New Mountain Finance Corp
Form 497
August 15, 2018

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**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 August 15, 2018**

**PRELIMINARY PROSPECTUS SUPPLEMENT**
**(to Prospectus dated July 13, 2018)**

**$100,000,000**

# New Mountain Finance Corporation

**% Convertible Notes due 2023**

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New Mountain Finance Corporation ("NMFC", the "Company", "we", "us" and "our") is 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 (the "1940 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. Our first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose us to the risks associated with second lien and subordinated loans to the extent we invest in the "last out" tranche. In some cases, our investments may also include equity interests. Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance.

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 $100.0 million aggregate principal amount of our % Convertible Notes due 2023 (the "Convertible Notes"). The Convertible Notes will bear interest at a rate of % per year, payable on February 15 and August 15 of each year, commencing on February 15, 2019. The Convertible Notes will mature on August 15, 2023.

The Convertible Notes will be convertible, at your option, into shares of our common stock initially at a conversion rate of shares per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $ per share), subject to adjustment as described in this prospectus supplement, at any time on or prior to the close of business on the business day immediately preceding the maturity date. In the case of Convertible Notes that are converted in connection with certain types of fundamental changes, we will, in certain circumstances, increase the conversion rate by a number of additional shares.

We may not redeem the Convertible Notes prior to May 15, 2023. On or after May 15, 2023, we may redeem the notes for cash, in whole or from time to time in part, at our option at a redemption price equal to the sum of (i) 100% of the principal amount of the Convertible Notes to be redeemed, (ii) accrued and unpaid interest thereon to, but excluding, the redemption date and (iii) the make-whole premium (as defined herein). No sinking fund will be provided for the Convertible Notes.

You may require us to repurchase all or a portion of your Convertible Notes upon a fundamental change at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest (including additional interest, if any) through, and including, the maturity date. See "Description of the Notes Fundamental Change Put".

The Convertible Notes will be our unsecured obligations. As of August 13, 2018, we had $1,095.3 million of indebtedness outstanding, $655.0 million of which was secured indebtedness and $440.3 million of which was unsecured indebtedness. The Convertible Notes will be our direct unsecured obligations and rank *pari passu*, or equally in right of payment, with all outstanding and future unsecured, unsubordinated indebtedness issued by us.

There is no public market for the Convertible Notes, and we do not intend to apply for listing of the Convertible Notes on any securities exchange or for inclusion of the Convertible Notes in any automated quotation system. Our common stock is listed on the New York Stock Exchange under the symbol "NMFC". On August 13, 2018 the last reported sales price on the New York Stock Exchange for our common stock was $14.05 per share, and the net asset value per share of our common stock on June 30, 2018 (the last date prior to the date of this prospectus supplement on which we determined our net asset value per share) was $13.57.

The price at issuance of the Convertible Notes will be % of the principal amount, plus accrued and unpaid interest, if any, from August , 2018.

**An investment in the Convertible Notes involves risks that are described in the "Supplementary Risk Factors" section beginning on page S-25 in this prospectus supplement and the "Risk Factors" section beginning on page 27 of the accompanying prospectus.**

This prospectus supplement and the accompanying prospectus contain important information about us that a prospective investor should know before investing in the Convertible Notes. 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 is 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 Note | Total |
|---|---|---|
| Public Offering Price | $ | $ |
| Sales Load paid by us (Underwriting Discounts and Commissions)(1) | $ | $ |
| Proceeds to us (before expenses)(2) | $ | $ |

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

(2) All expenses of the offering will be borne by us. We will incur approximately $0.4 million of estimated expenses in connection with this offering.

We have granted the underwriters an option to purchase up to an additional $15.0 million aggregate principal amount of Convertible Notes on the same terms and conditions as set forth above, exercisable within 30 days from the date of this prospectus supplement. If the underwriters exercise this option in full, the total public offering price will be $ , the total sales load (discounts and commissions) paid by us will be $ , and total proceeds, before expenses, will be $ .

**THE CONVERTIBLE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.**

Delivery of the Convertible Notes in book-entry form only through The Depository Trust Company will be made on or about August , 2018.

*Sole Bookrunner*

**Wells Fargo Securities**

**Prospectus Supplement dated August , 2018**

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## 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, these securities 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 these securities. 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 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", "Prospectus Supplement Summary" and "Supplementary Risk Factors" in this prospectus supplement and the "Available Information", "Summary" and "Risk Factors" sections of 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 $15,000,000 aggregate principal amount of Convertible Notes.

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**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 "Supplementary Risk Factors" in this prospectus supplement and "Risk Factors" in the accompanying prospectus, 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;*
- *"NMNLC" refers to New Mountain Net Lease Corporation, a Maryland corporation;*
- *"SBIC I GP" refers to New Mountain Finance SBIC G.P. L.L.C., a Delaware limited liability company;*
- *"SBIC I" refers to New Mountain Finance SBIC L.P., a Delaware limited partnership;*
- *"SBIC II GP" refers to New Mountain Finance SBIC II G.P. L.L.C., a Delaware limited liability company;*
- *"SBIC II" refers to New Mountain Finance SBIC II 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);*

*"Holdings Credit Facility" refers to NMF Holdings' Third Amended and Restated Loan and Security Agreement with Wells Fargo Bank, National Association, dated October 24, 2017, as amended;*

*"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;*

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

*"2014 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, between us and U.S. Bank National Association, as trustee;*

*"2016 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;*

*"2017A Unsecured Notes" refers to our 4.760% unsecured notes due July 15, 2022 issued on June 30, 2017 to institutional investors in a private placement;*

*"2018A Unsecured Notes" refers to our 4.870% unsecured notes due January 30, 2023 issued on January 30, 2018 to institutional investors in a private placement;*

*"2018B Unsecured Notes" refers to our 5.36% unsecured notes due June 28, 2023 issued on July 5, 2018 to institutional investors in a private placement; and*

*"Unsecured Notes" refers to the 2016 Unsecured Notes, the 2017A Unsecured Notes, the 2018A Unsecured Notes and the 2018B Unsecured Notes.*

*For the periods prior to and as of December 31, 2013, all financial information provided in this prospectus supplement and 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

### *New Mountain Finance Corporation*

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. 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

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Servicing"), serves as the administrative agent on certain investment transactions. SBIC I, and its general partner, SBIC I GP, are organized in Delaware as a limited partnership and limited liability company, respectively. During the year ended December 31, 2017, SBIC II and its general partner, SBIC II GP, were organized in Delaware as a limited partnership and limited liability company, respectively. SBIC I, SBIC I GP, SBIC II and SBIC II GP are our consolidated wholly-owned direct and indirect subsidiaries. SBIC I and SBIC II each 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 wholly-owned subsidiary, NMNLC, a Maryland corporation, was formed to acquire commercial real properties that are subject to "triple net" leases and has qualified and intends to continue to qualify as a real estate investment trust ("REIT") within the meaning of Section 856(a) of the Code.

Our investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. The first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose us to the risks associated with second lien and subordinated loans to the extent we invest in the "last out" tranche. In some cases, our investments may also include equity interests. Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to us, SBIC I's and SBIC II's investment objectives are to generate current income and capital appreciation under our investment criteria. However, SBIC I's and SBIC II's investments must be in SBA eligible small businesses. Our portfolio may be concentrated in a limited number of industries. As of June 30, 2018, our top five industry concentrations were business services, software, healthcare services, education and investment funds.

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 June 30, 2018, our net asset value was $1,032.6 million and our portfolio had a fair value of approximately $2,098.0 million in 89 portfolio companies, with a weighted average yield to maturity at cost for income producing investments ("YTM at Cost") of approximately 11.1% and a weighted average yield to maturity at cost for all investments ("YTM at Cost for Investments") of approximately 10.9%. The YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. The YTM at Cost for Investments calculation assumes that all investments, including secured collateralized agreements, are purchased as cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. YTM at Cost and YTM at Cost for Investments calculations exclude the impact of existing leverage. YTM at Cost and YTM at Cost for Investments 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

On July 5, 2018, we entered into a third supplement (the "Supplement") to our Amended and Restated Note Purchase Agreement, dated September 30, 2016 (the "NPA"). Pursuant to the Supplement, on July 5, 2018, we issued to an institutional investor identified therein, in a private placement, $50.0 million in aggregate principal amount of 2018B Unsecured Notes as an additional series of notes under the NPA. Except as set forth in the Supplement, the 2018B Unsecured Notes have the same terms as the $90.0 million in aggregate principal amount of the 2016 Unsecured Notes, the $55.0 million in aggregate principal amount of the 2017A Unsecured Notes and the $90.0 million in aggregate principal amount of the 2018A Unsecured Notes (collectively, the "Prior Notes") that we previously issued pursuant to the NPA, the first supplement and the second supplement thereto, respectively. The Supplement includes certain additional covenants and terms, including, without limitation, a requirement that we not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that we not exceed a secured debt ratio of 0.70 to 1.00 at any time. The 2018B Unsecured Notes will rank equal in priority with our other unsecured indebtedness, including the Prior Notes, the 2014 Convertible Notes and the Convertible Notes offered hereby. Interest on the 2018B Unsecured Notes will be payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2019.

On July 5, 2018, we entered into Amendment No. 4 (the "Amendment") to our NMFC Credit Facility. The Amendment reduces the minimum asset coverage ratio that we must maintain at the time of any borrowing under the NMFC Credit Facility and as of each quarter end from 2.00 to 1.00 to 1.50 to 1.00. The Amendment also includes a requirement that we not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that we not exceed a secured debt ratio of 0.70 to 1.00 at any time.

On August 1, 2018, our board of directors declared a third quarter 2018 distribution of $0.34 per share payable on September 28, 2018 to holders of record as of September 14, 2018.

We had approximately $169.6 million of originations and commitments since the end of the second quarter through August 3, 2018. This was offset by approximately $178.9 million of repayments and $3.4 million of sales during the same period.

## 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. The Investment Adviser also manages New Mountain Guardian Partners II, L.P., a Delaware limited partnership, and New Mountain Guardian Partners II Offshore, L.P., a Cayman Islands exempted limited partnership, (together "Guardian II"), which commenced operations in April 2017. As of June 30, 2018, the Investment Adviser was supported by over 140 employees and senior advisors of New Mountain Capital.

The Investment Adviser is managed by a five member investment committee (the "Investment Committee"), which is responsible for approving purchases and sales of our investments above $10.0 million in aggregate by issuer. The Investment Committee currently consists of Steven B. Klinsky, Robert A. Hamwee, Adam B. Weinstein and John R. Kline. The fifth and final member of the Investment Committee will consist of a New Mountain Capital Managing Director who will hold the position on the Investment Committee on an annual rotating basis. Beginning in August 2017, Peter N. Masucci was appointed to the Investment Committee for a one year term. In addition, our executive officers and

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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 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.

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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. 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 2022. 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.

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**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.

*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.

*The leverage finance market has a high level of financing needs over the next several years due to significant bank debt maturities.* 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 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.

*Conservative loan to value.* 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.

*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.

**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 150.0%, which was reduced from 200% effective as of June 9, 2018 by approval of our stockholders. Changing the asset coverage ratio permits us to double our leverage, which may result in increased leverage risk and increased expenses. We include the assets and liabilities of our consolidated subsidiaries for purposes of satisfying the requirements under the 1940 Act. See "Regulation Senior Securities" 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 "Certain Material U.S. Federal Income Tax Considerations" in this prospectus supplement and "Material U.S. 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 we meet certain source-of-income, distribution and asset diversification requirements. We

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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 the Convertible Notes involves risk, including the risk of leverage and the risk that our operating policies and strategies may change without prior notice. See "Supplementary Risk Factors" in this prospectus supplement and "Risk Factors" in the accompanying prospectus, 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 the Convertible Notes. 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:

- Our amount of debt outstanding will increase as a result of this offering, which could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the Convertible Notes and our other debt;
- If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Convertible Notes;
- The Convertible Notes will be unsecured and therefore will be effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future;
- The Convertible Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries;
- The indenture governing the Convertible Notes contains limited restrictive covenants and provides only limited protection in the event of a change of control;
- The conversion rate of the Convertible Notes may not be adjusted for all dilutive events that may adversely affect the trading price of the Convertible Notes or the common stock issuable upon conversion of the Convertible Notes;
- We may be unable to repurchase the Convertible Notes following a fundamental change;
- Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the Convertible Notes;
- Provisions of the Convertible Notes could discourage an acquisition of us by a third party;
- The adjustment to the conversion rate upon the occurrence of certain types of fundamental changes may not adequately compensate you for the lost option time value of your Convertible Notes as a result of such fundamental change;
- There is currently no public market for the Convertible Notes, and an active trading market may not develop for the Convertible Notes. The failure of a market to develop for the Convertible Notes could adversely affect the liquidity and value of your Convertible Notes;

Recent regulatory actions may adversely affect the trading price and liquidity of the Convertible Notes;

The accounting for convertible debt securities is subject to uncertainty;

The price of our common stock and of the Convertible Notes may fluctuate significantly, and this may make it difficult for you to resell the Convertible Notes or common stock issuable upon conversion of the Convertible Notes when you want or at prices you find attractive;

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Future sales of our common stock in the public market or the issuance of securities senior to our common stock could adversely affect the trading price of our common stock and the value of the Convertible Notes and our ability to raise funds in new stock offerings;

Holders of the Convertible Notes will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to our common stock;

You may be deemed to receive a taxable distribution without the receipt of any cash or property;

We may suffer credit losses;

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

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;

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 tax treatment as a RIC under Subchapter M of the Code, which would have a material adverse effect on our financial performance;

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

Recent legislation allows us to incur additional leverage, which could increase the risk of investing in the Company;

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

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## SPECIFIC TERMS OF THE NOTES AND THE OFFERING

*This prospectus supplement sets forth certain terms of the Convertible Notes that we are offering pursuant to this prospectus supplement and supplements the accompanying prospectus that is attached to the back of this prospectus supplement. This section outlines the specific legal and financial terms of the Convertible Notes. You should read this section together with the section titled "Description of the Notes" in this prospectus supplement and the more general description of the notes in the accompanying prospectus under the heading "Description of Debt Securities" before investing in the Convertible Notes. Capitalized terms used in this prospectus supplement and not otherwise defined shall have the meanings ascribed to them in the indenture governing the Convertible Notes.*

| | |
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| **Issuer** | New Mountain Finance Corporation |
| **Title of the Securities** | % Convertible Notes due 2023 |
| **Aggregate Principal Amount Being Offered** | $100,000,000 |
| **Overallotment Option** | We have granted the underwriters an option to purchase up to an additional $15,000,000 aggregate principal amount of Convertible Notes to cover overallotments, if any, exercisable within 30 days from the date of this prospectus supplement. |
| **Initial Public Offering Price** | % of the aggregate principal amount, which reflects that, for the first interest payment, plus accrued and unpaid interest, if any, from August , 2018. |
| **Maturity** | August 15, 2023, unless earlier converted, repurchased, or redeemed. |
| **Principal Payable at Maturity** | % of the aggregate principal amount; the principal amount of each Convertible Note will be payable on its stated maturity date |
| **Interest Rate** | % per year |
| **Interest Payment Dates** | Interest will be payable in cash on February 15 and August 15 of each year, beginning February 15, 2019. |
| **Interest Periods** | The initial interest period will be the period from and including August , 2018 to, but excluding, the next interest payment date, and the subsequent interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date. |
| **Optional Redemption** | We may not redeem the Convertible Notes prior to May 15, 2023. On or after May 15, 2023, we may redeem the Convertible Notes for cash, in whole or from time to time in part, at our option at a redemption price equal to the sum of (i) 100% of the principal amount of the Convertible Notes to be redeemed, (ii) accrued and unpaid interest (including additional interest, if any) to, but excluding, the redemption date and (iii) the make-whole premium. We will give notice of any redemption not less than 15 nor more than 30 calendar days before the redemption date to holders of the notes. See "Description of Notes Redemption During Final Three Month Term of the Convertible Notes." |

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| **Ranking** | The Convertible Notes will be our general, unsecured obligations and will rank: |
| | equal in right of payment with all of our existing and future unsecured indebtedness, including \$155.3 million and \$285.0 million in aggregate principal amount of 2014 Convertible Notes and Unsecured Notes, respectively, outstanding as of August 13, 2018; |
| | senior in right of payment to all of our future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; |
| | effectively subordinated to our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, including \$145.0 million outstanding under the NMFC Credit Facility as of August 13, 2018; and |
| | structurally subordinated to any existing and future liabilities and other indebtedness of our subsidiaries, including \$345.0 million outstanding under the Holdings Credit Facility and \$165.0 million outstanding under the SBA-guaranteed debentures as of August 13, 2018.<br>As of August 13, 2018, we had \$1,095.3 million of indebtedness outstanding, \$655.0 million of which was secured indebtedness and \$440.3 million of which was unsecured indebtedness. |
| **Denominations** | We will issue the Convertible Notes in book-entry form only in denominations of \$1,000 principal amount and integral multiples thereof. |
| **Business Day** | Any day other than a Saturday, a Sunday or a day on which the Federal Reserve Bank of New York or U.S. Bank National Association, as trustee under the indenture to govern the Convertible Notes, is authorized or required by law or executive order to close or be closed. |
| **Sinking Fund** | The Convertible Notes will not be subject to any sinking fund. |
| **Defeasance** | The Convertible Notes are not subject to defeasance. |
| **Certain Covenants** | We will be subject to (i) a Debt to Equity Ratio covenant with respect to the incurrence of any additional indebtedness and (ii) a Secured Debt Ratio covenant as follows:<br>*Debt to Equity Ratio*: Immediately after the issuance of any senior security representing indebtedness (as determined pursuant to the 1940 Act), and after giving pro forma effect thereto and the application of the proceeds thereof, we will not permit the Debt to Equity Ratio (as defined under the caption "Description of the Notes Certain Covenants Debt to Equity Ratio"), to be greater than 1.65 to 1.00.<br>*Maximum Secured Debt*: We will not permit the Secured Debt Ratio (as defined under the caption "Description of the Notes Certain Covenants Maximum Secured Debt") at any time to exceed 0.70 to 1.00.<br>See "Description of the Notes Certain Covenants." |

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| **Conversion Rights** | You may convert your Convertible Notes into shares of our common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date. The Convertible Notes will be convertible at an initial conversion rate of shares of common stock per $1,000 principal amount of the Convertible Notes (equivalent to an initial conversion price of approximately $ per share). The conversion rate, and thus the conversion price, may be adjusted under certain circumstances as described under "Description of the Notes Conversion Rights Conversion Rate Adjustments".<br>Upon any conversion, unless you convert after a record date for an interest payment but prior to the corresponding interest payment date, you will receive a cash payment representing accrued and unpaid interest to, but not including, the conversion date. See "Description of the Notes Conversion Rights". |
| **Limitation on Beneficial Ownership** | Notwithstanding the foregoing, no holder of Convertible Notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a "beneficial owner" (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder) of more than 5.0% of the shares of our common stock outstanding at such time (the "Limitation"). Any purported delivery of shares of our common stock upon conversion of Convertible Notes shall be void and have no effect to the extent (but only to the extent) that such delivery would result in the converting holder becoming the beneficial owner of more than 5.0% of the shares of common stock outstanding at such time. If any delivery of shares of our common stock owed to a holder upon conversion of Convertible Notes is not made, in whole or in part, as a result of the Limitation, our obligation to make such delivery shall not be extinguished and we shall deliver such shares as promptly as practicable after any such converting holder gives notice to us that such delivery would not result in it being the beneficial owner of more than 5.0% of the shares of common stock outstanding at such time. The Limitation shall no longer apply following the effective date of any Fundamental Change, as defined in "Description of the Notes Fundamental Change Put". |

