	
Harley Marine Services, Inc.								
Distribution & Logistics	Second lien(2)	10.50%						
		(L + 9.25%/Q)	12/20/2019	9,000	8,897	8,640	0.92	
Industry Brands, LLC								
Software	First lien(3)(11)	6.00%						
	Drawn	(L + 5.00%/Q)	12/2/2022	350	348	348		
	Second lien(3)	10.25%						
		(L + 9.25%/Q)	6/2/2023	7,840	7,782	7,781		
				8,190	8,130	8,129	0.87	
Monestar Intermediate Super Holdings, LLC								
Business Services	Subordinated(3)	10.00%						
		(L + 9.00%/M)	8/31/2021	7,000	6,934	7,210	0.77	
D. Power and Associates								
Business Services	Second lien(3)	9.50%						
		(L + 8.50%/Q)	9/7/2024	7,000	6,898	7,035	0.75	
Confie Seguros Holding II Co.								
Consumer Services	Second lien(2)	10.25%						
		(L + 9.00%/M)	5/8/2019	6,957	6,952	6,919	0.74	
Solera Defense Solutions, Inc. (Global Defense								
Technology & Systems, Inc.)								
Federal Services	First lien(2)	9.00%						
		(L + 7.50%/Q)	4/21/2017	6,396	6,389	6,300	0.67	
Solera LLC / Solera Finance, Inc.								
Software	Subordinated(3)	10.50%/S						
			3/1/2024	5,000	4,768	5,650	0.60	
HF Holding Corp.								
Software	Second lien(3)	10.00%						
		(L + 9.00%/Q)	6/28/2024	5,000	4,952	4,950	0.53	
SDG, LLC								
Healthcare Services	Second lien(3)	10.00%						
		(L + 9.00%/Q)	3/28/2024	5,000	4,926	4,925	0.53	
Encore, Inc. (fka The SI Organization Inc.)								
Federal Services	Second lien(3)	9.75%						
		(L + 8.75%/Q)	5/23/2020	4,000	3,928	4,039	0.43	
Manstar Holding Company								
Distribution & Logistics	Second lien(3)	13.50%						
		(P + 9.75%/Q)(8)	10/9/2019	36,112	3,155	2,167		

Edgar Filing: New Mountain Finance Corp - Form 497

Second lien(2)	13.50%						
	(P + 9.75%/Q)(8)	10/9/2019	28,300	28,011	1,698		
						64,412	31,166 3,865 0.41

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

F-10

---

Table of Contents

## New Mountain Finance Corporation

## Consolidated Schedule of Investments (Continued)

December 31, 2016

(in thousands, except shares)

io Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/ Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Per of Ass
isk Services Holding Corp.							
ss Services	Subordinated(3)	8.50%/S	10/1/2022	\$ 3,000	\$ 3,000	\$ 2,520	
ble S Merger Sub, Inc.							
re	Subordinated(3)	9.00%/S	9/30/2023	2,000	1,939	2,135	
on Management Corporation(19)							
on Management II LLC							
on	First lien(2)	5.50% (L + 4.50%/Q)	7/2/2020	250	239	61	
	First lien(3)	5.50% (L + 4.50%/Q)	7/2/2020	141	136	35	
	First lien(2)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	467	416	22	
	First lien(3)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	263	235	12	
				1,121	1,026	130	
<b>unded Debt Investments United States</b>				<b>\$ 1,339,099</b>	<b>\$ 1,290,033</b>	<b>\$ 1,261,394</b>	<b>13</b>
<b>unded Debt Investments</b>				<b>\$ 1,420,445</b>	<b>\$ 1,369,904</b>	<b>\$ 1,330,845</b>	<b>14</b>
<b>United States</b>							
a Resource Holdings LLC(13)							
GL LLC							
	Ordinary shares(7)			5,290,997	\$ 5,291	\$ 6,434	
mondback Holdings Corp.(15)							
ation & Logistics	Preferred shares(4)			200	2,000	2,664	
HME Holdings Corp.(20)							
are Services	Preferred shares(4)			100	1,000	1,497	
				16	158	236	