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| **Adjustment to Conversion Rate Upon a Non-Stock Change of Control** | If and only to the extent holders elect to convert the Convertible Notes in connection with a transaction described under clause (1), (2) or (4) of the definition of fundamental change as described in "Description of the Notes Fundamental Change Put" and determined after giving effect to any exceptions to or exclusions from such definition, but without regard to the provision in clause (2) of the definition thereof, pursuant to which more than 10.0% of the consideration for our common stock (other than cash payments for fractional shares and cash payments made in respect of dissenters' appraisal rights) consists of cash or securities (or other property) that are not shares of common stock traded or scheduled to be traded immediately following such transaction on the New York Stock Exchange (the "NYSE"), the NASDAQ Global Market or the NASDAQ Global Select Market (or any of their respective successors), which we refer to as a "non-stock change of control", we will increase the conversion rate by a number of additional shares determined by reference to the table in "Description of the Notes Conversion Rights Adjustment to Conversion Rate Upon a Non-Stock Change of Control", based on the effective date and the price paid per share of our common stock in such nonstock change of control. If the price paid per share of our common stock in the fundamental change is less than $ or more than $ (subject to adjustment), there will be no such adjustment. If holders of our common stock receive only cash in the type of transaction described above, the price paid per share will be the cash amount paid per share. Otherwise, the stock price shall be the average of the last reported sale prices of our common stock over the five trading-day period ending on, and including, the trading day immediately preceding the effective date of the non-stock change of control. |
| **Fundamental Change Repurchase Right of Holders** | If we undergo a fundamental change (as defined in this prospectus supplement) prior to maturity, you will have the right, at your option, to require us to repurchase for cash some or all of your Convertible Notes at a repurchase price equal to 100% of the principal amount of the Convertible Notes being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date. See "Description of the Notes Fundamental Change Put". |
| **Events of Default** | If an event of default on the Convertible Notes occurs, the principal amount of the Convertible Notes, plus accrued and unpaid interest (including additional interest, if any) may be declared immediately due and payable, subject to certain conditions set forth in the indenture. These amounts automatically become due and payable in the case of certain types of bankruptcy or insolvency events of default involving NMFC. |
| **No Established Trading Market** | We cannot assure you that any active or liquid market will develop for the Convertible Notes. See "Underwriting". |
| **No Listing** | We do not intend to apply to have the Convertible Notes listed on any securities exchange or for inclusion of the Convertible Notes in an automated quotation system. Our common stock is traded on the NYSE under the symbol "NMFC". |

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| **Use of Proceeds** | We estimate that the net proceeds we will receive from the sale of the $100.0 million aggregate principal amount of Convertible Notes in this offering will be approximately $ million (or approximately $ million if the underwriters fully exercise their overallotment option), after deducting the discounts, commissions and expenses payable by us.<br>We intend to use the net proceeds from this offering to repay outstanding indebtedness under the NMFC Credit Facility and then, to the extent any net proceeds remain, the Holdings Credit Facility. However, through re-borrowing under our credit facilities, we also intend to use the amount of the net proceeds from this offering to make new investments in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus and use available capital for other general corporate purposes, including working capital requirements. See "Use of Proceeds". |
| **Certain U.S. Federal Income Tax Consequences** | You should consult your tax advisor with respect to the U.S. federal income tax consequences of the purchase ownership, disposition and conversion of the Convertible Notes, our qualification and taxation as a RIC for U.S. federal income tax purposes and the ownership and disposition of shares of our common stock and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction. See "Certain Material U.S. Federal Income Tax Considerations" in this prospectus supplement and "Material U.S. Federal Income Tax Considerations" in the accompanying prospectus. |
| **Book-Entry Form** | The Convertible Notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC. Beneficial interests in any of the Convertible Notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances. |
| **Trustee, Paying Agent and Conversion Agent** | U.S. Bank National Association. |

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**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. The registration statement contains additional information about us and the securities 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 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 *www.newmountainfinance.com*. Information contained on our website or on the SEC's web site 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.

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## FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that you will bear directly or indirectly on an as-converted basis. 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.

| | |
|---|---|
| **Stockholder transaction expenses:** | |
| 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 (per sales transaction) | $ 15.00(3) |
| **Total stockholder transaction expenses (as a percentage of offering price)** | % |
| **Annual expenses (as a percentage of net assets attributable to common stock):** | |
| Base management fees | 3.71%(4) |
| Incentive fees payable under the Investment Management Agreement | 2.49%(5) |
| Interest payments on borrowed funds (other than the Convertible Notes offered hereby) | 4.84%(6) |
| Interest payments on the Convertible Notes offered hereby | % |
| Other expenses | 0.80%(7) |
| Acquired fund fees and expenses | 1.18%(8) |
| **Total annual expenses** | %(9) |

### 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.**

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.

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(1) Represents the commission with respect to the Convertible Notes being sold in this offering, which we will pay to the underwriters in connection with sales of Convertible Notes effected by the underwriters in this offering.

(2) The offering expenses of this offering are estimated to be approximately $0.4 million.

(3) If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a $15.00 transaction fee plus a $0.10 per share brokerage commission from the proceeds. The expenses of the dividend reinvestment plan are included in "other expenses." The plan administrator's fees will be paid by us. There will be no brokerage charges or other charges to stockholders who participate in the plan. For additional information, see "Dividend Reinvestment Plan" in the accompanying prospectus.

(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 six months ended June 30, 2018 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 3.10% based on the six months ended June 30, 2018. See "Investment Management Agreement" in the accompanying prospectus

(5) Assumes that annual incentive fees earned by the Investment Adviser remain consistent with the gross incentive fees earned by the Investment Adviser during the six months ended June 30, 2018 and calculated without deducting any incentive fees waived. For the six months ended June 30,

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2018, no incentive fees were waived by the Investment Adviser. The Investment Adviser cannot recoup incentive fees that the Investment Adviser has previously waived. As of June 30, 2018, we did not have a capital gains incentive fee accrual. 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 six months ended June 30, 2018. For more detailed information about the incentive fee calculations, see "Investment Management Agreement" in 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 June 30, 2018, we had $390.5 million, $150.0 million, $155.3 million, $235.0 million and $163.0 million of indebtedness outstanding under the Holdings Credit Facility, the NMFC Credit Facility, the 2014 Convertible Notes, the Unsecured Notes and the SBA-guaranteed debentures, respectively. For purposes of this calculation, we have assumed the June 30, 2018 amounts outstanding under the Holdings Credit Facility, NMFC Credit Facility, 2014 Convertible Notes, Unsecured Notes and SBA-guaranteed debentures, and have computed interest expense using an assumed interest rate of 4.1% for the Holdings Credit Facility, 4.6% for the NMFC Credit Facility, 5.0% for the 2014 Convertible Notes, 5.0% for the Unsecured Notes and 2.9% for the SBA-guaranteed debentures, which were the rates payable as of June 30, 2018. See "Senior Securities" in this prospectus supplement. In addition, for the purpose of this calculation, we have included $50.0 million of 2018B Unsecured Notes outstanding and have computed interest expense assuming an interest rate of 5.4% for the 2018B Unsecured Notes.

(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 for the six months ended June 30, 2018, the annual expense ratio after deducting the expenses waived or reimbursed by the Administrator as a percentage of net assets would be 0.75%. For the six months ended June 30, 2018, we reimbursed the Administrator approximately $0.9 million for any expenses, which represents approximately 0.18% of our net assets on an annulized 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"), NMFC Senior Loan Program II, LLC ("SLP II") and NMFC Senior Loan Program III, LLC ("SLP III"). No management fee is charged on our investment in SLP I in connection with the administrative services provided to SLP I. As SLP II and SLP III are structured as private joint ventures, no management fees are paid by SLP II and SLP III. Future expenses for SLP I, SLP II and SLP IIII 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.

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## 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, 2017, December 31, 2016, December 31, 2015, December 31, 2014 and December 31, 2013 has been derived from the Predecessor Operating Company and our financial statements and the related notes thereto that were audited by Deloitte & Touche LLP, an independent registered public accounting firm. The financial information at and for the six months ended June 30, 2018 was derived from our unaudited consolidated financial statements and related consolidated notes. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods, have been included. Our results for the interim periods may not be indicative of our results for any future interim period or the full year. 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.

*(in thousands except shares and per share data)*

| | Six Months Ended June 30, | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|
| **New Mountain Finance Corporation** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** |
| **Statement of Operations Data:** | | | | | | |
| Investment income | $ 107,487 | $ 197,806 | $ 168,084 | $ 153,855 | $ 91,923 | $ |
| Investment income allocated from NMF Holdings | | | | | 43,678 | 90,876 |
| Net expenses | 56,030 | 95,602 | 79,976 | 71,360 | 34,727 | |
| Net expenses allocated from NMF Holdings | | | | | 20,808 | 40,355 |
| Net investment income | 51,457 | 102,204 | 88,108 | 82,495 | 80,066 | 50,521 |
| Net realized (losses) gains on investments | (6,403) | (39,734) | (16,717) | (12,789) | 357 | |
| Net realized and unrealized gains (losses) allocated from NMF Holdings | | | | | 9,508 | 11,443 |
| Net change in unrealized appreciation (depreciation) of investments | 2,919 | 50,794 | 40,131 | (35,272) | (43,863) | |
| Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell | (12) | (4,006) | (486) | (296) | | |
| Net change in unrealized (depreciation) appreciation of investment in NMF Holdings | | | | | | (44) |
| (Provision) benefit for taxes | (984) | 140 | 642 | (1,183) | (493) | |
| Net increase in net assets resulting from operations | 46,997 | 109,398 | 111,678 | 32,955 | 45,575 | 61,920 |
| **Per share data:** | | | | | | |
| Net asset value | $ 13.57 | $ 13.63 | $ 13.46 | $ 13.08 | $ 13.83 | $ 14.38 |
| Net increase in net assets resulting from operations (basic) | 0.62 | 1.47 | 1.72 | 0.55 | 0.88 | 1.76 |
| Net increase in net assets resulting from operations (diluted)(1) | 0.58 | 1.38 | 1.60 | 0.55 | 0.86 | 1.76 |
| Distributions declared(2) | 0.68 | 1.36 | 1.36 | 1.36 | 1.48 | 1.48 |

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| New Mountain Finance Corporation | Six Months Ended June 30, 2018 | Year Ended December 31, 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| **Balance sheet data:** | | | | | | |
| Total assets(3) | $ 2,205,941 | $ 1,928,018 | $ 1,656,018 | $ 1,588,146 | $ 1,500,868 | $ 650,107 |
| Holdings Credit Facility | 390,463 | 312,363 | 333,513 | 419,313 | 468,108 | N/A |
| Convertible Notes | 155,357 | 155,412 | 155,523 | 115,000 | 115,000 | N/A |
| SBA-guaranteed debentures | 163,000 | 150,000 | 121,745 | 117,745 | 37,500 | N/A |
| Unsecured Notes | 235,000 | 145,000 | 90,000 | | | N/A |
| NMFC Credit Facility | 150,000 | 122,500 | 10,000 | 90,000 | 50,000 | N/A |
| Total net assets | 1,032,646 | 1,034,975 | 938,562 | 836,908 | 802,170 | 650,107 |
| **Other data:** | | | | | | |
| Total return based on market value(4) | 5.52% | 5.54% | 19.68% | (4.00)% | 9.66% | 11.62% |
| Total return based on net asset value(5) | 4.59% | 11.77% | 13.98% | 4.32% | 6.56% | 13.27% |
| Number of portfolio companies at period end | 89 | 84 | 78 | 75 | 71 | N/A |
| Total new investments for the period(6) | $ 560,460 | $ 999,677 | $ 558,068 | $ 612,737 | $ 720,871 | N/A |
| Investment sales and repayments for the period(6) | $ 296,835 | $ 767,360 | $ 547,078 | $ 483,936 | $ 384,568 | N/A |
| Weighted average YTM at Cost on debt portfolio at period end (unaudited)(7) | 11.1% | 10.9% | 11.1% | 10.7% | 10.7% | N/A |
| Weighted average YTM at Cost for Investments at period end (unaudited)(8) | 10.9% | 10.9% | 10.5% | 10.7% | 10.6% | N/A |
| Weighted average shares outstanding for the period (basic) | 75,936,986 | 74,171,268 | 64,918,191 | 59,715,290 | 51,846,164 | 35,092,722 |
| Weighted average shares outstanding for the period (diluted) | 85,761.113 | 83,995,395 | 72,863,387 | 66,968,089 | 56,157,835 | 35,092,722 |
| Portfolio turnover(6) | 14.57% | 41.98% | 36.07% | 33.93% | 29.51% | 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 six months ended June 30, 2018 and the years ended December 31, 2017, December 31, 2016 and December 31, 2014, there was no anti-dilution. For the year ended December 31, 2013, 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 New Mountain Finance AIV Holdings Corporation's ("AIV Holdings") units in the Predecessor Operating Company were exchanged for public shares of NMFC during the year then ended, the earnings per share would be $1.79.

(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.

(3) On January 1, 2016, we adopted Accounting Standards Update No. 2015-03, *Interest Imputation of Interest Subtopic 835-30 Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). Upon adoption, 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 YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at the adjusted cost on the respective period ends and held until their

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respective maturities with no prepayments or losses and exited at par at maturity. Adjusted cost reflects the cost for post-IPO investments in accordance with GAAP and a stepped up cost basis of pre-IPO investments (assuming a step-up to fair market value occurred on the IPO date).

(8) The weighted average YTM at Cost for Investments calculation assumes that all investments, including secured collateralized agreements, are purchased at the adjusted cost on the respective period ends and held until their respective maturities with no prepayments or losses and exited at par at maturity. Adjusted cost reflects the cost for post-IPO investments in accordance with GAAP and a stepped up cost basis of pre-IPO investments (assuming a step-up to fair market value occurred on the IPO date).

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)*

| **New Mountain Finance Holdings, L.L.C.** | | **Year Ended December 31, 2013** |
|---|---|---|
| **Statement of Operations Data:** | | |
| Total investment income | $ | 114,912 |
| Net expenses | | 51,235 |
| Net investment income | | 63,677 |
| Net realized and unrealized gains (losses) | | 15,247 |
| Net increase in net assets resulting from operations | | 78,924 |
| **Per unit data:** | | |
| Net asset value | $ | 14.38 |
| Net increase in net assets resulting from operations (basic and diluted) | | 1.79 |
| Distributions declared(1) | | 1.48 |
| **Balance sheet data:** | | |
| Total assets | $ | 1,147,841 |
| Holdings Credit Facility | | 221,849 |
| SLF Credit Facility | | 214,668 |
| Total net assets | | 688,516 |
| **Other data:** | | |
| Total return at net asset value(2) | | 13.27% |
| Number of portfolio companies at period end | | 59 |
| Total new investments for the period | $ | 529,307 |
| Investment sales and repayments for the period | $ | 426,561 |
| Weighted average YTM at Cost on debt portfolio at period end (unaudited)(3) | | 11.0% |
| Weighted average YTM at Cost for Investments at period end (unaudited)(5) | | 11.0% |
| Weighted average YTM on debt portfolio at period end (unaudited)(4) | | 10.6% |
| Weighted average common membership units outstanding for the period | | 44,021,920 |
| Portfolio turnover | | 40.52% |

(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. Actual cash payments on the distributions declared to AIV Holdings only, for the quarter ended March 31, 2013 was made on April 5, 2013.

(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

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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 YTM 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 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 YTM 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 YTM was not calculated subsequent to December 31, 2013.

(5) The weighted average YTM at Cost for Investments calculation assumes that all investments, including secured collateralized agreements, are purchased at the adjusted cost on the respective period ends and held until their respective maturities with no prepayments or losses and exited at par at maturity. Adjusted cost reflects the cost for post-IPO investments in accordance with GAAP and a stepped up cost basis of pre-IPO investments (assuming a step-up to fair market value occurred on the IPO date).

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## 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 the quarter ended June 30, 2018, March 31, 2018 and each of the quarters for the fiscal years ended December 31, 2017 and December 31, 2016. 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)*

| | Total Investment Income | | Net Investment Income | | Total Net Realized Gains (Losses) and Net Changes in Unrealized Appreciation (Depreciation) of Investments(1) | | Net Increase (Decrease) in Net Assets Resulting from Operations | |
|---|---|---|---|---|---|---|---|---|
| **Quarter Ended** | **Total** | **Per Share** | **Total** | **Per Share** | **Total** | **Per Share** | **Total** | **Per Share** |
| June 30, 2018 | $ 54,598 | $ 0.72 | $ 25,721 | $ 0.34 | $ (2,588) | $ (0.04) | $ 23,133 | $ 0.30 |
| March 31, 2018 | 52,889 | 0.70 | 25,736 | 0.34 | (1,892) | (0.03) | 23,844 | 0.31 |
| December 31, 2017 | $ 53,244 | $ 0.70 | $ 26,683 | $ 0.35 | $ 194 | $ | $ 26,877 | $ 0.35 |
| September 30, 2017 | 51,236 | 0.68 | 26,292 | 0.35 | (1,516) | (0.02) | 24,776 | 0.33 |
| June 30, 2017 | 50,019 | 0.66 | 25,798 | 0.34 | 1,530 | 0.02 | 27,328 | 0.36 |
| March 31, 2017 | 43,307 | 0.62 | 23,431 | 0.34 | 6,986 | 0.10 | 30,417 | 0.44 |
| 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 |

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

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## SUPPLEMENTARY RISK FACTORS

*Investing in the Convertible Notes 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 information before making an investment in the Convertible Notes. The risks set out below are not the only risks we face and you should read the risks set out in 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 RELATING TO THE NOTES

***Our amount of debt outstanding will increase as a result of this offering, which could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the Convertible Notes and our other debt.***

As of August 13, 2018, we had $1,095.3 million of indebtedness outstanding, $655.0 million of which was secured indebtedness and $440.3 million of which was unsecured indebtedness. The use of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under the Convertible Notes and our other outstanding debt;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable;
- reducing the availability of our cash flow to fund investments, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our credit facilities; and
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Convertible Notes and our other debt. Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Convertible Notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the Convertible Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Convertible Notes and our other debt.

***If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Convertible Notes.***

Any default under the agreements governing our indebtedness or other indebtedness to which we may be a party that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Convertible Notes and substantially decrease the market value of the Convertible Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our secured credit facilities could elect to terminate their commitments, cease making further loans, and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required holders of our debt to avoid being in default. If we breach our covenants under our debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders. If this occurs, we would be in default and our lenders or debt holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations could proceed against the collateral securing the debt. Because our credit facilities, 2014 Convertible Notes, and Unsecured Notes have, and any future credit facilities will likely have, customary cross-default provisions, if the indebtedness thereunder or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due.

***The Convertible Notes will be unsecured and therefore will be effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.***

The Convertible Notes will not be secured by any of our assets or any of the assets of our subsidiaries. As a result, the Convertible Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have outstanding as of the date of this prospectus supplement or that we or they may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Convertible Notes. As of August 13, 2018, we had $1,095.3 million of indebtedness outstanding, $655.0 million of which was secured indebtedness, and therefore effectively senior to the Convertible Notes to the extent of the value of such assets, and $440.3 million of which was unsecured indebtedness.

***The Convertible Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.***

The Convertible Notes are obligations exclusively of NMFC and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Convertible Notes and the Convertible Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors, including trade creditors, and holders of preferred stock, if any, of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Convertible Notes) with respect to the assets of such subsidiaries. Even if we were recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Convertible Notes will be subordinated structurally to all indebtedness and other liabilities, including trade payables, of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. All of the existing indebtedness of our subsidiaries would be structurally senior to the Convertible Notes. In

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addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Convertible Notes.

***The indenture governing the Convertible Notes contains limited restrictive covenants and provides only limited protection in the event of a change of control.***

The indenture under which the Convertible Notes will be issued contains limited financial covenants and does not contain operating covenants or any other restrictive covenants that would limit our or our subsidiaries' ability to engage in certain transactions that may adversely affect your investment in the Convertible Notes. In particular, without limitation, the indenture does not place any restrictions on our or any of our subsidiaries' ability to:

- unless, after giving effect to such incurrence, we will have a Debt to Equity Ratio of not greater than 1.65 to 1.00 (as set forth under "Description of the Notes Certain Covenants Debt to Equity Ratio" in this prospectus supplement), incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Convertible Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Convertible Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Convertible Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the Convertible Notes with respect to the assets of our subsidiaries;

- pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Convertible Notes, including subordinated indebtedness;

- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

- enter into transactions with affiliates;

- create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

- make investments; or

- create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

However, we must maintain a Secured Debt Ratio of not greater than 0.70 to 1.00 at all times. See "Description of the Notes Certain Covenants Maximum Secured Debt" In this prospectus supplement.

We will only be required to offer to repurchase the Convertible Notes upon a change of control in the case of the transactions specified in the definition of a "fundamental change" under "Description of the Notes Fundamental Change Put". Similarly, we will only be required to adjust the conversion rate upon the occurrence of a "non-stock change of control" in circumstances where a Convertible Note is converted in connection with such a transaction as set forth under "Description of the Notes Conversion Rights Adjustment to Conversion Rate Upon a Non-Stock Change of Control". Accordingly, subject to restrictions contained in our other debt agreements, we will be permitted to engage in certain transactions, such as acquisitions, re-financings or recapitalizations, that could affect our capital structure and the value of the Convertible Notes and our common stock but would not constitute a fundamental change under the Convertible Notes.

Furthermore, the terms of the indenture and the Convertible Notes do not protect holders of the Convertible Notes in the event that we experience changes (including significant adverse changes) in

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our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Convertible Notes may have important consequences for you as a holder of the Convertible Notes, including making it more difficult for us to satisfy our obligations with respect to the Convertible Notes or negatively affecting the trading value of the Convertible Notes. Certain of our current debt instruments include more protections for their holders than the indenture and the Convertible Notes. In addition, other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Convertible Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Convertible Notes.

***The conversion rate of the Convertible Notes may not be adjusted for all dilutive events that may adversely affect the trading price of the Convertible Notes or the common stock issuable upon conversion of the Convertible Notes.***

The conversion rate of the Convertible Notes is subject to adjustment upon certain events, including the issuance of certain stock dividends on our common stock, certain issuance of rights or warrants, subdivisions, combinations, certain distributions of capital stock, indebtedness or assets, certain cash dividends and certain issuer tender or exchange offers as described under "Description of the Notes Conversion Rights Conversion Rate Adjustments". The conversion rate will not be adjusted for certain other events, including cash dividends below the dividend threshold amount (as defined in clause (4) of "Description of the Notes Conversion Rights Conversion Rate Adjustments"), which may adversely affect the trading price of the Convertible Notes or the common stock issuable upon conversion of the Convertible Notes.

***We may be unable to repurchase the Convertible Notes following a fundamental change.***

Holders of the Convertible Notes have the right to require us to repurchase the Convertible Notes prior to their maturity upon the occurrence of a fundamental change as described under "Description of the Notes Fundamental Change Put". Any of our future debt agreements may contain similar provisions. We may not have sufficient funds or the ability to arrange necessary financing on acceptable terms at the time we are required to make repurchases of tendered Convertible Notes. In addition, our ability to repurchase the Convertible Notes may be limited by law or the terms of other agreements relating to our debt outstanding at the time, including our credit facilities. Under certain of our existing credit facilities, we would be prohibited from making any such repurchase without consent from the lenders thereunder or a waiver or modification of such requirements. If we fail to repurchase the Convertible Notes as required by the indenture, it would constitute an event of default under the indenture governing the Convertible Notes.

***Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the Convertible Notes.***

Upon the occurrence of a fundamental change, you have the right to require us to offer to repurchase the Convertible Notes. However, the fundamental change provisions will not afford protection to holders of the Convertible Notes in the event of certain transactions. For example, transactions such as leveraged recapitalizations, re-financings, restructurings or acquisitions initiated by us would not constitute a fundamental change requiring us to repurchase the Convertible Notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the Convertible Notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of the Convertible Notes.

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***Provisions of the Convertible Notes could discourage an acquisition of us by a third party.***

Certain provisions of the Convertible Notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the Convertible Notes will have the right, at their option, to require us to repurchase all of their Convertible Notes or any portion of the principal amount of such Convertible Notes in integral multiples of $1,000. We may also be required to increase the conversion rate or provide for conversion into the acquirer's capital stock in the event of certain fundamental changes. These provisions could discourage an acquisition of us by a third party.

***The adjustment to the conversion rate upon the occurrence of certain types of fundamental changes may not adequately compensate you for the lost option time value of your Convertible Notes as a result of such fundamental change.***

If certain types of fundamental changes occur on or prior to the maturity date of the Convertible Notes, we may increase the conversion rate by an additional number of shares for holders that elect to convert their Convertible Notes in connection with the fundamental change. The number of additional shares to be added to the conversion rate will be determined based on the date on which the fundamental change becomes effective and the price paid per share of our common stock in the fundamental change as described under "Description of the Notes Conversion Rights Adjustment to Conversion Rate Upon a Non-Stock Change of Control". Although this adjustment is designed to compensate you for the lost option value of your Convertible Notes as a result of certain types of fundamental changes, the adjustment is only an approximation of such lost value based upon assumptions made on the date of this prospectus supplement and may not adequately compensate you for such loss. In addition, if the price paid per share of our common stock in the fundamental change is less than $ or more than $ (subject to adjustment), there will be no such adjustment.

***There is currently no public market for the Convertible Notes, and an active trading market may not develop. The failure of a market to develop for the Convertible Notes could adversely affect the liquidity and value of your Convertible Notes.***

There is currently no public market for the Convertible Notes, and we do not intend to apply for listing of the Convertible Notes on any securities exchange or for quotation of the Convertible Notes on any automated dealer quotation system. We have been advised by the underwriters that, following the completion of the offering, they currently intend to make a market in the Convertible Notes. However, the underwriters are not obligated to do so and any market-making activities with respect to the Convertible Notes may be discontinued at any time without notice. In addition, any market-making activity will be subject to limits imposed by law. A market may not develop for the Convertible Notes, and there can be no assurance as to the liquidity of any market that may develop for the Convertible Notes. If an active, liquid market does not develop for the Convertible Notes, the market price and liquidity of the Convertible Notes may be adversely affected. If any of the Convertible Notes are traded after their initial issuance, they may trade at a discount from their initial offering price.

The liquidity of the trading market, if any, and future trading prices of the Convertible Notes will depend on many factors, including, among other things, the market price of our common stock, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the Convertible Notes will be subject to disruptions which may have a negative effect on the holders of the Convertible Notes, regardless of our operating results, financial performance or prospects.

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***Regulatory actions may adversely affect the trading price and liquidity of the Convertible Notes.***

We expect that many investors in the Convertible Notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the Convertible Notes. Investors that employ a convertible arbitrage strategy with respect to convertible debt instruments typically implement that strategy by selling short the common stock underlying the convertible notes and dynamically adjusting their short position while they hold the notes. Investors may also implement this strategy by entering into swaps on the common stock in lieu of or in addition to short selling the common stock. As a result, any specific rules regulating short selling of securities or equity swaps or other governmental action that interfere with the ability of market participants to effect short sales or equity swaps with respect to our common stock could adversely affect the ability of investors in the Convertible Notes to conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the Convertible Notes. This could, in turn, adversely affect the trading price and liquidity of the Convertible Notes.

The SEC and other regulatory and self-regulatory authorities have implemented various rule changes and may adopt additional rule changes in the future that may impact those engaging in short-selling activity involving equity securities (including our common stock), including Rule 201 of SEC Regulation SHO, the Financial Industry Regulatory Authority, Inc.'s "Limit Up-Limit Down" program, market-wide circuit breaker systems that halt trading of stock for certain periods following specific market declines, and rules stemming from the enactment and implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Past regulatory actions, including emergency actions or regulations, have had a significant impact on the trading prices and liquidity of equity-linked instruments. Any governmental action that similarly restricts the ability of investors in, or potential purchasers of, the Convertible Notes to effect short sales of our common stock could similarly adversely affect the trading price and the liquidity of the Convertible Notes.

***The accounting for convertible debt securities is subject to uncertainty.***

The accounting for convertible debt securities is subject to frequent scrutiny by the accounting regulatory bodies and is subject to change. We cannot predict if or when any such change could be made and any such change could have an adverse impact on our reported or future financial results. Any such impacts could adversely affect the market price of our common stock and in turn negatively impact the trading price of the Convertible Notes.

***The price of our common stock and of the Convertible Notes may fluctuate significantly, and this may make it difficult for you to resell the Convertible Notes or common stock issuable upon conversion of the Convertible Notes when you want or at prices you find attractive.***

The price of our common stock constantly changes and may fluctuate significantly. We expect that the market price and liquidity of our common stock will continue to fluctuate. In addition, because the Convertible Notes are convertible into our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the Convertible Notes. Our stock price and its liquidity may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- price and volume fluctuations in the overall stock market or in the market for BDCs from time to time;
- investor demand for shares of our common stock;
- significant volatility in the market price and trading volume of securities of registered closed-end management investment companies, BDCs or other financial services companies, which is not necessarily related to the operating performance of these companies;
- the inability to raise equity capital;

- our inability to borrow money or deploy or invest our capital;
- fluctuations in interest rates;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- operating performance of companies comparable to us;
- changes in regulatory policies or tax guidelines with respect to RICs or BDCs;
- our loss of status as or ability to operate as a BDC;
- our failure to qualify as a RIC, loss of RIC status or ability operate as a RIC;
- actual or anticipated changes in our earnings or fluctuations in our operating results;
- changes in the value of our portfolio of investments;
- general economic conditions, trends and other external factors;
- departures of key personnel; or
- loss of a major source of funding.

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

***Future sales of our common stock in the public market or the issuance of securities senior to our common stock could adversely affect the trading price of our common stock and the value of the Convertible Notes and our ability to raise funds in new stock offerings.***

Future sales of substantial amounts of our common stock or equity-related securities in the public market, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and the value of the Convertible Notes and could impair our ability to raise capital through future offerings of our securities, should we decide to offer them. We may not, unless otherwise agreed to by the underwriters, commence any sales of shares of our common stock until 30 days following the date of this prospectus supplement. No prediction can be made as to the effect, if any, that future sales of shares of common stock, or the availability of shares of common stock for future sale, will have on the trading price of our common stock or the value of the Convertible Notes.

***Holders of the Convertible Notes will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to our common stock.***

Holders of the Convertible Notes will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights or rights to receive any dividends or other distributions on our common stock), but will be subject to all changes affecting our common stock. Holders will only be entitled to rights in respect of our common stock if and when we deliver shares of our common stock upon conversion for their Convertible Notes and, to a limited extent, under the conversion rate adjustments applicable to the Convertible Notes. For example, in the event that an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to a holder's conversion of Convertible Notes, the holder will not be entitled to vote on the amendment, although the holder will nevertheless be subject to any changes in the powers, preferences or rights of our common stock that result from such amendment.

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***You may be deemed to receive a taxable distribution without the receipt of any cash or property.***

The conversion rate of the Convertible Notes will be adjusted in certain circumstances. See the discussion under the headings "Description of the Notes Conversion Rights Conversion Rate Adjustments" and " Adjustment to Conversion Rate Upon a Non-Stock Change of Control". Adjustments (or failures to make adjustments) to the conversion rate of the Convertible Notes that have the effect of increasing your proportionate interest in our assets or earnings may in some circumstances result in a taxable constructive distribution to you for U.S. federal income tax purposes, notwithstanding the fact that you do not receive an actual distribution of cash or property. In addition, if you are a Non-U.S. Holder (as defined in "Certain Material U.S. Federal Income Tax Considerations" in this prospectus supplement), you may be subject to U.S. federal withholding taxes in connection with such a constructive distribution. If we pay withholding taxes on your behalf as a result of an adjustment to the conversion rate of the Convertible Notes, we may, at our option, set off such payments against payments of cash and common stock on the Convertible Notes. You are urged to consult your tax advisors with respect to the U.S. federal income tax consequences resulting from an adjustment to the conversion rate of the Convertible Notes. See the discussions under the headings "Certain Material U.S. Federal Income Tax Considerations Tax Consequences to U.S. Holders of Convertible Notes Constructive distributions" and " Tax Consequences to Non-U.S. Holders of Convertible Notes Constructive distributions" in this prospectus supplement.

**RISKS RELATED TO OUR BUSINESS AND STRUCTURE**

***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 June 30, 2018 consisted of approximately 140 employees and senior advisors of New Mountain Capital and its affiliates to fulfill its obligations to us under the Investment Management Agreement. The Investment Adviser may also depend upon New Mountain Capital to obtain access to investment opportunities originated by the professionals of New Mountain Capital and its affiliates. Our future success depends to a significant extent on the continued service and coordination of the key investment personnel of the Investment Adviser. The departure of any of these individuals could have a material adverse effect on our ability to achieve our investment objective.

The Investment Committee, which provides oversight over our investment activities, is provided by the Investment Adviser. The Investment Committee currently consists of five members. The loss of any member of the Investment Committee or of other senior professionals of the Investment Adviser and its affiliates without suitable replacement could limit our ability to achieve our investment objective and operate as we anticipate. This could have a material adverse effect on our financial condition, results of 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

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by banks and other lenders. Lenders of these senior securities have fixed dollar claims on our assets that are superior to claims of our common stockholders and we would expect such lenders to seek recovery against our assets in the event of a default. If the value of our assets decreases, leveraging would cause our net asset value to decline more sharply than it otherwise would have had it not leveraged. Similarly, any decrease in our income would cause our net income to decline more sharply than it would have had it not borrowed. Such a decline could adversely affect our ability to make common stock distribution payments. In addition, because our investments may be illiquid, we may be unable to dispose of them or to do so at a favorable price in the event we need to do so if we are unable to refinance any indebtedness upon maturity and, as a result, we may suffer losses. Leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities.

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

At June 30, 2018, we had $390.5 million, $150.0 million, $155.3 million, $235.0 million, and $163.0 million of indebtedness outstanding under the Holdings Credit Facility, the NMFC Credit Facility, the 2014 Convertible Notes, the Unsecured Notes and the SBA-guaranteed debentures, respectively. The Holdings Credit Facility, the NMFC Credit Facility, the SBA-guaranteed debentures and the Unsecured Notes had weighted average interest rates of 4.0%, 4.3%, 3.2% and 5.0%, respectively, for the six months ended June 30, 2018. The interest rate on the 2014 Convertible Notes is 5.0% per annum.

***Illustration.*** The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of 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) $2,205.9 million in total assets, (ii) a weighted average cost of borrowings of 4.3%, which assumes the weighted average interest rates as of June 30, 2018 for the Holdings Credit Facility, the NMFC Credit Facility, Unsecured Notes and the SBA-guaranteed debentures and the interest rate as of June 30, 2018 for the 2014 Convertible Notes, (iii) $1,093.8 million in debt outstanding and (iv) $1,032.6 million in net assets. This table excludes the impact of our July 5, 2018 issuance of the 2018B Unsecured Notes as the issuance occurred after June 30, 2018.

**Assumed Return on Our Portfolio**

**(net of expenses)**

| | **(10.0)%** | **(5.0)%** | **0%** | **5.0%** | **10.0%** |
|---|---|---|---|---|---|
| Corresponding return to stockholder | (25.9)% | (15.2)% | (4.5)% | 6.2% | 16.8% |

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

We may want to obtain additional debt financing, or need to do so upon maturity of our credit facilities, in order to obtain funds which may be made available for investments. The Holdings Credit Facility, the NMFC Credit Facility and the 2014 Convertible Notes mature on October 24, 2022, June 4, 2022 and June 15, 2019, respectively. Our $90.0 million in aggregate principal amount of the 2016 Unsecured Notes will mature on May 15, 2021, our $55.0 million in aggregate principal amount of the 2017A Unsecured Notes will mature on July 15, 2022, our $90.0 million in aggregate principal amount of

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the 2018A Unsecured Notes will mature on January 30, 2023 and our $50.0 million in aggregate principal amount of 2018B Unsecured Notes will mature on June 28, 2023. The SBA-guaranteed debentures have ten year maturities and will begin to mature on March 1, 2025. If we are unable to increase, renew or replace any such facilities and enter into new debt financing facilities or other debt financing on commercially reasonable terms, our liquidity may be reduced significantly. In addition, if we are unable to repay amounts outstanding under any such facilities and are declared in default or are unable to renew or refinance these facilities, we may not be able to make new investments or operate our business in the normal course. These situations may arise due to circumstances that we may be unable to control, such as lack of access to the credit markets, a severe decline in the value of the U.S. dollar, an economic downturn or an operational problem that affects us or third parties, and could materially damage our business operations, results of operations and financial condition.

**RISKS RELATED TO OUR OPERATIONS**

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

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

We may issue debt securities, preferred stock, and we may borrow money from banks or other financial institutions, which we refer to collectively as "senior securities", up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 150.0% after each issuance of senior securities. As a result of our SEC exemptive relief, we are permitted to exclude our SBA-guaranteed debentures from the definition of senior securities in the 150.0% asset coverage ratio we are required to maintain under the 1940 Act. If our asset coverage ratio is not at least 150.0% we would be unable to issue 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 June 30, 2018, our only senior securities outstanding were indebtedness under the Holdings Credit Facility, NMFC Credit Facility, 2014 Convertible Notes and Unsecured Notes and therefore at June 30, 2018, 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 October 24, 2022 and permits borrowings of $495.0 million as of June 30, 2018. The Holdings Credit Facility had $390.5 million in debt outstanding as of June 30, 2018. The NMFC Credit Facility matures on June 4, 2022 and permits borrowings of $150.0 million as of June 30, 2018. The NMFC Credit Facility had $150.0 million in debt outstanding as of June 30, 2018. The 2014 Convertible Notes mature on June 15, 2019. The 2014 Convertible Notes had $155.3 million in debt outstanding as of June 30, 2018. The 2016 Unsecured Notes, 2017A Unsecured Notes and 2018A Unsecured Notes mature on May 15, 2021, July 15, 2022 and January 30, 2023, respectively, and had $90.0 million, $55.0 million and $90.0 million, respectively, in debt outstanding as of June 30, 2018. The $50.0 million in aggregate principal amount of 2018B Unsecured Notes were issued on July 5, 2018 and mature on June 28, 2023. The SBA-guaranteed debentures have ten year maturities and will begin to mature on March 1, 2025. As of June 30, 2018, $163.0 million of SBA-guaranteed debentures were outstanding.

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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.

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.

## 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 June 30, 2018, our investments in the business services and the software industries represented approximately 32.8% and 15.7%, 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.

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**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 adjusted 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;

- 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; and

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

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 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

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regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in "Supplementary Risk Factors" in this prospectus supplement and "Risk Factors" in the accompanying prospectus, 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.

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## CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2018:

- on an actual basis;

- on an as adjusted basis to give effect to the issuance of $50.0 million in aggregate principal amount of 5.36% Series 2018B Notes due June 28, 2023 issued on July 5, 2018 to an institutional investor in a private placement; and

- on an as further adjusted basis to give effect to the assumed sale of $100.0 million aggregate principal amount of Convertible Notes (assuming no exercise of the overallotment option), excluding accrued interest, after deducting the underwriting discounts and commissions of approximately $ million payable by us and estimated offering expenses of approximately $ payable by us, and without giving effect to the use of the cash proceeds from such sale as described in "Use of Proceeds".

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

| (in thousands) | Actual (unaudited) | As Adjusted (unaudited) | As Further Adjusted (unaudited) |
|---|---|---|---|
| **Assets:** | | | |
| Cash and cash equivalents | $ 33,948 | $ 33,948 | $ |
| Investments at fair value | 2,098,018 | 2,098,018 | |
| Other assets | 73,975 | 73,975 | |
| Total assets | 2,205,941 | 2,205,941 | |
| **Liabilities:** | | | |
| Net outstanding borrowings | $ 1,078,711 | $ 1,028,711 | $ |
| Additional notes offered | | 50,000 | |
| Convertible Notes offered hereby | | | |
| Other liabilities | 94,584 | 94,584 | |
| Total liabilities | $ 1,173,295 | $ 1,173,295 | $ |
| **Net assets** | $ 1,032,646 | $ 1,032,646 | $ |
| **Net assets:** | | | |
| Preferred stock, par value $0.01 per share; 2,000,000 shares authorized, none issued | $ | $ | $ |
| Common stock, par value $0.01 per share; 100,000,000 shares authorized, 76,106,372 shares issued and outstanding, respectively | 761 | 761 | |
| Paid in capital in excess of par | 1,055,796 | 1,055,796 | |
| Accumulated undistributed net investment income | 38,986 | 38,986 | |
| Accumulated undistributed net realized losses on investments | (83,084) | (83,084) | |

| | | |
|---|---|---|
| Net unrealized (depreciation) appreciation (net of provision for taxes) | 20,187 | 20,187 |
| Total net assets | 1,032,646 | 1,032,646 |

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## USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of the $100.0 million aggregate principal amount of Convertible Notes in this offering will be approximately $ (or approximately $ if the underwriters fully exercise their overallotment option), after deducting the discounts, commissions and expenses payable by us.