Edgar Filing: New Mountain Finance Corp - Form 497

	Preferred shares(4)				
	Preferred shares(4)		6	68	91
				1,226	1,824
<b>Acquisition LLC</b>					
on	Preferred shares(6)		372	83	393
<b>on Management Corporation(19)</b>					
on	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
<b>Shares</b>	<b>United States</b>		<b>\$</b>	<b>9,069</b>	<b>\$ 11,345</b>
<b>nts United States</b>					
<b>dings LLC / Print Media</b>					
<b>gs LLC(12)</b>					
<b>ity Investors LLC</b>					
	Warrants(5)	5/8/2022	5	\$	\$ 2,966
<b>AR LLC</b>					
	Warrants(3)	10/23/2025	94,672	817	549
<b>CG Holdings, Inc.</b>					
on	Warrants(3)	5/5/2026	622	37	949
<b>Acquisition LLC</b>					
on	Warrants(6)	8/12/2020	20		
<b>Warrants</b>	<b>United States</b>		<b>\$</b>	<b>854</b>	<b>\$ 4,464</b>
<b>Funded Investments</b>			<b>\$</b>	<b>1,379,827</b>	<b>\$ 1,346,654 14</b>

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

Table of Contents

## New Mountain Finance Corporation

## Consolidated Schedule of Investments (Continued)

December 31, 2016

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
<b>Unfunded Debt Investments - United States</b>							
Master Car Wash Holdings, Inc. Consumer Services	First lien(3)(11) Undrawn		12/14/2017	\$ 1,667	\$ (13)		8
CA Investment Holding, LLC Healthcare Services	First lien(3)(11) Undrawn		7/2/2021	1,348	(13)		
Pipeline, Inc. (Internet Pipeline, Inc.) Software	First lien(3)(11) Undrawn		8/4/2021	1,000	(10)		
Planet Waste Holdings, Inc. Business Services	First lien(3)(11) Undrawn		9/24/2021	1,500	(19)		
NetCor Professional Practices LLC Consumer Services	First lien(3)(11) Undrawn		4/20/2021	2,700	(27)		
	First lien(4)(11) Undrawn		3/30/2018	127	(3)		
	First lien(2)(11) Undrawn		6/22/2018	1,644	(33)		
				4,471	(63)		
Reston Solutions, Inc. Business Services	First lien(3)(11) Undrawn		12/31/2020	10,000			
Wave, Inc. Software	First lien(3)(11) Undrawn		11/17/2022	2,000	(15)		(15)
Sisira Holdings, Inc. Business Services	First lien(3)(11) Undrawn		12/20/2018	3,818	(19)		(19)
Marketo, Inc.							

Edgar Filing: New Mountain Finance Corp - Form 497

Software	First lien(3)(11) Undrawn	8/16/2021	1,788	(27)	(27)	
Ministry Brands, LLC						
Software	First lien(3)(11) Undrawn	12/2/2022	650	(3)	(3)	
	First lien(3)(11) Undrawn	12/2/2017	5,169	(26)	(26)	
	Second lien(3)(11) Undrawn	12/2/2017	2,160	(16)	(16)	
			7,979	(45)	(45)	(0.01)
<b>Total Unfunded Debt Investments</b>	<b>United States</b>		<b>\$ 35,571</b>	<b>(224)</b>	<b>\$ (98)</b>	<b>(0.01)</b>
<b>Total Non-Controlled/Non-Affiliated Investments</b>			<b>\$ 1,379,603</b>	<b>\$ 1,346,556</b>	<b>143.47%</b>	
<b>Non-Controlled/Affiliated Investments(21)</b>						
<b>Total Funded Debt Investments</b>	<b>United States</b>					
Momentum Ultimate Holdings, LLC(16)						
Education	Subordinated(3) 8.50% PIK/Q*	6/9/2020	\$ 4,124	\$ 4,118	\$ 4,124	
	Subordinated(2) 10.00% PIK/Q*	6/9/2020	15,163	15,163	12,814	
	Subordinated(3) 10.00% PIK/Q*	6/9/2020	3,730	3,730	3,152	
			23,017	23,011	20,090	2.14%
Armenian Holdco 1, Inc.(10)						
Armenian Holdco 2, Inc.						
Energy	Subordinated(3) 14.00% PIK/Q*	10/15/2021	1,749	1,749	1,749	0.19%
<b>Total Funded Debt Investments</b>	<b>United States</b>		<b>\$ 24,766</b>	<b>\$ 24,760</b>	<b>\$ 21,839</b>	<b>2.33%</b>