We intend to use the net proceeds from this offering to repay outstanding indebtedness under the NMFC Credit Facility and then, to the extent any net proceeds remain, the Holdings Credit Facility. However, through re-borrowing under our credit facilities, we intend to make new investments in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus and use available capital for other general corporate purposes, including 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.

Under the NMFC Credit Facility, which matures in June 2022, we had $145.0 million outstanding as of August 13, 2018. Borrowings under the NMFC Credit Facility generally bear interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum. Under the Holdings Credit Facility, which matures in December 2022, we had $345.0 million outstanding as of August 13, 2018. Borrowings under the Holdings Credit Facility bear interest at a rate of LIBOR plus 1.75% per annum for broadly syndicated loans and LIBOR plus 2.25% per annum for all other investments. As of August 13, 2018, we had $155.3 million, $285.0 million and $165.0 million outstanding in connection with the 2014 Convertible Notes, the Unsecured Notes and the SBA-guaranteed debentures, respectively. For additional information regarding our outstanding indebtedness, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" in this prospectus supplement and the accompanying prospectus.

Affiliates of Wells Fargo Securities, LLC are lenders under the Holdings Credit Facility. Accordingly, affiliates of Wells Fargo Securities, LLCmay 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.

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**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(2) | Closing Sales Price(3) High | Closing Sales Price(3) Low | Premium (Discount) of High Closing Sales Price to NAV(4) | Premium (Discount) of Low Closing Sales Price to NAV(4) | Declared Distributions Per Share(5)(6) |
|---|---|---|---|---|---|---|
| ***December 31, 2018*** | | | | | | |
| Third Quarter(1) | * | $ 14.25 | $ 13.70 | * | * | $ 0.34 |
| Second Quarter | $ 13.57 | $ 13.95 | $ 13.25 | 2.80% | (2.36)% | $ 0.34 |
| First Quarter | $ 13.60 | $ 13.75 | $ 12.55 | 1.10% | (7.72)% | $ 0.34 |
| ***December 31, 2017*** | | | | | | |
| Fourth Quarter | $ 13.63 | $ 14.50 | $ 13.55 | 6.38% | (0.59)% | $ 0.34 |
| Third Quarter | $ 13.61 | $ 14.70 | $ 13.55 | 8.01% | (0.44)% | $ 0.34 |
| Second Quarter | $ 13.63 | $ 14.95 | $ 14.35 | 9.68% | 5.28% | $ 0.34 |
| First Quarter | $ 13.56 | $ 14.90 | $ 14.00 | 9.88% | 3.24% | $ 0.34 |
| ***December 31, 2016*** | | | | | | |
| 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 |

(1) Period from July 1, 2018 through August 13, 2018.

(2) 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.

(3) Closing sales price is determined as the high or low closing sales price noted within the respective quarter, not adjusted for distributions.

(4) Calculated as of the respective high or low closing sales price divided by the quarter end NAV.

(5) Represents the distributions declared or paid for the specified quarter.

(6) 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, 2017 and December 31, 2016, total distributions were $100.9 million and $88.8 million, respectively, of which the distributions were comprised of approximately 71.50% and 89.46%, respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 28.50% and 10.54%, respectively, of a return of capital.

* Not determinable at the time of filing.

On August 13, 2018, the last reported sales price of our common stock was $14.05 per share. As of August 13, 2018, we had approximately 14 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 August 13, 2018, our shares of common stock traded at a premium of approximately 3.5% of the NAV attributable to those shares as of June 30, 2018. 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 net investment income on a quarterly basis and substantially all of our taxable income on an annual basis, except that we may retain certain net capital gains for reinvestment. The distributions we pay to our stockholders in a year may exceed our taxable income for that year and, accordingly, a portion of such distributions may constitute a return of capital, which is a return of a portion of a stockholder's 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 maintain an "opt out" dividend reinvestment plan on behalf of our stockholders, pursuant to which each of our stockholders' cash distributions will be automatically reinvested in additional shares of our common stock, unless the stockholder elects to receive cash.

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

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

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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:

| Date Declared | Record Date | Payment Date | Per Share Amount |
|---|---|---|---|
| August 1, 2018 | September 14, 2018 | September 28, 2018 | $ 0.34 |
| May 2, 2018 | June 15, 2018 | June 29, 2018 | 0.34 |
| February 21, 2018 | March 15, 2018 | March 29, 2018 | 0.34 |
| | | | $ 1.02 |
| November 2, 2017 | December 15, 2017 | December 28, 2017 | $ 0.34 |
| August 4, 2017 | September 15, 2017 | September 29, 2017 | 0.34 |
| May 4, 2017 | June 16, 2017 | June 30, 2017 | 0.34 |
| February 23, 2017 | March 17, 2017 | March 31, 2017 | 0.34 |
| | | | $ 1.36 |
| 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 |

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, 2017 and December 31, 2016, total distributions were $100.9 million and $88.8 million, respectively, of which the distributions were comprised of approximately 71.50% and 89.46%, respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 28.50% and 10.54%, respectively, of a return of capital. Future quarterly distributions, if any, will be determined by our board of directors.

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## 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 and the accompanying prospectus. 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 "Supplementary Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" appearing elsewhere in this prospectus supplement and "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" in 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. Since our IPO, and through June 30, 2018, we raised approximately $614.6 million in net proceeds from additional offerings of common stock.

The Investment Adviser is a wholly-owned subsidiary of New Mountain Capital. New Mountain Capital is a firm with a track record of investing in the middle market. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. The Investment Adviser manages our day-to-day operations and provides us with investment advisory and management services. The Administrator 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. 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 I and its general partner, SBIC I GP, were organized in Delaware as a limited partnership and limited liability company, respectively. SBIC II and its general partner, SBIC II GP, were also organized in Delaware as a limited partnership and limited liability company, respectively. SBIC I, SBIC I GP, SBIC II and SBIC II GP are our consolidated wholly-owned direct and indirect subsidiaries. SBIC I and SBIC II received licenses from the SBA to operate as SBICs under Section 301(c) of the 1958 Act. Our wholly-owned subsidiary, NMNLC, a Maryland corporation, was formed to acquire commercial real properties that are subject to "triple net" leases and intends to qualify as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code.

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

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Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to us, SBIC I's and SBIC II's investment objectives are to generate current income and capital appreciation under our investment criteria. However, SBIC I's and SBIC II's investments must be in SBA eligible small businesses. Our portfolio may be concentrated in a limited number of industries. As of June 30, 2018, our top five industry concentrations were business services, software, healthcare services, education and investment funds.

As of June 30, 2018, our net asset value was $1,032.6 million and our portfolio had a fair value of approximately $2,098.0 million in 89 portfolio companies, with a weighted average yield to maturity at cost for income producing investments ("YTM at Cost") of approximately 11.1% and a weighted average yield to maturity at cost for all investments ("YTM at Cost for Investments") of approximately 10.9%. The YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. The YTM at Cost for Investments calculation assumes that all investments, including secured collateralized agreements, are purchased as cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. YTM at Cost and YTM at Cost for Investments calculations exclude the impact of existing leverage. YTM at Cost and YTM at Cost for Investments 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**

On July 5, 2018, we entered into a third supplement (the "Supplement") to our Amended and Restated Note Purchase Agreement, dated September 30, 2016 (the "NPA"). Pursuant to the Supplement, on July 5, 2018, we issued to an institutional investor identified therein, in a private placement, $50.0 million in aggregate principal amount of 5.36% Series 2018B Notes due June 28, 2023 (the "2018B Unsecured Notes") as an additional series of notes under the NPA. Except as set forth in the Supplement, the 2018B Unsecured Notes have the same terms as the $90.0 million in aggregate principal amount of the 5.313% Notes due May 15, 2021, the $55.0 million in aggregate principal amount of the 4.76% Series 2017A Notes due July 15, 2022 and the $90.0 million in aggregate principal amount of 4.87% Series 2018A Notes due January 30, 2023 (collectively, the "Prior Notes") that we previously issued pursuant to the NPA, the first supplement and the second supplement thereto, respectively. The Supplement includes certain additional covenants and terms, including, without limitation, a requirement that we not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that we not exceed a secured debt ratio of 0.70 to 1.00 at any time. The 2018B Unsecured Notes will rank equal in priority with our other unsecured indebtedness, including the Prior Notes. Interest on the 2018B Unsecured Notes will be payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2019.

On July 5, 2018, we entered into Amendment No. 4 (the "Amendment") to our NMFC Credit Facility (as defined below). The Amendment reduces the minimum asset coverage ratio that we must maintain at the time of any borrowing under the NMFC Credit Facility (as defined below) and as of each quarter end from 2.00 to 1.00 to 1.50 to 1.00. The Amendment also includes a requirement that we not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that we not exceed a secured debt ratio of 0.70 to 1.00 at any time.

On August 1, 2018, our board of directors declared a third quarter 2018 distribution of $0.34 per share payable on September 28, 2018 to holders of record as of September 14, 2018.

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We had approximately $169.6 million of originations and commitments since the end of the second quarter through August 3, 2018. This was offset by approximately $178.9 million of repayments and $3.4 million of sales during the same period.

**Critical Accounting Policies**

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

***Basis of Accounting***

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

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

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

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

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

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

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

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

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

    ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the

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market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in the transfer of certain investments within the fair value hierarchy from period to period. 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 June 30, 2018:

| (in thousands) | Total | Level I | Level II | Level III |
|---|---|---|---|---|
| First lien | $ 828,387 | $ | $ 117,309 | $ 711,078 |
| Second lien | 713,974 | | 332,109 | 381,865 |
| Subordinated | 67,801 | | 26,675 | 41,126 |
| Equity and other | 487,856 | 14 | | 487,842 |
| Total investments | $ 2,098,018 | $ 14 | $ 476,093 | $ 1,621,911 |

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

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

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

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

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

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

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The unobservable inputs used in the fair value measurement of our Level III investments as of June 30, 2018 were as follows:

| (in thousands) Type | Fair Value as of June 30, 2018 | Approach | Unobservable Input | Range Low | Range High | Range Weighted Average |
|---|---|---|---|---|---|---|
| First lien | $ 527,399 | Market & income approach | EBITDA multiple | 2.0x | 19.8x | 11.5x |
| | | | Revenue multiple | 3.5x | 6.3x | 5.5x |
| | | | Discount rate | 7.3% | 12.9% | 9.8% |
| | 100,379 | Market quote | Broker quote | N/A | N/A | N/A |
| | 83,300 | Other | N/A(1) | N/A | N/A | N/A |
| Second lien | 211,125 | Market & income approach | EBITDA multiple | 8.0x | 16.0x | 11.4x |
| | | | Revenue multiple | 1.0x | 1.1x | 1.1x |
| | | | Discount rate | 9.7% | 12.8% | 11.3% |
| | 170,740 | Market quote | Broker quote | N/A | N/A | N/A |
| Subordinated | 41,126 | Market & income approach | EBITDA multiple | 5.5x | 12.5x | 9.4x |
| | | | Discount rate | 8.1% | 21.8% | 15.6% |
| Equity and other | 487,347 | Market & income approach | EBITDA multiple | 0.4x | 18.0x | 11.9x |
| | | | Revenue multiple | 1.0x | 1.1x | 1.1x |
| | | | Discount rate | 7.0% | 26.1% | 12.7% |
| | 495 | Black Scholes analysis | Expected life in years | 7.8 | 7.8 | 7.8 |
| | | | Volatility | 35.8% | 35.8% | 35.8% |
| | | | Discount rate | 2.9% | 2.9% | 2.9% |
| | $ 1,621,911 | | | | | |

(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 July 31, 2020, subject to earlier termination pursuant to certain terms of the SLP I Agreement. The term may be extended pursuant to certain terms of the SLP I Agreement and SLP I's re-investment period is through July 31, 2018. SLP I invests in senior secured loans issued by companies within our core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with $93.0 million of capital commitments and $265.0 million of debt from a revolving credit facility and is managed by us. Our capital commitment is $23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of June 30, 2018, SLP I had total investments with an aggregate fair value of approximately $347.2 million, debt outstanding of $251.6 million and capital that had been called and funded of $93.0 million. As of December 31, 2017, SLP I had total investments with an aggregate fair value of approximately $348.7 million, debt outstanding of $223.7 million and capital that had been called and funded of $93.0 million. Our investment in SLP I is disclosed on our Consolidated Schedule of Investments as of June 30, 2018 and December 31, 2017.

We, as an investment adviser registered under the Advisers Act, act as the collateral manager to SLP I and are entitled to receive a management fee for our investment management services provided to SLP I. As a result, SLP I is classified as our affiliate. No management fee is charged on our investment in SLP I in connection with the administrative services provided to SLP I. For the three and

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six months ended June 30, 2018, we earned approximately $0.3 million and $0.6 million, respectively, in management fees related to SLP I, which is included in other income. For the three and six months ended June 30, 2017, we earned approximately $0.3 million and $0.6 million, respectively, in management fees related to SLP I, which is included in other income. As of June 30, 2018 and December 31, 2017, approximately $0.9 million and $0.3 million, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three and six months ended June 30, 2018, we earned approximately $0.8 million and $1.6 million, respectively, of dividend income related to SLP I, which is included in dividend income. For the three and six months ended June 30, 2017, we earned approximately $0.8 million and $1.8 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of June 30, 2018 and December 31, 2017, approximately $1.0 million and $0.8 million, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

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

NMFC Senior Loan Program II LLC ("SLP II") was formed as a Delaware limited liability company on March 9, 2016 and commenced operations on April 12, 2016. SLP II is structured as a private joint venture investment fund between us and SkyKnight Income, LLC ("SkyKnight") and operates under a limited liability company agreement (the "SLP II Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within our core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP II, which has equal representation from us and SkyKnight. SLP II 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 were called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP II to call down on capital commitments requires approval by the board of managers of SLP II. As of June 30, 2018, we and SkyKnight have committed and contributed $79.4 million and $20.6 million, respectively, of equity to SLP II. Our investment in SLP II is disclosed on our Consolidated Schedule of Investments as of June 30, 2018 and December 31, 2017.

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 currently bears interest at a rate of LIBOR plus 1.60% per annum. As of June 30, 2018 and December 31, 2017, SLP II had total investments with an aggregate fair value of approximately $368.9 million and $382.5 million, respectively, and debt outstanding under its credit facility of $267.9 million and $266.3 million, respectively. As of June 30, 2018 and December 31, 2017, none of SLP II's investments were on non-accrual. Additionally, as of June 30, 2018 and December 31, 2017, SLP II had unfunded commitments in the form of delayed draws of $7.0 million and $4.9 million, respectively. Below is a summary of SLP II's portfolio, along with a listing of the individual investments in SLP II's portfolio as of June 30, 2018 and December 31, 2017:

| **(in thousands)** | **June 30, 2018** | **December 31, 2017** |
|---|---|---|
| First lien investments(1) | 374,972 | 386,100 |
| Weighted average interest rate on first lien investments(2) | 6.51% | 6.05% |
| Number of portfolio companies in SLP II | 33 | 35 |
| Largest portfolio company investment(1) | 17,183 | 17,369 |
| Total of five largest portfolio company investments(1) | 80,614 | 81,728 |

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

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

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The following table is a listing of the individual investments in SLP II's portfolio as of June 30, 2018:

| 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) |
|---|---|---|---|---|---|---|
| **Funded Investments First lien:** | | | | | | |
| Access CIG, LLC | Business Services | 5.84% (L + 3.75%) | 2/27/2025 | $ 8,870 | $ 8,827 | $ 8,898 |
| ADG, LLC | Healthcare Services | 6.84% (L + 4.75%) | 9/28/2023 | 16,948 | 16,815 | 16,694 |
| ASG Technologies Group, Inc. | Software | 5.59% (L + 3.50%) | 7/31/2024 | 5,449 | 5,424 | 5,427 |
| Beaver-Visitec International Holdings, Inc. | Healthcare Products | 7.09% (L + 5.00%) | 8/21/2023 | 14,738 | 14,622 | 14,756 |
| Brave Parent Holdings, Inc. | Software | 6.33% (L + 4.00%) | 4/18/2025 | 8,500 | 8,479 | 8,543 |
| CHA Holdings, Inc. | Business Services | 6.58% (L + 4.50%) | 4/10/2025 | 9,857 | 9,808 | 9,931 |
| CommerceHub, Inc. | Software | 5.86% (L + 3.75%) | 5/21/2025 | 2,500 | 2,487 | 2,512 |
| DigiCert, Inc. | Business Services | 6.84% (L + 4.75%) | 10/31/2024 | 9,975 | 9,929 | 9,977 |
| FPC Holdings, Inc. | Distribution & Logistics | 6.59% (L + 4.50%) | 11/18/2022 | 14,963 | 14,532 | 15,084 |
| Globallogic Holdings Inc. | Business Services | 6.08% (L + 3.75%) | 6/20/2022 | 4,665 | 4,637 | 4,677 |
| Greenway Health, LLC | Software | 6.08% (L + 3.75%) | 2/16/2024 | 14,849 | 14,788 | 14,869 |
| Idera, Inc. | Software | 6.60% (L + 4.50%) | 6/28/2024 | 12,555 | 12,443 | 12,750 |
| J.D. Power (fka J.D. Power and Associates) | Business Services | 6.34% (L + 4.25%) | 9/7/2023 | 13,290 | 13,244 | 13,340 |
| Keystone Acquisition Corp. | Healthcare Services | 7.58% (L + 5.25%) | 5/1/2024 | 5,360 | 5,313 | 5,356 |
| LSCS Holdings, Inc. | Healthcare Services | 6.52% (L + 4.25%) | 3/17/2025 | 6,384 | 6,373 | 6,384 |
| LSCS Holdings, Inc. | Healthcare Services | 6.34% (L + 4.25%) | 3/17/2025 | 1,264 | 1,263 | 1,264 |
| Market Track, LLC | Business Services | 6.58% (L + 4.25%) | 6/5/2024 | 11,880 | 11,828 | 11,880 |
| Medical Solutions Holdings, Inc. | Healthcare Services | 5.84% (L + 3.75%) | 6/14/2024 | 4,454 | 4,434 | 4,457 |
| Ministry Brands, LLC | Software | 6.10% (L + 4.00%) | 12/2/2022 | 2,127 | 2,118 | 2,127 |
| Ministry Brands, LLC | Software | 6.10% (L + 4.00%) | 12/2/2022 | 12,348 | 12,295 | 12,348 |
| Navex Global, Inc. | Software | 6.34% (L + 4.25%) | 11/19/2021 | 14,820 | 14,668 | 14,885 |
| Navicure, Inc. | Healthcare Services | 5.84% (L + 3.75%) | 11/1/2024 | 10,935 | 10,885 | 10,935 |
| NorthStar Financial Services Group, LLC | Software | 5.59% (L + 3.50%) | 5/25/2025 | 7,500 | 7,463 | 7,519 |
| Pathway Vet Alliance LLC (fka Pathway Partners Vet Management Company LLC) | Consumer Services | 6.34% (L + 4.25%) | 10/10/2024 | 286 | 285 | 287 |
| Pathway Vet Alliance LLC (fka Pathway Partners Vet Management Company LLC) | Consumer Services | 6.34% (L + 4.25%) | 10/10/2024 | 9,654 | 9,609 | 9,678 |
| Peraton Corp. (fka MHVC Acquisition Corp.) | Federal Services | 7.59% (L + 5.25%) | 4/29/2024 | 10,395 | 10,350 | 10,473 |
| Poseidon Intermediate, LLC | Software | 6.35% (L + 4.25%) | 8/15/2022 | 14,805 | 14,802 | 14,879 |
| Project Accelerate Parent, LLC | Business Services | 6.25% (L + 4.25%) | 1/2/2025 | 14,963 | 14,892 | 15,037 |
| PSC Industrial Holdings Corp. | Industrial Services | 5.84% (L + 3.75%) | 10/11/2024 | 10,448 | 10,352 | 10,448 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Quest Software US Holdings Inc. | Software | 6.58% (L + 4.25%) | 5/16/2025 | 15,000 | 14,926 | 14,994 |
| Salient CRGT Inc. | Federal Services | 7.84% (L + 5.75%) | 2/28/2022 | 13,982 | 13,875 | 14,192 |
| Severin Acquisition, LLC | Software | 7.11% (L + 4.75%) | 7/30/2021 | 14,812 | 14,760 | 14,868 |
| Sierra Acquisition, Inc. | Food & Beverage | 5.59% (L + 3.50%) | 11/11/2024 | 3,731 | 3,714 | 3,750 |
| WP CityMD Bidco LLC | Healthcare Services | 5.83% (L + 3.50%) | 6/7/2024 | 14,887 | 14,855 | 14,822 |
| YI, LLC | Healthcare Services | 6.33% (L + 4.00%) | 11/7/2024 | 1,464 | 1,470 | 1,475 |
| YI, LLC | Healthcare Services | 6.33% (L + 4.00%) | 11/7/2024 | 12,099 | 12,089 | 12,190 |
| Zywave, Inc. | Software | 7.34% (L + 5.00%) | 11/17/2022 | 17,183 | 17,117 | 17,183 |
| **Total Funded Investments** | | | | **$ 367,940** | **$ 365,771** | **$ 368,889** |
| **Unfunded Investments First lien:** | | | | | | |
| Access CIG, LLC | Business Services | | 8/27/2018 | $ 1,108 | $ | $ 3 |
| CHA Holdings, Inc. | Business Services | | 10/10/2019 | 2,143 | (11) | 16 |
| LSCS Holdings, Inc. | Healthcare Services | | 9/17/2018 | 336 | (2) | |
| Ministry Brands, LLC | Software | | 10/18/2019 | 1,869 | (9) | |
| YI, LLC | Healthcare Services | | 11/7/2018 | 1,576 | (8) | 12 |
| **Total Unfunded Investments** | | | | $ 7,032 | $ (30) | $ 31 |
| | | | | **$ 374,972** | **$ 365,741** | **$ 368,920** |

(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 June 30, 2018.

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

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The following table is a listing of the individual investments in SLP II's portfolio as of December 31, 2017:

| 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) |
|---|---|---|---|---|---|---|
| **Funded Investments First lien** | | | | | | |
| ADG, LLC | Healthcare Services | 6.32% (L + 4.75%) | 9/28/2023 | $ 17,034 | $ 16,890 | $ 16,779 |
| ASG Technologies Group, Inc. | Software | 6.32% (L + 4.75%) | 7/31/2024 | 7,481 | 7,446 | 7,547 |
| Beaver-Visitec International Holdings, Inc. | Healthcare Products | 6.69% (L + 5.00%) | 8/21/2023 | 14,812 | 14,688 | 14,813 |
| DigiCert, Inc. | Business Services | 6.13% (L + 4.75%) | 10/31/2024 | 10,000 | 9,951 | 10,141 |
| Emerald 2 Limited | Business Services | 5.69% (L + 4.00%) | 5/14/2021 | 1,266 | 1,211 | 1,267 |
| Evo Payments International, LLC | Business Services | 5.57% (L + 4.00%) | 12/22/2023 | 17,369 | 17,292 | 17,492 |
| Explorer Holdings, Inc. | Healthcare Services | 5.13% (L + 3.75%) | 5/2/2023 | 2,940 | 2,917 | 2,973 |
| Globallogic Holdings Inc. | Business Services | 6.19% (L + 4.50%) | 6/20/2022 | 9,677 | 9,611 | 9,755 |
| Greenway Health, LLC | Software | 5.94% (L + 4.25%) | 2/16/2024 | 14,925 | 14,858 | 15,074 |
| Idera, Inc. | Software | 6.57% (L + 5.00%) | 6/28/2024 | 12,619 | 12,499 | 12,556 |
| J.D. Power (fka J.D. Power and Associates) | Business Services | 5.94% (L + 4.25%) | 9/7/2023 | 13,357 | 13,308 | 13,407 |
| Keystone Acquisition Corp. | Healthcare Services | 6.94% (L + 5.25%) | 5/1/2024 | 5,386 | 5,336 | 5,424 |
| Market Track, LLC | Business Services | 5.94% (L + 4.25%) | 6/5/2024 | 11,940 | 11,884 | 11,940 |
| McGraw-Hill Global Education Holdings, LLC | Education | 5.57% (L + 4.00%) | 5/4/2022 | 9,850 | 9,813 | 9,844 |
| Medical Solutions Holdings, Inc. | Healthcare Services | 5.82% (L + 4.25%) | 6/14/2024 | 6,965 | 6,932 | 7,043 |
| Ministry Brands, LLC | Software | 6.38% (L + 5.00%) | 12/2/2022 | 2,138 | 2,128 | 2,138 |
| Ministry Brands, LLC | Software | 6.38% (L + 5.00%) | 12/2/2022 | 7,768 | 7,735 | 7,768 |
| Navex Global, Inc. | Software | 5.82% (L + 4.25%) | 11/19/2021 | 14,897 | 14,724 | 14,971 |
| Navicure, Inc. | Healthcare Services | 5.11% (L + 3.75%) | 11/1/2024 | 15,000 | 14,926 | 15,000 |
| OEConnection LLC | Business Services | 5.69% (L + 4.00%) | 11/22/2024 | 15,000 | 14,925 | 14,981 |
| Pathway Partners Vet Management Company LLC | Consumer Services | 5.82% (L + 4.25%) | 10/10/2024 | 6,963 | 6,929 | 6,980 |
| Pathway Partners Vet Management Company LLC | Consumer Services | 5.82% (L + 4.25%) | 10/10/2024 | 291 | 290 | 292 |
| Peraton Corp. (fka MHVC Acquisition Corp.) | Federal Services | 6.95% (L + 5.25%) | 4/29/2024 | 10,448 | 10,399 | 10,526 |
| Poseidon Intermediate, LLC | Software | 5.82% (L + 4.25%) | 8/15/2022 | 14,881 | 14,877 | 14,955 |
| Project Accelerate Parent, LLC | Business Services | 5.94% (L + 4.25%) | 1/2/2025 | 15,000 | 14,925 | 15,038 |
| PSC Industrial Holdings Corp. | Industrial Services | 5.71% (L + 4.25%) | 10/11/2024 | 10,500 | 10,398 | 10,500 |
| Quest Software US Holdings Inc. | Software | 6.92% (L + 5.50%) | 10/31/2022 | 9,899 | 9,775 | 10,071 |
| Salient CRGT Inc. | Federal Services | 7.32% (L + 5.75%) | 2/28/2022 | 14,433 | 14,310 | 14,559 |
| Severin Acquisition, LLC | Software | 6.32% (L + 4.75%) | 7/30/2021 | 14,888 | 14,827 | 14,813 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Shine Acquisitoin Co. S.à.r.l / Boing US Holdco Inc. | Consumer Services | 4.88% (L + 3.50%) | 10/3/2024 | 15,000 | 14,964 | 15,108 |
| Sierra Acquisition, Inc. | Food & Beverage | 5.68% (L + 4.25%) | 11/11/2024 | 3,750 | 3,731 | 3,789 |
| TMK Hawk Parent, Corp. | Distribution & Logistics | 4.88% (L + 3.50%) | 8/28/2024 | 1,671 | 1,667 | 1,686 |
| University Support Services LLC (St. George's University Scholastic Services LLC) | Education | 5.82% (L + 4.25%) | 7/6/2022 | 1,875 | 1,875 | 1,900 |
| Vencore, Inc. (fka SI Organization, Inc., The) | Federal Services | 6.44% (L + 4.75%) | 11/23/2019 | 10,686 | 10,673 | 10,835 |
| WP CityMD Bidco LLC | Healthcare Services | 5.69% (L + 4.00%) | 6/7/2024 | 14,963 | 14,928 | 15,009 |
| YI, LLC | Healthcare Services | 5.69% (L + 4.00%) | 11/7/2024 | 8,240 | 8,204 | 8,230 |
| Zywave, Inc. | Software | 6.61% (L + 5.00%) | 11/17/2022 | 17,325 | 17,252 | 17,325 |
| **Total Funded Investments** | | | | **$ 381,237** | **$ 379,098** | **$ 382,529** |
| **Unfunded Investments First lien** | | | | | | |
| Pathway Partners Vet Management Company LLC | Consumer Services | | 10/10/2019 | $ 2,728 | $ (14) | $ 7 |
| TMK Hawk Parent, Corp. | Distribution & Logistics | | 3/28/2018 | 75 | | 1 |
| YI, LLC | Healthcare Services | | 11/7/2018 | 2,060 | (9) | (3) |
| **Total Unfunded Investments** | | | | **$ 4,863** | **$ (23)** | **$ 5** |
| **Total Investments** | | | | **$ 386,100** | **$ 379,075** | **$ 382,534** |

(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, 2017.

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

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Below is certain summarized financial information for SLP II as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and June 30, 2017:

| **Selected Balance Sheet Information:** | **June 30, 2018** (in thousands) | **December 31, 2017** (in thousands) |
|---|---|---|
| Investments at fair value (cost of $365,741 and $379,075, respectively) | $ 368,920 | $ 382,534 |
| Cash and other assets | 7,581 | 8,065 |
| Total assets | $ 376,501 | $ 390,599 |
| | | |
| Credit facility | $ 267,870 | $ 266,270 |
| Deferred financing costs | (1,678) | (1,966) |
| Payable for unsettled securities purchased | | 15,964 |
| Distribution payable | 3,960 | 3,500 |
| Other liabilities | 2,838 | 2,891 |
| Total liabilities | 272,990 | 286,659 |
| Members' capital | $ 103,511 | $ 103,940 |
| Total liabilities and members' capital | $ 376,501 | $ 390,599 |

| | **Three Months Ended** | | **Six Months Ended** | |
|---|---|---|---|---|
| **Selected Statement of Operations Information:** | **June 30, 2018** (in thousands) | **June 30, 2017** (in thousands) | **June 30, 2018** (in thousands) | **June 30, 2017** (in thousands) |
| Interest income | $ 6,134 | $ 5,630 | $ 11,764 | $ 10,803 |
| Other income | 36 | 102 | 58 | 316 |
| Total investment income | 6,170 | 5,732 | 11,822 | 11,119 |
| Interest and other financing expenses | 2,553 | 2,074 | 4,981 | 3,923 |
| Other expenses | 140 | 212 | 364 | 374 |
| Total expenses | 2,693 | 2,286 | 5,345 | 4,297 |
| Net investment income | 3,477 | 3,446 | 6,477 | 6,822 |
| Net realized gains on investments | 180 | 814 | 633 | 1,922 |
| Net change in unrealized appreciation (depreciation) of investments | (957) | (535) | (280) | (641) |
| Net increase in members' capital | $ 2,700 | $ 3,725 | $ 6,830 | $ 8,103 |

For the three and six months ended June 30, 2018, we earned approximately $3.2 million and $5.8 million, respectively, of dividend income related to SLP II, which is included in dividend income. For the three and six months ended June 30, 2017, we earned approximately $3.2 million and $6.6 million, respectively, of dividend income related to SLP II, which is included in dividend income. As of June 30, 2018 and

December 31, 2017, approximately $3.2 million and $2.8 million, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

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

***NMFC Senior Loan Program III LLC***

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

SLP III is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP III to call down on capital commitments requires approval by the board of managers of SLP III. As of June 30, 2018, we and SkyKnight II have committed $80.0 million and $20.0 million, respectively, of equity to SLP III. As of June 30, 2018, the Company and SkyKnight II have contributed $42.8 million and $10.7 million, respectively, of equity to SLP III. Our investment in SLP III is disclosed on the our Consolidated Schedule of Investments as of June 30, 2018.

On May 2, 2018, SLP III closed its $300.0 million revolving credit facility with Citibank, N.A., which matures on May 2, 2023 and bears interest at a rate of LIBOR plus 1.70% per annum. As of June 30, 2018, SLP III had total investments with an aggregate fair value of approximately $157.3 million and debt outstanding under its credit facility of $90.4 million. As of June 30, 2018, none of SLP III's investments were on non-accrual. Additionally, as of June 30, 2018 , SLP III had unfunded commitments in the form of delayed draws of $12.1 million. Below is a summary of SLP III's portfolio, along with a listing of the individual investments in SLP III's portfolio as of June 30, 2018:

| **(in thousands)** | **June 30, 2018** |
|---|---|
| First lien investments(1) | 169,218 |
| Weighted average interest rate on first lien investments(2) | 5.95% |
| Number of portfolio companies in SLP III | 19 |
| Largest portfolio company investment(1) | 19,000 |
| Total of five largest portfolio company investments(1) | 79,000 |

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

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

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The following table is a listing of the individual investments in SLP III's portfolio as of June 30, 2018:

| 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) |
|---|---|---|---|---|---|---|
| **Funded Investments First lien** | | | | | | |
| Access CIG, LLC | Business Services | 5.84% (L + 3.75%) | 2/27/2025 | $ 1,222 | $ 1,222 | $ 1,226 |
| Brave Parent Holdings, Inc. | Software | 6.33% (L + 4.00%) | 4/18/2025 | 8,500 | 8,479 | 8,543 |
| Certara Holdco, Inc. | Healthcare I.T. | 5.83% (L + 3.50%) | 8/15/2024 | 1,282 | 1,285 | 1,287 |
| CommerceHub, Inc. | Software | 5.86% (L + 3.75%) | 5/21/2025 | 15,000 | 14,925 | 15,074 |
| Dentalcorp of Canada ULC | Healthcare Services | 5.76% (L + 3.75%) | 6/6/2025 | 12,000 | 11,970 | 12,026 |
| Greenway Health, LLC | Software | 6.08% (L + 3.75%) | 2/16/2024 | 10,326 | 10,332 | 10,339 |
| Heartland Dental, LLC | Healthcare Services | 5.84% (L + 3.75%) | 4/30/2025 | 16,522 | 16,441 | 16,470 |
| Market Track, LLC | Business Services | 6.58% (L + 4.25%) | 6/5/2024 | 1,188 | 1,182 | 1,188 |
| Ministry Brands, LLC | Software | 6.10% (L + 4.00%) | 12/2/2022 | 4,619 | 4,597 | 4,619 |
| National Intergovernmental Purchasing Alliance Company | Business Services | 6.08% (L + 3.75%) | 5/23/2025 | 15,000 | 14,987 | 14,981 |
| Netsmart Technologies, Inc. | Healthcare I.T. | 5.84% (L + 3.75%) | 4/19/2023 | 10,491 | 10,491 | 10,570 |
| NorthStar Financial Services Group, LLC | Software | 5.59% (L + 3.50%) | 5/25/2025 | 15,000 | 14,925 | 15,038 |
| Pathway Vet Alliance LLC | Consumer Services | 6.34% (L + 4.25%) | 10/10/2024 | 192 | 191 | 192 |
| Pelican Products, Inc. | Business Products | 5.48% (L + 3.50%) | 5/1/2025 | 5,000 | 4,988 | 5,008 |
| Quest Software US Holdings Inc. | Software | 6.58% (L + 4.25%) | 5/16/2025 | 15,000 | 14,926 | 14,994 |
| Sierra Enterprises, LLC | Food & Beverage | 5.59% (L + 3.50%) | 11/11/2024 | 2,494 | 2,491 | 2,506 |
| University Support Services LLC (St. George's University Scholastic Services LLC) | Education | 5.59% (L + 3.50%) | 7/17/2025 | 3,814 | 3,794 | 3,802 |
| WP CityMD Bidco LLC | Healthcare Services | 5.83% (L + 3.50%) | 6/7/2024 | 14,962 | 14,962 | 14,897 |
| YI, LLC | Healthcare Services | 6.33% (L + 4.00%) | 11/7/2024 | 3,988 | 4,003 | 4,018 |
| YI, LLC | Healthcare Services | 6.33% (L + 4.00%) | 11/7/2024 | 482 | 482 | 486 |
| **Total Funded Investments** | | | | **$ 157,082** | **$ 156,673** | **$ 157,264** |
| **Unfunded Investments First lien** | | | | | | |
| Dentalcorp of Canada ULC | Healthcare Services | | 6/6/2020 | $ 3,000 | $ | $ 7 |
| Heartland Dental, LLC | Healthcare Services | | 4/30/2020 | 2,478 | | (8) |
| Ministry Brands, LLC | Software | | 10/18/2019 | 1,869 | (9) | |
| Pathway Vet Alliance LLC | Consumer Services | | 5/25/2020 | 3,083 | (15) | 8 |
| University Support Services LLC (St. George's University Scholastic Services LLC) | Education | | 6/20/2025 | 1,186 | | (4) |
| YI, LLC | Healthcare Services | | 11/7/2018 | 520 | 4 | 4 |
| **Total Unfunded Investments** | | | | **$ 12,136** | **$ (20)** | **$ 7** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total Investments** | **$** | **169,218** | **$** | **156,653** | **$** | **157,271** |

(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 June 30, 2018.

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

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

| **Selected Balance Sheet Information:** | | **June 30, 2018** |
|---|---|---|
| Investments at fair value (cost of $156,653) | $ | 157,271 |
| Cash and other assets | | 3,407 |
| Total assets | $ | 160,678 |
| Credit facility | $ | 90,400 |
| Deferred financing costs | | (3,138) |
| Payable for unsettled securities purchased | | 16,689 |
| Other liabilities | | 2,596 |
| Total liabilities | | 106,547 |
| Members' capital | $ | 54,131 |
| Total liabilities and members' capital | $ | 160,678 |

| **Selected Statement of Operations Information:** | | **Three Months Ended June 30, 2018(1)** | | **Six Months Ended June 30, 2018(1)** |
|---|---|---|---|---|
| Interest income | $ | 790 | $ | 790 |
| Other income | | 22 | | 22 |
| Total investment income | | 812 | | 812 |
| Interest and other financing expenses | | 574 | | 574 |
| Other expenses | | 226 | | 226 |
| Total expenses | | 800 | | 800 |
| Net investment income | | 12 | | 12 |
| Net change in unrealized appreciation (depreciation) of investments | | 618 | | 618 |
| Net increase in members' capital | $ | 630 | $ | 630 |

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

We have determined that SLP III is an investment company under ASC 946; however, in accordance with such guidance we will generally not consolidate our investment in a company other than a wholly-owned investment company subsidiary. Furthermore, 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 III.

***New Mountain Net Lease Corporation***

NMNLC was formed to acquire commercial real properties that are subject to "triple net" leases. NMNLC's investments are disclosed on our Consolidated Schedule of Investments as of June 30, 2018.

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Below is certain summarized property information for NMNLC as of June 30, 2018:

| Portfolio Company | Tenant | Lease Expiration Date | Location | Total Square Feet (in thousands) | Fair Value as of June 30, 2018 (in thousands) |
|---|---|---|---|---|---|
| NM NL Holdings, L.P. | FXI Inc. | 6/30/2038 | IN / MS / NM / OR / PA / Mexico | 2,122 | $ 20,229 |
| NM GLCR LP | Arctic Glacier U.S.A. | 2/28/2038 | CA | 214 | 14,750 |
| NM CLFX LP | Victor Equipment Company | 8/31/2033 | TX | 423 | 12,538 |
| NM APP Canada Corp. | A.P. Plasman, Inc. | 9/30/2031 | Canada | 436 | 8,475 |
| NM KRLN LLC | Kirlin Group, LLC | 6/30/2029 | MD | 95 | 8,462 |
| NM DRVT LLC | FMH Conveyors, LLC | 10/31/2031 | AR | 195 | 5,507 |
| NM APP US LLC | Plasman Corp, LLC / A-Brite LP | 9/30/2033 | AL / OH | 261 | 5,274 |
| NM JRA LLC | J.R. Automation Technologies, LLC | 1/31/2031 | MI | 88 | 2,240 |
| | | | | | $ 77,475 |

***Collateralized agreements or repurchase financings***

We follow the guidance in Accounting Standards Codification Topic 860, *Transfers and Servicing Secured Borrowing and Collateral*, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of June 30, 2018 and December 31, 2017, we held one collateralized agreement to resell with a cost basis of $30.0 million and $30.0 million, respectively, and a fair value of $25.2 million and $25.2 million, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from us at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. The default by the private hedge fund did not release the collateral to us, therefore, we do not have full rights and title to the collateral. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter. The joint official liquidators have recognized our contractual rights under the collateralized agreement. We continue to exercise our rights under the collateralized agreement and continue to monitor the liquidation process of the private hedge fund. The fair value of the collateralized agreement to resell is reflective of the increased risk of the position.