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

Table of Contents

## New Mountain Finance Corporation

## Consolidated Schedule of Investments (Continued)

December 31, 2016

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percentage of Net Assets
<b>Equity Investments - United States</b>							
Quantum Senior Loan Program I LLC**	Membership interest(3)				\$ 23,000	\$ 23,000	2.1
Quantum Holdco 1, Inc.(10)	Preferred shares(3)(17)			1,394,237	5,866	7,668	
	Ordinary shares(3)			1,366,452	1,350	1,776	
					7,216	9,444	1.1
Quantum Ultimate Holdings, LLC(16)	Ordinary shares(3)			123,968	11	1,693	
	Ordinary shares(2)			107,143	9	1,464	
					20	3,157	0.3
<b>Equity Investments - United States</b>							
<b>Unfunded Debt Investments - United States</b>							
Quantum Ultimate Holdings, LLC(16)							
Quantum, Inc. (fka Plato, Inc.) (Archipelago Holding, Inc.)	Second lien(3)(11)						
	Undrawn		6/9/2020	\$ 4,881	\$	\$	
Quantum Holdco 1, Inc.(10)							
Quantum Holdco 2, Inc.	Subordinated(3)(11)						
	Undrawn		10/15/2021	1,025			
<b>Unfunded Debt Investments - United States</b>							
				\$ 5,906	\$	\$	



<b>Non-Controlled/Affiliated Investments</b>				<b>\$ 54,996</b>	<b>\$ 57,440</b>	<b>6</b>
<b>Controlled Investments(22)</b>						
<b>Funded Debt Investments United States</b>						
Peak Global Services, Inc.						
Business Services	First lien(2)	8.50% (L + 7.50%/Q)	1/13/2019	\$ 10,846	\$ 10,846	\$ 11,063
	First lien(2)	9.50% (L + 7.50% + 1.00% PIK/Q)*	1/13/2019	4,784	4,784	4,879
	Subordinated(2)	15.00% PIK/Q*	7/13/2019	1,726	1,726	1,760
	Subordinated(3)	15.00% PIK/Q*	7/13/2019	1,032	1,032	1,054
				18,388	18,388	18,756
<b>Funded Debt Investments United States</b>				<b>\$ 18,388</b>	<b>\$ 18,388</b>	<b>\$ 18,756</b>
<b>Equity United States</b>						
C Senior Loan Program II LLC**						
Investment Fund	Membership interest(3)			\$ 71,460	\$ 71,460	7
Peak Global Services, Inc.						
Business Services	Preferred shares(2)(18)			19,048,426	16,668	17,207
	Preferred shares(3)(18)			5,264,079	4,606	4,755
	Ordinary shares(2)			2,096,477	1,925	12,256
	Ordinary shares(3)			579,366	532	3,387
					23,731	37,605
Mountain Net Lease Corporation						
Lease	Ordinary shares(3)			270,000	27,000	27,000
<b>Shares United States</b>				<b>\$ 122,191</b>	<b>\$ 136,065</b>	<b>14</b>
<b>Funded Investments</b>				<b>\$ 140,579</b>	<b>\$ 154,821</b>	<b>16</b>

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

Table of Contents

## New Mountain Finance Corporation

## Consolidated Schedule of Investments (Continued)

December 31, 2016

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
<b>Unfunded Debt Investments United States</b>							
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			%
<b>Total Unfunded Debt Investments United States</b>							
				\$ 2,806	\$		%
<b>Total Controlled Investments</b>							
				\$ 140,579	\$ 154,821		16.50%
<b>Total Investments</b>							
				\$ 1,575,178	\$ 1,558,817		166.09%