***PPVA Black Elk (Equity) LLC***

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

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

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Agreement. We were unaware of these claims at the time the repayment was received. The private hedge fund is currently in liquidation under the laws of the Cayman Islands.

On December 22, 2017, we settled the Trustee's $20.5 million Claim for $16.0 million and filed a claim with the Cayman Islands joint official liquidators of the private hedge fund for $16.0 million that is owed to us under the SPP Agreement. The SPP Agreement was restored and is in effect since repayment has not been made. We continue to exercise our rights under the SPP Agreement and continue to monitor the liquidation process of the private hedge fund. During the six months ended June 30, 2018, we received a $1.5 million payment from our insurance carrier in respect to the settlement. As of June 30, 2018, the SPP Agreement has a cost basis of $14.5 million and a fair value of $12.2 million, which is reflective of the higher inherent risk in this transaction.

***Revenue Recognition***

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

*Interest and dividend income:* Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. We have loans and certain preferred equity investments in the portfolio that contain a payment-in-kind ("PIK") interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and generally due at maturity or when redeemed by the issuer. For the three and six months ended June 30, 2018, we recognized PIK and non-cash interest from investments of $1.9 million and $3.6 million, respectively, and PIK and non-cash dividends from investments of $7.0 million and $13.8 million, respectively. For the three and six months ended June 30, 2017, we recognized PIK and non-cash interest from investments of $0.8 million and $1.7 million, respectively, and PIK and non-cash dividends from investments of $4.8 million and $6.3 million, respectively.

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

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

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**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 while significant loss is not expected, the risk of loss has increased since the original investment; and

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

The following table shows the distribution of our investments on the 1 to 4 investment rating scale at fair value as of June 30, 2018:

| | June 30, 2018 | | | |
|---|---|---|---|---|
| **(in millions)** | | | | |
| **Investment Rating** | **Cost** | **Percent** | **Fair Value** | **Percent** |
| Investment Rating 1 | $ 133.8 | 6.5% | $ 139.5 | 6.7% |
| Investment Rating 2 | 1,896.9 | 92.1% | 1,944.4 | 92.7% |
| Investment Rating 3 | 13.5 | 0.6% | 6.8 | 0.3% |
| Investment Rating 4 | 16.5 | 0.8% | 7.3 | 0.3% |
| | $ 2,060.7 | 100.0% | $ 2,098.0 | 100.0% |

As of June 30, 2018, all investments in our portfolio had an Investment Rating of 1 or 2 with the exception of three portfolio companies. As of June 30, 2018, one portfolio company had an Investment Rating of 3 and three portfolio companies had an Investment Rating of 4, which includes one portfolio company that had a portion of our investment included in Investment Rating 3 and a portion included in Investment Rating 4.

During the first quarter of 2018, we placed our first lien positions in Education Management II LLC on non-accrual status as the portfolio company announced its intention to wind down and liquidate the business. Our first lien positions and our preferred and commons shares in Education Management Corporation ("EDMC") have an investment rating of 4. As of June 30, 2018, our investments in EDMC with an Investment Rating of 4 had an aggregate cost basis of $1.5 million, an aggregate fair value of less than $0.1 million and total unearned interest income of less than $0.1 million for the three and six months then ended.

During the second quarter of 2018, we placed a portion of our second lien position in National HME, Inc. on non-accrual status and wrote down the aggregate fair value of our preferred shares in TW-NHME Holdings Corp. (together with our second lien position, "NHME") to $0. As of June 30, 2018, our investment in the second lien position in NHME had an aggregate cost basis of $28.4 million, an aggregate fair value of $13.7 million and total unearned interest income of $0.4 million and $0.4 million, respectively, for the three and six months then ended.

Our preferred shares and warrants in Ancora Acquisition LLC ("Ancora") have an investment rating of 4. As of June 30, 2018, our investments in Ancora had an aggregate cost basis of $0.1 million and an aggregate fair value of less than$0.1 million.

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**Portfolio and Investment Activity**

The fair value of our investments was approximately $2,098.0 million in 89 portfolio companies at June 30, 2018 and approximately $1,825.7 million in 84 portfolio companies at December 31, 2017.

The following table shows our portfolio and investment activity for the six months ended June 30, 2018 and June 30, 2017:

| | Six Months Ended | |
|---|---|---|
| (in millions) | June 30, 2018 | June 30, 2017 |
| New investments in 41 and 39 portfolio companies, respectively | $ 560.5 | $ 607.6 |
| Debt repayments in existing portfolio companies | 238.1 | 281.1 |
| Sales of securities in 6 and 11 portfolio companies, respectively | 58.7 | 49.4 |
| Change in unrealized appreciation on 34 and 53 portfolio companies, respectively | 30.0 | 44.6 |
| Change in unrealized depreciation on 60 and 27 portfolio companies, respectively | (27.1) | (10.5) |

**Recent Accounting Standards Updates**

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. The adoption of ASU 2016-01 is not expected to have a material impact on our consolidated financial statements and disclosures.

**Results of Operations for the Three Months Ended June 30, 2018 and June 30, 2017**

***Revenue***

| | Three Months Ended | |
|---|---|---|
| (in thousands) | June 30, 2018 | June 30, 2017 |
| Interest income | $ 40,090 | $ 37,639 |
| Total dividend income | 12,346 | 9,670 |
| Other income | 2,162 | 2,710 |
| Total investment income | $ 54,598 | $ 50,019 |

Our total investment income increased by approximately $4.6 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. For the three months ended June 30, 2018, total investment income of $54.6 million consisted of approximately $35.5 million in cash interest from investments, approximately $1.9 million in PIK and non-cash interest from investments, approximately $1.0 million in prepayment fees, net amortization of purchase premiums and discounts of approximately $1.7 million, approximately $5.3 million in cash dividends from investments, $7.0 million in PIK and non-cash dividends from investments and approximately $2.2 million in other income. The 9% increase in total investment income primarily results from increased interest income which is attributable to larger invested balances and rising LIBOR rates. Our larger invested balances were driven by proceeds from our June 2017 and January 2018 unsecured notes issuances to originate new investments. The increase was also attributable to an increase in dividend income of approximately $2.6 million

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during the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. The increase is primarily due to distributions from our investments in NMNLC and PIK and non-cash dividend income from five equity positions. Other income during the three months ended June 30, 2018, which represents fees that are generally non-recurring in nature, was primarily attributable to upfront, amendment and consent fees received from thirteen different portfolio companies and management fees from a non-controlled affiliated portfolio company.

***Operating Expenses***

| | Three Months Ended | |
|---|---|---|
| **(in thousands)** | **June 30, 2018** | **June 30, 2017** |
| Management fee | $ 9,301 | $ 8,275 |
| Less: management fee waiver | (1,495) | (1,485) |
| Total management fee | 7,806 | 6,790 |
| Incentive fee | 6,430 | 6,449 |
| Interest and other financing expenses | 12,824 | 9,045 |
| Professional fees | 708 | 722 |
| Administrative expenses | 822 | 662 |
| Other general and administrative expenses | 518 | 402 |
| Total expenses | 29,108 | 24,070 |
| Less: expenses waived and reimbursed | (276) | (4) |
| Net expenses before income taxes | 28,832 | 24,066 |
| Income tax expense | 45 | 155 |
| Net expenses after income taxes | $ 28,877 | $ 24,221 |

Our total net operating expenses increased by approximately $4.7 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. Our management fee increased by approximately $1.0 million, net of a management fee waivers for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. The increase in management fees was attributable to larger invested balances, driven by the proceeds from our unsecured notes issuances and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments.

Interest and other financing expenses increased by approximately $3.8 million during the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, primarily due to our issuances of our unsecured notes, higher drawn balances on our SBA-guaranteed debentures and NMFC Credit Facility (as defined below) and rising LIBOR rates. Our total professional fees, total administrative expenses and total other general and administrative expenses remained relatively flat for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017.

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

| | Three Months Ended | |
|---|---|---|
| **(in thousands)** | **June 30, 2018** | **June 30, 2017** |
| Net realized (losses) gains on investments | $ (6,609) | $ (26,453) |
| Net change in unrealized appreciation (depreciation) of investments | 5,087 | 27,852 |
| Net change in unrealized (depreciation) appreciation securities purchased under collateralized agreements to resell | | (33) |
| (Provision) benefit for taxes | (1,066) | 164 |
| Net realized and unrealized gains (losses) | $ (2,588) | $ 1,530 |

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Our net realized losses and unrealized gains resulted in a net loss of approximately $2.6 million for the three months ended June 30, 2018 compared to net realized losses and unrealized gains resulting in a net gain of approximately $1.5 million for the same period in 2017. As movement in unrealized appreciation or depreciation can be the result of realizations, we look at net realized and unrealized gains or losses together. The net loss for the three months ended June 30, 2018 was primarily driven by the realized loss on our investment in American Tire Distributors, Inc. ("ATD") which was sold during the quarter ended June 30, 2018 due to ATD's reported loss of its largest supplier. Our realized losses were partially offset by the overall increase in the market prices of our investments during the period. The provision for income taxes was attributable to equity investments that are held as of June 30, 2018 in three of our corporate subsidiaries. The net gain for the three months ended June 30, 2017 was primarily driven by the overall increase in the market prices of our investments during the period. With the completion of the Transtar restructuring in April 2017, $27.6 million of previously recorded unrealized depreciation related to this investment was realized during the three months ended June 30, 2017.

**Results of Operations for the Six Months Ended June 30, 2018 and June 30, 2017**

***Revenue***

| | Six Months Ended | |
|---|---|---|
| **(in thousands)** | **June 30, 2018** | **June 30, 2017** |
| Interest income | $ 76,829 | $ 71,637 |
| Total dividend income | 24,703 | 16,403 |
| Other income | 5,955 | 5,286 |
| Total investment income | $ 107,487 | $ 93,326 |

Our total investment income increased by approximately $14.2 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. For the six months ended June 30, 2018, total investment income of $107.5 million consisted of approximately $68.3 million in cash interest from investments, approximately $3.6 million in PIK and non-cash interest from investments, approximately $2.3 million in prepayment fees, net amortization of purchase premiums and discounts of approximately $2.6 million, approximately $10.9 million in cash dividends from investments, $13.8 million in PIK and non-cash dividends from investments and approximately $6.0 million in other income. The 15% increase in total investment income primarily results from an increase in dividend income of approximately $8.3 million during the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The increase is primarily due to distributions from our investments in NMNLC and PIK and non-cash dividend income from five equity positions. Additionally contributing to the increase in total investment income is the increased interest income which is attributable to larger invested balances and rising LIBOR rates. Our larger invested balances were driven by the proceeds from our June 2018 and January 2018 unsecured notes issuances to originate new investments. Other income during the six months ended June 30, 2018, which represents fees that are generally non-recurring in nature, was primarily attributable to upfront, amendment and consent fees received from twenty-four different portfolio companies and management fees from a non-controlled affiliated portfolio company.

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***Operating Expenses***

| | Six Months Ended | |
|---|---|---|
| **(in thousands)** | **June 30, 2018** | **June 30, 2017** |
| Management fee | $ 17,993 | $ 15,889 |
| Less: management fee waiver | (2,817) | (2,841) |
| Total management fee | 15,176 | 13,048 |
| Incentive fee | 12,864 | 11,857 |
| Less: incentive fee waiver | | (1,800) |
| Total incentive fee | 12,864 | 10,057 |
| Interest and other financing expenses | 24,114 | 17,421 |
| Professional fees | 1,402 | 1,572 |
| Administrative expenses | 1,761 | 1,370 |
| Other general and administrative expenses | 928 | 868 |
| Total expenses | 56,245 | 44,336 |
| Less: expenses waived and reimbursed | (276) | (474) |
| Net expenses before income taxes | 55,969 | 43,862 |
| Income tax expense | 61 | 235 |
| Net expenses after income taxes | $ 56,030 | $ 44,097 |

Our total net operating expenses increased by approximately $11.9 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Our management fee increased by approximately $2.1 million, net of a management fee waiver, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The increase in management fees was attributable to larger invested balances, driven by the proceeds from our April 2017 primary offering of our common stock, our unsecured notes issuances and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. Our incentive fees increased by approximately $2.8 million, net of an incentive fee waiver, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, which was mainly attributable to an incentive fee waiver by the Investment Adviser for the six months ended June 30, 2017 of approximately $1.8 million.

Interest and other financing expenses increased by approximately $6.7 million during the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to our issuances of unsecured notes, higher drawn balances on our SBA-guaranteed debentures and NMFC Credit Facility (as defined below) and rising LIBOR rates. Our total professional fees, total administrative expenses and total other general and administrative expenses remained relatively flat for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017.

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

| | Six Months Ended | |
|---|---|---|
| **(in thousands)** | **June 30, 2018** | **June 30, 2017** |
| Net realized (losses) gains on investments | $ (6,403) | $ (25,627) |
| Net change in unrealized appreciation (depreciation) of investments | 2,919 | 34,057 |
| Net change in unrealized (depreciation) appreciation securities purchased under collateralized agreements to resell | (12) | (833) |
| (Provision) benefit for taxes | (984) | 919 |
| Net realized and unrealized gains (losses) | $ (4,480) | $ 8,516 |

Our net realized losses and unrealized gains resulted in a net loss of approximately $4.5 million for the six months ended June 30, 2018 compared to net realized losses and unrealized gains resulting in a net gain of approximately $8.5 million for the same period in 2017. As movement in unrealized appreciation or depreciation can be the result of realizations, we look at net realized and unrealized gains or losses together. The net loss for the six months ended June 30, 2018 was primarily driven by the realized loss on our investment in ATD, which was sold during the quarter ended June 30, 2018 due to ATD's reported loss of its largest supplier. The provision for income taxes was attributable to equity investments that are held as of June 30, 2018 in three of our corporate subsidiaries. The net gain for the six months ended June 30, 2017 was primarily driven by the overall increase in the market prices of our investments during the period. With the completion of the Transtar restructuring in April 2017, $27.6 million of previously recorded unrealized depreciation related to this investment was realized during the three months ended June 30, 2017.

**Results of Operations for the Years Ended December 31, 2017, December 31, 2016 and December 31, 2015**

***Revenue***

| | Year Ended December 31, | | |
|---|---|---|---|
| **(in thousands)** | **2017** | **2016** | **2015** |
| Interest income | $ 149,800 | $ 147,425 | $ 140,074 |
| Total dividend income | 37,250 | 11,200 | 5,771 |
| Other income | 10,756 | 9,459 | 8,010 |
| Total investment income | $ 197,806 | $ 168,084 | $ 153,855 |

Our total investment income increased by approximately $29.7 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016. The 18% increase in total investment income results in part from an increase in interest income of approximately $2.4 million from the year ended December 31, 2016 to the year ended December 31, 2017, which is attributable to larger invested balances and prepayment fees received associated with the early repayments of eleven different portfolio companies held as of December 31, 2016. Our larger invested balances were driven by the proceeds from the April 2017 primary offering of our common stock, our June 2017 unsecured 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 $26.1 million during the year ended December 31, 2017 as compared to the year ended December 31, 2016 was primarily attributable to distributions from our investments in SLP II and NMNLC and PIK and non-cash dividend income from five equity positions. The increase in other income, which represents fees that are generally non-recurring in nature, of approximately $1.3 million during the year ended December 31, 2017 as

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compared to the year ended December 31, 2016 was primarily attributable to structuring, upfront, amendment, consent, bridge and commitment fees received from 46 different portfolio companies.

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 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.

***Operating Expenses***

| | Year Ended December 31, | | |
|---|---|---|---|
| **(in thousands)** | **2017** | **2016** | **2015** |
| Management fee | $ 32,694 | $ 27,551 | $ 25,858 |
| Less: management fee waiver | (5,642) | (4,824) | (5,219) |
| Total management fee | 27,052 | 22,727 | 20,639 |
| Incentive fee | 25,101 | 22,011 | 20,591 |
| Less: incentive fee waiver | (1,800) | | |
| Total incentive fee | 23,301 | 22,011 | 20,591 |
| Interest and other financing expenses | 37,094 | 28,452 | 23,374 |
| Professional fees | 3,658 | 3,087 | 3,214 |
| Administrative fees | 2,779 | 2,683 | 2,450 |
| Other general and administrative expenses | 1,636 | 1,589 | 1,665 |
| Total expenses | 95,520 | 80,549 | 71,933 |
| Less: expenses waived and reimbursed | (474) | (725) | (733) |
| Net expenses before income taxes | 95,046 | 79,824 | 71,200 |
| Income tax expense | 556 | 152 | 160 |
| Net expenses after income taxes | $ 95,602 | $ 79,976 | $ 71,360 |

Our total net operating expenses increased by approximately $15.6 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016. Our management fee increased by approximately $4.3 million, net of a management fee waiver, and incentive fees increased by approximately $1.3 million, net of an incentive fee waiver, for the year ended December 31, 2017 as compared to the year ended December 31, 2016. The increase in management fee and incentive fee from the year ended December 31, 2016 to the year ended December 31, 2017 was attributable to larger invested balances, driven by the proceeds from our April 2017 primary offering of our common stock, our unsecured notes issuances and our use of leverage from our revolving credit facilities and

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SBA-guaranteed debentures to originate new investments. No capital gains incentive fee was accrued for the year ended December 31, 2017.

Interest and other financing expenses increased by approximately $8.6 million during the year ended December 31, 2017, primarily due to our issuance of our unsecured notes, higher drawn balances on our SBA-guaranteed debentures and an increase in LIBOR rates. 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, 2017 as compared to the year ended December 31, 2016.

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 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.

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

| | Year Ended December 31, | | |
|---|---|---|---|
| **(in thousands)** | **2017** | **2016** | **2015** |
| Net realized losses on investments | $ (39,734) | $ (16,717) | $ (12,789) |
| Net change in unrealized appreciation (depreciation) of investments | 50,794 | 40,131 | (35,272) |
| Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell | (4,006) | (486) | (296) |
| Benefit (provision) for taxes | 140 | 642 | (1,183) |
| Net realized and unrealized gains (losses) | $ 7,194 | $ 23,570 | $ (49,540) |

Our net realized losses and unrealized gains resulted in a net gain of approximately $7.2 million for the year ended December 31, 2017 compared to the net realized losses and unrealized gains resulting in a net gain of approximately $23.6 million for the same period in 2016. As movement in unrealized appreciation or depreciation can be the result of realizations, we look at net realized and unrealized gains or losses together. The net gain for the year ended December 31, 2017 was primarily driven by the overall increase in the market prices of our investments during the period. With the completion of the Transtar and Sierra restructurings in April 2017 and July 2017, respectively, $27.6 million and $14.5 million, respectively, of previously recorded unrealized depreciation related to these investments were realized during the year ended December 31, 2017. The benefit for income taxes was primarily attributable to equity investments that are held in three of our corporate subsidiaries as of December 31, 2017.

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. As movement in unrealized appreciation or depreciation can be the result of realizations, we look at net realized and unrealized gains or losses together. The net gain for the 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 equity investments that are held in three of our corporate subsidiaries as of December 31, 2016.

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 equity investments that are held in three of our corporate subsidiaries as of December 31, 2015.

**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 June 30, 2018, we raised approximately $614.6 million in net proceeds from additional offerings of our common stock.

Our liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, and, we expect, through periodic follow-on equity offerings. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the 1940 Act, is at least 150.0% after such borrowing. On March 23, 2018, the Small Business Credit Availability Act (the "SBCA") was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150.0% from 200.0% under certain circumstances. On April 12, 2018, our board of directors, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCA and recommended the submission of a proposal for stockholders to approve the application of the 150.0% minimum asset coverage ratio to us at a special meeting of stockholders, which was held on June 8, 2018. The stockholder proposal was approved by the required votes of our stockholders at such special meeting of stockholders, and thus we became subject to the 150.0% minimum asset coverage ratio on June 9, 2018. As a result of our exemptive relief received on November 5, 2014, we are permitted to exclude our SBA-guaranteed debentures from the 150.0% asset coverage ratio that we are required to maintain under the 1940 Act. As of June 30, 2018, our asset coverage ratio was 210.9%.