(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) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of December 31, 2016.
- (10) The Company holds preferred and common equity in Permian Holdco 1, Inc., as well as subordinated notes in Permian Holdco 2, Inc., a wholly-owned subsidiary of Permian Holdco 1, Inc.
- (11) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities or delayed draws. Cost amounts represent the cash received at settlement date net the impact of paydowns and cash paid for drawn revolvers or delayed draws.
- (12) 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 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 accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

**New Mountain Finance Corporation**

**Consolidated Schedule of Investments (Continued)**

**December 31, 2016**

**(in thousands, except shares)**

- (13) The Company holds investments in two related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC) and holds a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.
- (14) The Company holds investments in QC McKissock Investment, LLC and one related entity of QC McKissock Investment, LLC. The Company holds a first lien term loan in QC McKissock Investment, LLC (which at closing represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds a first lien term loan and a delayed draw term loan in McKissock, LLC, a wholly-owned subsidiary of McKissock Investment Holdings, LLC.
- (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) The Company holds preferred equity in Permian Holdco 1, Inc. that is entitled to receive cumulative preferential dividends at a rate of 12.0% per annum payable in additional shares.
- (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)

Edgar Filing: New Mountain Finance Corp - Form 497

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.

- (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 December 31, 2016 along with transactions during the year ended December 31, 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	Gross Redemption	Net Change		Fair Value at December 31, 2016	Interest Income	Dividend Income	Other Income
				Realized Gain	Unrealized Appreciation				
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ 22,782	\$ 6,147	\$ (4,002)	\$ (1,680)	\$ 23,247	\$ 2,254	\$		
NMFC Senior Loan Program I LLC	21,914			1,086	23,000		3,728	1,163	
Permian Holdco 1, Inc. / Permian Holdco 2, Inc.		8,965		2,228	11,193	41	156	5	
Tenawa Resource Holdings LLC	42,591	16	(42,288)	(319)		2,243		25	
<b>Total Non-Controlled/Affiliated Investments</b>	<b>\$ 87,287</b>	<b>\$ 15,128</b>	<b>\$ (46,290)</b>	<b>\$ 1,315</b>	<b>\$ 57,440</b>	<b>\$ 4,538</b>	<b>\$ 3,884</b>	<b>\$ 1,193</b>	

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

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

Table of Contents

## New Mountain Finance Corporation

## Consolidated Schedule of Investments (Continued)

December 31, 2016

(in thousands, except shares)

(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.

(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 December 31, 2016 along with transactions during the year ended December 31, 2016 in which the issuer was a controlled investment is as follows:

Portfolio Company(1)	Fair Value at December 31, 2015	Gross Additions	Gross Redemptions	Net Change		Fair Value at December 31, 2016	Interest Income	Dividend Income	Other Income
				Realized Gain (Loss)	Unrealized Appreciation (Depreciation)				
New Mountain Net Lease Corporation	\$	\$ 27,000	\$	\$	\$	\$ 27,000	\$	\$ 540	\$
NMFC Senior Loan Program II LLC		71,460				71,460		3,533	
UniTek Global Services, Inc.	47,422	3,464	(2,599)		8,074	56,361	1,904	3,023	558
<b>Total Controlled Investments</b>	<b>\$ 47,422</b>	<b>\$ 101,924</b>	<b>\$ (2,599)</b>	<b>\$</b>	<b>\$ 8,074</b>	<b>\$ 154,821</b>	<b>\$ 1,904</b>	<b>\$ 7,096</b>	<b>\$ 558</b>

(A)

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

(B)

Gross 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, 2016, 9.9% of the Company's total assets were non-qualifying assets.

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

F-16

---

Table of Contents

**New Mountain Finance Corporation**

**Consolidated Schedule of Investments (Continued)**

**December 31, 2016**

<b>Investment Type</b>	<b>December 31, 2016 Percent of Total Investments at Fair Value</b>
First lien	44.94%
Second lien	38.76%
Subordinated	4.27%
Equity and other	12.03%
<b>Total investments</b>	<b>100.00%</b>