At June 30, 2018 and December 31, 2017, we had cash and cash equivalents of approximately $33.9 million and $34.9 million, respectively. Our cash used in operating activities during the six months

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ended June 30, 2018 and June 30, 2017 was approximately $158.3 million and $211.2 million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

**Borrowings**

***Holdings Credit Facility*** On December 18, 2014, we entered into the Second Amended and Restated Loan and Security Agreement, among us, as the Collateral Manager, NMF Holdings, as the Borrower, Wells Fargo Securities, LLC, as the Administrative Agent and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian, which is structured as a revolving credit facility and matures on December 18, 2019. On October 24, 2017 we entered into the Third Amended and Restated Loan and Security Agreement (the "Holdings Credit Facility"), among us as the Collateral Manager, NMF Holdings as the Borrower and Wells Fargo Bank, National Association as the Administrative Agent and Collateral Custodian, which extended the maturity date to October 24, 2022.

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

The Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.50% per annum for all other investments. Effective April 1, 2018, the Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.25% per annum for all other investments. The Holdings Credit Facility also charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the three and six months ended June 30, 2018 and June 30, 2017.

| | **Three Months Ended** | | **Six Months Ended** | |
|---|---|---|---|---|
| **(in millions)** | **June 30, 2018** | **June 30, 2017** | **June 30, 2018** | **June 30, 2017** |
| Interest expense | $ 3.6 | $ 2.9 | $ 6.7 | $ 5.6 |
| Non-usage fee | $ 0.2 | $ 0.2 | $ 0.4 | $ 0.4 |
| Amortization of financing costs | $ 0.6 | $ 0.4 | $ 1.2 | $ 0.8 |
| Weighted average interest rate | 4.1% | 3.2% | 4.0% | 3.2% |
| Effective interest rate | 5.0% | 3.9% | 5.0% | 3.9% |
| Average debt outstanding | $ 351.5 | $ 356.3 | $ 337.3 | $ 351.2 |

As of June 30, 2018 and December 31, 2017, the outstanding balance on the Holdings Credit Facility was $390.5 million and $312.4 million, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

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***NMFC Credit Facility*** The Senior Secured Revolving Credit Agreement, as amended (together with the related guarantee and security agreement, the "NMFC Credit Facility"), dated June 4, 2014 , among us, as the Borrower, Goldman Sachs Bank USA, as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, as Lenders, is structured as a senior secured revolving credit facility and matures on June 4, 2019. On February 27, 2018, we entered into an amendment to the NMFC Credit Facility which extended the maturity date to June 4, 2022. 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 June 30, 2018, the maximum amount of revolving borrowings available under the NMFC Credit Facility was $150.0 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment as outlined in the 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).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the three and six months ended June 30, 2018 and June 30, 2017.

| (in millions) | Three Months Ended June 30, 2018 | Three Months Ended June 30, 2017 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2017 |
|---|---|---|---|---|
| Interest expense | $ 1.5 | $ 0.8 | $ 2.4 | $ 1.1 |
| Non-usage fee | $ (1) | $ (1) | $ 0.1 | $ 0.1 |
| Amortization of financing costs | $ 0.1 | $ 0.1 | $ 0.2 | $ 0.2 |
| Weighted average interest rate | 4.5% | 3.5% | 4.4% | 3.5% |
| Effective interest rate | 4.9% | 4.2% | 5.0% | 4.5% |
| Average debt outstanding | $ 135.8 | $ 87.9 | $ 108.9 | $ 61.4 |

(1) For the three months ended June 30, 2018 and June 30, 2017, the total non-usage fee was less than $50 thousand.

As of June 30, 2018 and December 31, 2017, the outstanding balance on the NMFC Credit Facility was $150.0 million and $122.5 million, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

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

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issuance of, rank equally in right of payment with, and form a single series with the $115.0 million aggregate principal amount of 2014 Convertible Notes that we issued on June 3, 2014.

The 2014 Convertible Notes 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 2014 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 2014 Convertible Notes as of June 30, 2018.

| | | June 30, 2018 |
|---|---|---|
| Initial conversion premium | | 12.5% |
| Initial conversion rate(1) | | 62.7746 |
| Initial conversion price | $ | 15.93 |
| Conversion premium at June 30, 2018 | | 11.7% |
| Conversion rate at June 30, 2018(1)(2) | | 63.2794 |
| Conversion price at June 30, 2018(2)(3) | $ | 15.80 |
| Last conversion price calculation date | | June 3, 2018 |

(1) Conversion rates denominated in shares of common stock per $1,000 principal amount of the 2014 Convertible Notes converted.

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

(3) The conversion price in effect at June 30, 2018 was calculated on the last anniversary of the issuance and will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in distributions in excess of $0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in distributions, are subject to a conversion price floor of $14.05 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 71.1893 per $1,000 principal amount of the 2014 Convertible Notes. We have determined that the embedded conversion option in the 2014 Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The 2014 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 2014 Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness (including the Convertible Notes offered hereby) 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 2014 Convertible Notes prior to maturity. No sinking fund is provided for the 2014 Convertible Notes. In addition, if certain corporate events occur, holders of the 2014 Convertible Notes may require us to repurchase for cash all or part of their 2014 Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the 2014 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

The 2014 Convertible Notes Indenture contains certain covenants, including covenants requiring us to provide financial information to the holders of the 2014 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 2014 Convertible Notes Indenture.

The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the 2014 Convertible Notes for the three and six months ended June 30, 2018 and June 30, 2017.

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| (in millions) | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| Interest expense | $ 2.0 | $ 2.0 | $ 3.9 | $ 3.9 |
| Amortization of financing costs | $ 0.3 | $ 0.3 | $ 0.6 | $ 0.6 |
| Amortization of premium | $ (0.1) | $ (1) | $ (0.1) | $ (0.1) |
| Effective interest rate | 5.7% | 5.7% | 5.7% | 5.7% |
| Average debt outstanding | $ 155.3 | $ 155.3 | $ 155.3 | $ 155.3 |

(1) For the three months ended June 30, 2017, the total amortization of premium was less than $50 thousand.

As of June 30, 2018 and December 31, 2017, the outstanding balance on the 2014 Convertible Notes was $155.3 million and $155.3 million, respectively, and NMFC was in compliance with the terms of the 2014 Convertible Notes Indenture on such dates.

***Unsecured Notes*** On May 6, 2016, we issued $50.0 million in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the "2016 Unsecured Notes"), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, we entered into an amended and restated note purchase agreement (the "NPA") and issued an additional $40.0 million in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, we issued $55.0 million in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the "2017A Unsecured Notes"), pursuant to the NPA and a supplement to the NPA. On January 30, 2018, we issued $90.0 million in aggregate principal amount of five year unsecured notes that mature on January 30, 2023 (the "2018A Unsecured Notes" and together with the 2016 Unsecured Notes and 2017A Unsecured Notes, the "Unsecured Notes") pursuant to the NPA and a second supplement to the NPA. 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 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2018. The 2018A Unsecured Notes bear interest at an annual rate of 4.87%, payable semi-annually on February 15 and August 15 of each year, which commences on August 15, 2018. These interest rates are 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 Code, minimum stockholders' equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes at

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NMFC or any subsidiary guarantor, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under other indebtedness of NMFC or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy.

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the three and six months ended June 30, 2018 and June 30, 2017.

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| **(in millions)** | **June 30, 2018** | **June 30, 2017** | **June 30, 2018** | **June 30, 2017** |
| Interest expense | $ 2.9 | $ 1.2 | $ 5.5 | $ 2.4 |
| Amortization of financing costs | $ 0.1 | $ 0.1 | $ 0.3 | $ 0.2 |
| Weighted average interest rate | 5.0% | 5.3% | 5.1% | 5.3% |
| Effective interest rate | 5.3% | 5.8% | 5.4% | 5.8% |
| Average debt outstanding | $ 235.0 | $ 90.6 | $ 220.6 | $ 90.3 |

As of June 30, 2018 and December 31, 2017, the outstanding balance on the Unsecured Notes was $235.0 million and $145.0 million, respectively, and we were in compliance with the terms of the NPA.

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

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

The maximum amount of borrowings available under current SBA regulations for a single licensee is $150.0 million as long as the licensee has at least $75.0 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. In June 2018, the U.S. Senate passed the Small Business Investment Opportunity Act, which the President signed into law, that amended the 1958 Act by increasing the individual leverage limit from $150.0 million to $175.0 million, subject to SBA approvals.

As of June 30, 2018 and December 31, 2017, SBIC I had regulatory capital of $75.0 million and $75.0 million, respectively, and SBA-guaranteed debentures outstanding of $150.0 million and $150.0 million, respectively. As of June 30, 2018 and December 31, 2017, SBIC II had regulatory capital of $42.5 million and $2.5 million, respectively, and $13.0 million and $0, respectively, of SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the

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SBA-guaranteed debentures. The following table summarizes our SBA-guaranteed debentures as of June 30, 2018.

| (in millions) Issuance Date | Maturity Date | Debenture Amount | Interest Rate | SBA Annual Charge |
|---|---|---|---|---|
| **Fixed SBA-guaranteed debentures:** | | | | |
| March 25, 2015 | March 1, 2025 | $ 37.5 | 2.517% | 0.355% |
| September 23, 2015 | September 1, 2025 | 37.5 | 2.829% | 0.355% |
| September 23, 2015 | September 1, 2025 | 28.8 | 2.829% | 0.742% |
| March 23, 2016 | March 1, 2026 | 13.9 | 2.507% | 0.742% |
| September 21, 2016 | September 1, 2026 | 4.0 | 2.051% | 0.742% |
| September 20, 2017 | September 1, 2027 | 13.0 | 2.518% | 0.742% |
| March 21, 2018 | March 1, 2028 | 15.3 | 3.187% | 0.742% |
| **Interim SBA-guaranteed debentures:** | | | | |
| | September 1, 2028(1) | 13.0 | 2.644% | 0.222% |
| **Total SBA-guaranteed debentures** | | $ 163.0 | | |

(1) Estimated maturity date as interim SBA-guaranteed debentures are expected to pool in September 2018.

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

The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the three and six months ended June 30, 2018 and June 30, 2017.

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| (in millions) | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| Interest expense | $ 1.2 | $ 0.9 | $ 2.4 | $ 1.9 |
| Amortization of financing costs | $ 0.2 | $ 0.1 | $ 0.3 | $ 0.2 |
| Weighted average interest rate | 3.2% | 3.2% | 3.2% | 3.2% |
| Effective interest rate | 3.6% | 3.5% | 3.5% | 3.5% |
| Average debt outstanding | $ 154.3 | $ 124.3 | $ 152.2 | $ 123.0 |

The SBIC program is designed to stimulate the flow of private investor capital into eligible smaller businesses, as defined by the SBA. Under SBA regulations, SBICs are subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible small businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in small businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to us. SBICs are subject to an annual periodic examination by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared on a basis of accounting other than GAAP (such as ASC 820) by an independent auditor. As of June 30, 2018 and December 31, 2017, SBIC I and SBIC II were in compliance with SBA regulatory requirements.

**Off-Balance Sheet Arrangements**

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include

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commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of June 30, 2018 and December 31, 2017, we had outstanding commitments to third parties to fund investments totaling $115.5 million and $77.4 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

We may from time to time enter into financing commitment letters or bridge financing commitments, which could require funding in the future. As of June 30, 2018 and December 31, 2017, we had commitment letters to purchase investments in an aggregate par amount of $20.1 million and $13.9 million, respectively. As of June 30, 2018 and December 31, 2017, we had not entered into any bridge financing commitments which could require funding in the future.

As of June 30, 2018 and December 31, 2017, we owed $9.0 million and $12.0 million, respectively, related to a settlement agreement with a trustee of Black Elk Energy Offshore Operations, LLC. We began to make semi-annual payments of $3.0 million in June 2018, with the final payment due in December 2019.

As of June 30, 2018, we had unfunded commitments related to an equity investment in SLP III of $37.2 million, which may be funded at our discretion.

**Contractual Obligations**

A summary of our significant contractual payment obligations as of June 30, 2018 is as follows:

| | Contractual Obligations Payments Due by Period | | | | |
|---|---|---|---|---|---|
| **(in millions)** | **Total** | **Less than 1 Year** | **1 - 3 Years** | **3 - 5 Years** | **More than 5 Years** |
| Holdings Credit Facility(1) | $ 390.5 | $ | $ | $ 390.5 | $ |
| Unsecured Notes(2) | 235.0 | | 90.0 | 145.0 | |
| SBA-guaranteed debentures(3) | 163.0 | | | | 163.0 |
| 2014 Convertible Notes(4) | 155.3 | 155.3 | | | |
| NMFC Credit Facility(5) | 150.0 | | | 150.0 | |
| Total Contractual Obligations | $ 1,093.8 | $ 155.3 | $ 90.0 | $ 685.5 | $ 163.0 |

(1) Under the terms of the $495.0 million Holdings Credit Facility, all outstanding borrowings under that facility ($390.5 million as of June 30, 2018) must be repaid on or before October 24, 2022. As of June 30, 2018, there was approximately $104.5 million of possible capacity remaining under the Holdings Credit Facility.

(2) $90.0 million 2016 Unsecured Notes will mature on May 15, 2021 unless earlier repurchased, $55.0 million of 2017A Unsecured Notes will mature on July 15, 2022 unless earlier repurchased and the $90.0 million in 2018A Unsecured Notes will mature on January 30, 2023 unless earlier repurchased. The Unsecured Notes excludes our July 5, 2018 issuance of the 2018B Unsecured Notes as the issuance occurred after June 30, 2018.

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

(4) The $155.3 million 2014 Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option.

(5)

Under the terms of the $150.0 million NMFC Credit Facility, all outstanding borrowings under that facility ($150.0 million as of June 30, 2018) must be repaid on or before June 4, 2022. As of June 30, 2018, there was no capacity remaining under the NMFC Credit Facility.

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

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

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

**Distributions and Dividends**

Distributions declared and paid to stockholders for the six months ended June 30, 2018 totaled approximately $51.6 million.

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

| Fiscal Year Ended | Date Declared | Record Date | Payment Date | Per Share Amount(1) |
|---|---|---|---|---|
| ***December 31, 2018*** | | | | |
| Second Quarter | May 2, 2018 | June 15, 2018 | June 29, 2018 | $ 0.34 |
| First Quarter | February 21, 2018 | March 15, 2018 | March 29, 2018 | 0.34 |
| | | | | $ 0.68 |
| ***December 31, 2017*** | | | | |
| Fourth Quarter | November 2, 2017 | December 15, 2017 | December 28, 2017 | $ 0.34 |
| Third Quarter | August 4, 2017 | September 15, 2017 | September 29, 2017 | 0.34 |
| Second Quarter | May 4, 2017 | June 16, 2017 | June 30, 2017 | 0.34 |
| First Quarter | February 23, 2017 | March 17, 2017 | March 31, 2017 | 0.34 |
| | | | | $ 1.36 |
| ***December 31, 2016*** | | | | |
| 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 |

(1) Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. For the years ended December 31, 2017 and December 31, 2016, total distributions were $100.9 million and $88.8 million, respectively, of which the distributions were comprised of approximately 71.50% and 89.46%, respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 28.50% and 10.54%, respectively, of a return of capital. Future quarterly distributions, if any, will be determined by our board of directors.

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

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

**Related Parties**

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

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

- We have entered into the Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges our office space and provides office equipment and administrative services necessary to conduct our respective day-to-day operations pursuant to the Administration Agreement. We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of our chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further restricted by us, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three and six months ended June 30, 2018 approximately \$0.5 million and \$1.2 million, respectively, of indirect administrative expenses were included in administrative expenses, of which approximately \$0.3 million and \$0.3 million, respectively, of indirect administrative expenses were waived by the Administrator. As of June 30, 2018, \$1.3 million of indirect administrative expenses were included in payable to affiliates.

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

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

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

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**SENIOR SECURITIES**

Information about our senior securities as of June 30, 2018, December 31, 2017, 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, 2017, 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.

| Class and Year(1) | Total Amount Outstanding Exclusive of Treasury Securities(2) (in millions) | Asset Coverage Per Unit(3) | Involuntary Liquidating Preference Per Unit(4) | Average Market Value Per Unit(5) |
|---|---|---|---|---|
| June 30, 2018 (unaudited) | | | | |
| Holdings Credit Facility | $ 390.5 | $ 2,109 | $ | N/A |
| 2014 Convertible Notes | 155.3 | 2,109 | | N/A |
| Unsecured Notes(7) | 235.0 | 2,109 | | N/A |
| NMFC Credit Facility | 150.0 | 2,109 | | N/A |
| December 31, 2017 | | | | |
| Holdings Credit Facility | 312.4 | 2,408 | | N/A |
| 2014 Convertible Notes | 155.3 | 2,408 | | N/A |
| Unsecured Notes | 145.0 | 2,408 | | N/A |
| NMFC Credit Facility | 122.5 | 2,408 | | N/A |
| December 31, 2016 | | | | |
| Holdings Credit Facility | 333.5 | 2,593 | | N/A |
| 2014 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 |
| December 31, 2015 | | | | |
| Holdings Credit Facility | 419.3 | 2,341 | | N/A |
| 2014 Convertible Notes | 115.0 | 2,341 | | N/A |
| NMFC Credit Facility | 90.0 | 2,341 | | N/A |
| December 31, 2014 | | | | |
| Holdings Credit Facility | 468.1 | 2,267 | | N/A |
| 2014 Convertible Notes | 115.0 | 2,267 | | N/A |
| NMFC Credit Facility | 50.0 | 2,267 | | N/A |
| December 31, 2013 | | | | |
| Holdings Credit Facility | 221.8 | 2,577 | | N/A |
| SLF Credit Facility | 214.7 | 2,577 | | N/A |
| December 31, 2012 | | | | |
| Holdings Credit Facility | 206.9 | 2,353 | | N/A |
| SLF Credit Facility | 214.3 | 2,353 | | N/A |
| December 31, 2011 | | | | |
| Holdings Credit Facility | 129.0 | 2,426 | | N/A |
| SLF Credit Facility | 165.9 | 2,426 | | N/A |
| December 31, 2010(6) | | | | |
| Holdings Credit Facility | 59.7 | 3,074 | | N/A |
| SLF Credit Facility | 56.9 | 3,074 | | N/A |
| December 31, 2009(6) | | | | |
| 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 150.0% asset coverage ratio we are required to maintain under the 1940 Act. At June 30, 2018, December 31,

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2017, December 31, 2016, December 31, 2015 and December 31, 2014, we had $163.0 million, $150.0 million, $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 June 30, 2018, December 31, 2017, December 31, 2016, December 31, 2015 and December 31, 2014 is $1,944, $2,169, $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. 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.

(7) The Unsecured Notes does not include the issuance of $50.0 million in aggregate principal amount of 5.36% Series 2018B Notes due June 28, 2023 issued on July 5, 2018 to an institutional investor in a private placement.

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## RATIOS OF EARNINGS TO FIXED CHARGES

Our ratios of earnings to fixed charges for the six months ended June 30, 2018 and years ended December 31, 2017, 2016, 2015 and 2014, and the Predecessor Operating Company's ratios of earnings to fixed charges for the year ended December 31, 2013, computed as set forth below, were as follows:

| | For the Six Months Ended June 30, 2018 | For the Year Ended December 31, 2017 | For the Year Ended December 31, 2016 | For the Year Ended December 31, 2015 | For the Year Ended December 31, 2014 | For the Year Ended December 31, 2013 |
|---|---|---|---|---|---|---|
| Earnings to Fixed Charges(1) | 2.95 | 3.96 | 4.93 | 2.42 | 3.55 | 7.33 |

(1) Earnings include net realized and unrealized gains or losses. Net realized and unrealized gains or losses can vary substantially from period to period.

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in net assets resulting from operations plus (or minus) income tax expense (benefit) including excise tax expense plus fixed charges. Fixed charges include interest and credit facility fees expense and amortization of debt issuance costs.

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## DESCRIPTION OF THE NOTES

The Convertible Notes will be issued under an indenture to be dated as of the date of initial issuance of the Convertible Notes (the "base indenture"), to be entered into between New Mountain Finance Corporation, as issuer, and U.S. Bank National Association, as Trustee, as supplemented by a supplemental indenture, to be dated as of the date of the initial issuance of the Convertible Notes (the "supplemental indenture" and, together with the base indenture, the "indenture"). The terms of the Convertible Notes include those provided in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

The following description is only a summary of the material provisions of the Convertible Notes and the indenture. We urge you to read the indenture in its entirety because it, and not this description, defines your rights as a holder of the Convertible Notes. You may request copies of these documents as set forth under the captions "Available Information" in this prospectus supplement and the accompanying prospectus.

When we refer to "NMFC", the "Company", "we", "our" or "us" in this section, we refer only to New Mountain Finance Corporation and not its subsidiaries. In addition, all references to interest in this prospectus supplement include additional interest, if any, payable at our election as the sole remedy relating to the failure to comply with our reporting obligations pursuant to the provisions set forth below under the heading " Events of Default; Notice and Waiver".

***Brief Description of the Convertible Notes***

The Convertible Notes will:

- initially be limited to $100.0 million aggregate principal amount ($115.0 million if the overallotment option is exercised in full by the underwriters);

- bear interest at a rate of      % per year, payable semi-annually in arrears, on February 15 and August 15 of each year, commencing on February 15, 2019;

- be our general unsecured obligations, ranking equally with all of our other unsecured indebtedness, including the 2014 Convertible Notes and the Unsecured Notes, and senior in right of payment to any of our existing and future subordinated indebtedness, effectively subordinated in right of payment to our existing and future secured indebtedness, including indebtedness under the NMFC Credit Facility, and structurally subordinated to all existing and future debt of our subsidiaries, including indebtedness under the Holdings Credit Facility;

- be convertible by you at any time on or prior to 5:00 p.m., New York City time, on the business day immediately preceding the maturity date, into shares of our common stock (together with cash in lieu of fractional shares) initially at a conversion rate of      shares of our common stock per $1,000 principal amount of Convertible Notes (subject to adjustment as set forth in this prospectus supplement), which represents an initial conversion price of approximately $      per share. In the event of a non-stock change of control, we will, in certain circumstances, increase the conversion rate as described herein;

- will be subject to redemption at our option, in whole or from time to time in part, on or after May 15, 2023 at a redemption price equal to the sum of (i) 100% of the principal amount of the Convertible Notes to be redeemed, (ii) accrued and unpaid interest (including additional interest, if any) to, but not including, the redemption date and (iii) the make-whole premium;

- be subject to repurchase by us at your option if a fundamental change occurs, at a cash repurchase price equal to 100.0% of the principal amount of the Convertible Notes, plus accrued and unpaid interest (including additional interest, if any) to, but not including, the repurchase date; and

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be due on August 15, 2023, unless earlier converted, redeemed by us or repurchased by us at your option upon the occurrence of a fundamental change.

Except as set forth under " Certain Covenants", neither we nor any of our subsidiaries will be subject to any financial covenants under the indenture. In addition, neither we nor any of our subsidiaries will be restricted under the indenture from paying dividends, incurring debt (except as set forth under " Certain Covenants Debt to Equity Ratio") or issuing or repurchasing our securities but the indenture contains a covenant regarding our asset coverage that would have to be satisfied at the time of our incurrence of additional indebtedness. See " Investment Company Act Section 18(a)(1)(A) as Modified by Section 61(a)" in this prospectus supplement. In addition, we must maintain a Secured Debt Ratio (as defined below) of not greater than 0.70 to 1.00 at all times. See " Certain Covenants Maximum Secured Debt" in this prospectus supplement. You are not afforded protection under the indenture in the event of a highly leveraged transaction or a change in control of us, except to the extent described below under " Adjustment to Conversion Rate Upon a Non-Stock Change of Control", " Fundamental Change Put" and " Consolidation, Merger and Sale of Assets by the Company".

No sinking fund is provided for the Convertible Notes and the Convertible Notes will not be subject to defeasance.

The Convertible Notes initially will be issued in book-entry form only in denominations of $1,000 principal amount and integral multiples thereof. Beneficial interests in the Convertible Notes will be shown on, and transfers of beneficial interests in the Convertible Notes will be effected only through, records maintained by The Depository Trust Company, or DTC, or its nominee, and any such interests may not be exchanged for certificated notes except in limited circumstances. For information regarding conversion, registration of transfer and exchange of global notes held in DTC, see " Form, Denomination and Registration Global Notes Book-Entry Form".

If certificated notes are issued, you may present them for conversion, registration of transfer and exchange, without service charge, at the corporate trust office of the applicable trustee, which will initially be the office or agency of the Trustee in New York City and/or the corporate trust office of the applicable trustee as may be specified in the indenture or in a notice to holders against surrender of the Convertible Notes.

We do not intend to list the Convertible Notes on any securities exchange or any automated dealer quotation system.

***Additional Notes***

We may, without the consent of the holders of the Convertible Notes, increase the principal amount of the Convertible Notes by issuing additional notes in the future on the same terms and conditions as the Convertible Notes, except for any differences in the issue price and interest accrued prior to the issue date of the additional notes; provided that if any such additional notes are not fungible with the Convertible Notes initially offered hereby for U.S. federal income tax purposes, those additional notes will have a separate CUSIP number. The Convertible Notes offered hereby and any additional notes would rank equally and ratably and would be treated as a single class for all purposes under the indenture. No such additional notes may be issued if any event of default has occurred with respect to the Convertible Notes.

***Payment at Maturity***

On the maturity date, each holder will be entitled to receive on such date $1,000 in cash for each $1,000 in principal amount of Convertible Notes, together with accrued and unpaid interest (including additional interest, if any) to, but not including, the maturity date. With respect to global notes, principal and interest (including additional interest, if any) will be paid to DTC in immediately available funds. With respect to any certificated notes, principal and interest (including additional interest, if any) will be payable at the corporate trust office of the applicable trustee, which will initially be the office or agency of the Trustee in New York City and/or the corporate trust office of the applicable trustee as may be specified in the indenture or in a notice to holders against surrender of the Convertible Notes.

***Interest***

The Convertible Notes will bear interest at a rate of % per year. Interest will accrue from the date of original issuance of the Convertible Notes or the most recent date to which interest has been paid or duly provided for. We will pay interest on the Convertible Notes (including additional interest, if any) semi-annually, in arrears on February 15 and August 15 of each year, commencing on February 15, 2019, to holders of record at 5:00 p.m., New York City time, on the preceding February 1 and August 1, respectively. However, there are two exceptions to the preceding sentence:

- holders will be entitled to a cash payment representing accrued and unpaid interest to, but not including, the conversion date on any Convertible Notes unless the Convertible Notes are converted after a record date for an interest payment but prior to the corresponding interest payment date, as described under " Conversion Rights;" and

- on the maturity date, we will pay accrued and unpaid interest to the person to whom we pay the principal amount.

We will pay interest on:

- global notes to DTC in immediately available funds;

- any certificated notes having a principal amount of less than $2,000,000 by check mailed to the holders of those Convertible Notes; provided, however, at maturity, interest will be payable as described under " Payment at Maturity;" and

- any certificated notes having a principal amount of $2,000,000 or more, by wire transfer in immediately available funds at the election of the holders of these Convertible Notes duly delivered to the Trustee at least five business days prior to the relevant interest payment date; provided, however, at maturity, interest will be payable as described under " Payment at Maturity".

Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. If a payment date is not a business day, payment will be made on the next succeeding business day, and no additional interest will accrue thereon. The term "business day" means any day other than a Saturday, a Sunday or a day on which the Federal Reserve Bank of New York or the Trustee is authorized or required by law or executive order to close or be closed.

***Ranking***

The Convertible Notes will be our general unsecured obligations that rank senior in right of payment to all of our future indebtedness that is expressly subordinated in right of payment to the Convertible Notes. The Convertible Notes will rank equally in right of payment with all of our existing and future liabilities that are not so subordinated, including the 2014 Convertible Notes and the Unsecured Notes. The Convertible Notes will effectively rank junior to any of our and our subsidiaries' secured indebtedness (including unsecured indebtedness that later becomes secured indebtedness) to the extent of the value of the assets securing such indebtedness (including indebtedness under the NMFC Credit Facility). The Convertible Notes will rank structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries and financing vehicles (including indebtedness under the Holdings Credit Facility). In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure secured debt will be available to pay obligations on the Convertible Notes only after all indebtedness under such secured debt has been repaid in full from such

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assets. We advise you that there may not be sufficient assets remaining to pay amounts due on any or all the Convertible Notes then outstanding.

As of August 13, 2018, we had $1,095.3 million of indebtedness outstanding, $655.0 million of which was secured indebtedness and $440.3 million of which was unsecured indebtedness. After giving effect to the issuance of the Convertible Notes (assuming no exercise of the underwriters' overallotment option), and the use of the proceeds therefrom, our total consolidated indebtedness as of August 13, 2018 would have been $ million principal amount.

***Redemption During Final Three Month Term of the Convertible Notes***

We may not redeem the Convertible Notes prior to May 15, 2023. On or after May 15, 2023, we may redeem the Convertible Notes for cash, in whole or from time to time in part, at our option at a redemption price equal to the sum of (i) 100% of the principal amount of the Convertible Notes to be redeemed, (ii) accrued and unpaid interest thereon to, but excluding, the redemption date and (iii) an amount equal to the present value of the interest that would accrue on such Convertible Notes from, and including, the redemption date until the maturity date, with such present value computed by us using a discount rate equal to the yield to maturity of United States Treasury securities with three months of remaining maturity (as determined in a commercially reasonable manner by us prior to providing the applicable notice of redemption) plus 50 basis points (such present value, the "make-whole premium"); *provided, however*, that if the redemption date falls after a record date and on or prior to the interest payment date to which such record date relates, we will instead pay the full amount of accrued and unpaid interest to the holder of record on such record date and the redemption price will be equal to 100% of the principal amount of the Convertible Notes to be redeemed. In the case of any such redemption, we will provide not less than 15 nor more than 30 calendar days' notice before the redemption date to each holder of the Convertible Notes. The redemption date must be a business day. If we call the Convertible Notes for redemption, a holder of the Convertible Notes may convert all or any portion of its Convertible Notes called for redemption only until the 5:00 p.m., New York City time, on the business day immediately preceding the redemption date and, if the conversion date falls prior to the regular record date immediately preceding the maturity date, such holder shall receive, in addition to any consideration due upon conversion and any accrued and unpaid interest to, but excluding the conversion date, the make-whole premium.

If we decide to redeem fewer than all of the outstanding Convertible Notes, the Convertible Notes shall be selected to be redeemed (in principal amounts of $1,000 or multiples thereof) in accordance with the applicable procedures of DTC, in the case of global notes, and by lot, in the case of certificated notes.

If a portion of your note is selected for partial redemption and you convert a portion of the same note, the converted portion will be deemed to be from the portion selected for redemption.

In the event of any redemption in part, we will not be required to register the transfer of or exchange of any Convertible Notes so selected for redemption, in whole or in part, except the unredeemed portion of any note being redeemed in part.

No Convertible Notes may be redeemed if the principal amount of the Convertible Notes has been accelerated, and such acceleration has not been rescinded, on or prior to the redemption date (except in the case of an acceleration resulting from a default by us in the payment of the redemption price with respect to such Convertible Notes).

***Certain Covenants***

*Debt to Equity Ratio*

Immediately after the issuance of any senior security representing indebtedness (as determined pursuant to the Investment Company Act of 1940, as amended (the "Investment Company Act")), and

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after giving pro forma effect thereto and the application of the proceeds thereof, we will not permit the Debt to Equity Ratio (as defined below), to be greater than 1.65 to 1.00.

*Maximum Secured Debt*

We will not permit the Secured Debt Ratio (as defined below) at any time to exceed 0.70 to 1.00.

As used herein:

"*Capital Leases*" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"*Debt to Equity Ratio*" means the ratio of (a) the aggregate amount of senior securities representing indebtedness of the Company and its Subsidiaries (including under the Convertible Notes), in each case as determined pursuant to the Investment Company Act, and any orders of the SEC issued to or with respect to Company thereunder, including any exemptive relief granted by the SEC with respect to the indebtedness of any SBIC Subsidiary to (b) Shareholders' Equity at the last day of the immediately preceding fiscal quarter of the Company.

"*GAAP*" means generally accepted accounting principles as in effect from time to time in the United States of America.

"*Governmental Authority*" means

(a) the government of

(i) the United States of America or any state or other political subdivision thereof, or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"*Guaranty*" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

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"*Indebtedness*" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) (i) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases and (ii) all liabilities which would appear on its balance sheet in accordance with GAAP in respect of Synthetic Leases assuming such Synthetic Leases were accounted for as Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money);

(f) the aggregate Swap Termination Value of all Swap Contracts of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"*Lien*" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"*Permitted SBIC Guaranty*" means a guarantee by the Company of Indebtedness of an SBIC Subsidiary on the SBA's then applicable form, provided that the recourse to the Company thereunder is expressly limited only to periods after the occurrence of an event or condition that is an impermissible change in the control of such SBIC Subsidiary.

"*Person*" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

"*Preferred Stock*" means any class of capital stock of a Person that is preferred over any other class of capital stock (or similar equity interests) of such Person as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such Person.

"*SBA*" means the United States Small Business Administration.

"*SBIC Equity Commitment*" means a commitment by the Company to make one or more capital contributions to an SBIC Subsidiary.

"*SBIC Subsidiary*" means any direct or indirect Subsidiary (including such Subsidiary's general partner or managing entity to the extent that the only material asset of such general partner or managing entity is its equity interest in the SBIC Subsidiary) of the Company licensed as a small business investment company under the Small Business Investment Act of 1958, as amended, (or that has applied

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for such a license and is actively pursuing the granting thereof by appropriate proceedings promptly instituted and diligently conducted) and which is designated by the Company (as provided below) as an SBIC Subsidiary, so long as (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of such Subsidiary: (i) is guaranteed by the Company or any Subsidiary (other than a Permitted SBIC Guaranty), (ii) is recourse to or obligates the Company or any Subsidiary in any way (other than in respect of any SBIC Equity Commitment or Permitted SBIC Guaranty), or (iii) subjects any property of the Company or any Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than Equity Interests in any SBIC Subsidiary pledged to secure such Indebtedness, and (b) none of the Company or any Subsidiary has any obligation to maintain or preserve such Subsidiary's financial condition or cause such entity to achieve certain levels of operating results. Any such designation by the Company shall be effected pursuant to a certificate of a Senior Financial Officer delivered to the Trustee, which certificate shall include a statement to the effect that, to the best of such officer's knowledge, such designation complied with the foregoing conditions.

"*Secured Debt*" means Indebtedness of the Company and its Subsidiaries that are consolidated with the Company for purposes of GAAP (excluding any Indebtedness of any of the Company's Subsidiaries which are SBIC Subsidiaries) outstanding at any time that is secured in any manner by any Lien on assets of the Company or any such Subsidiaries.

"*Secured Debt Ratio*" means the ratio of (a) Secured Debt to (b) the aggregate amount of Indebtedness of the Company and its Subsidiaries that are consolidated with the Company for purposes of GAAP (including Indebtedness under the Convertible Notes and excluding any Indebtedness of any of the Company's Subsidiaries which are SBIC Subsidiaries).

"*Senior Financial Officer*" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"*Shareholders Equity*" means at any date, the amount determined on a consolidated basis, without duplication, in accordance with GAAP, of shareholders' equity or net assets, as applicable, for the Company and its Subsidiaries at such date.

"*Subsidiary*" means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"*Swap Contract*" means (a) any and all interest rate swap transactions, basis swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward foreign exchange transactions, cap transactions, floor transactions, currency options, spot contracts or any other similar transactions or any of the foregoing (including, without limitation, any options to enter into any of the foregoing), and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. or any International Foreign Exchange Master Agreement.

"*Swap Termination Value*" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date

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referenced in clause (a), the amounts(s) determined as the mark-to-market values(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts.

"*Synthetic Lease*" means, at any time, any lease (including leases that may be terminated by the lessee at any time) of any property (a) that is accounted for as an operating lease under GAAP and (b) in respect of which the lessee retains or obtains ownership of the property so leased for U.S. federal income tax purposes, other than any such lease under which such Person is the lessor.

***Conversion Rights***

Holders may convert their Convertible Notes prior to 5:00 p.m., New York City time, on the business day preceding the maturity date at an initial conversion rate of shares of common stock per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $ per share). The conversion rate will be subject to adjustment as described below. You will have the right to convert any portion of the principal amount of any Convertible Notes that is an integral multiple of $1,000 at any time on or prior to 5:00 p.m., New York City time, on the business day immediately preceding the maturity date.

Upon conversion, unless you convert after a record date for an interest payment but prior to the corresponding interest payment date, you will receive a separate cash payment representing accrued and unpaid interest to, but not including the conversion date. Any such payment will be made on the settlement date applicable to the relevant conversion on the Convertible Notes. If you convert after a record date for an interest payment but prior to the corresponding interest payment date, you will receive on the corresponding interest payment date the interest accrued and unpaid on your Convertible Notes for the entire interest period, notwithstanding your conversion of those Convertible Notes prior to the interest payment date, assuming you were the holder of record on the corresponding record date.

Except as described under " Conversion Rate Adjustments", we will not make any payment or other adjustment for dividends on any common stock issued upon conversion of the Convertible Notes.

*Conversion Procedures*

Procedures to be Followed by a Holder

If you hold a beneficial interest in a global note, to convert you must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program and, if required, pay all documentary, stamp or similar issue or transfer tax, if any.

If you hold a certificated note, to convert you must:

- complete and manually sign the conversion notice on the back of the Convertible Notes or a facsimile of the conversion notice;
- deliver the completed conversion notice (which is irrevocable) and the Convertible Notes to be converted to the conversion agent;
- if required, furnish appropriate endorsements and transfer documents; and
- if required, pay all documentary, stamp or similar issue or transfer tax, if any.

The conversion date will be the date on which you have satisfied all of the foregoing requirements. The Convertible Notes will be deemed to have been converted immediately prior to 5:00 p.m., New York City time, on the conversion date.

You will not be required to pay any documentary, stamp or similar issue or transfer tax relating to the issuance or delivery of our common stock if you exercise your conversion rights, but you will be required to pay any documentary, stamp or similar issue or transfer tax that may be payable relating to

any transfer involved in the issuance or delivery of the common stock in a name other than your own. Certificates representing common stock will be issued and delivered only after all applicable documentary, stamp or similar issue or transfer tax, if any, payable by you have been paid in full.

We will not issue fractional shares of our common stock upon conversion of the Convertible Notes. Instead, we will pay cash in lieu of fractional shares based on the closing sale price of our common stock on the conversion date.

*Limitation on Beneficial Ownership*

Notwithstanding the foregoing, no holder of Convertible Notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a "beneficial owner" (within the meaning of Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of more than 5.0% of the shares of our common stock outstanding at such time (the "Limitation"). Any purported delivery of shares of our common stock upon conversion of Convertible Notes shall be void and have no effect to the extent (but only to the extent) that such delivery would result in the converting holder becoming the beneficial owner of more than the Limitation. If any delivery of shares of our common stock owed to a holder upon conversion of Convertible Notes is not made, in whole or in part, as a result of the Limitation, our obligation to make such delivery shall not be extinguished and we shall deliver such shares as promptly as practicable after any such converting holder gives notice to us that such delivery would not result in it being the beneficial owner of more than 5.0% of the shares of common stock outstanding at such time. The Limitation shall no longer apply following the effective date of any Fundamental Change, as defined in "    Fundamental Change Put".

*Conversion Rate Adjustments*

We will adjust the conversion rate for the following events:

(1) If we issue shares of our common stock as a dividend or distribution on shares of our common stock, or if we effect a share split or share combination of our common stock, the conversion rate will be adjusted based on the following formula:

where,

$CR_1$ = the conversion rate in effect immediately prior to the open of business on the record date for such dividend or distribution or the effective date of such share split or combination, as the case may be;

$CR_0$ = the conversion rate in effect at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for such dividend or distribution or the effective date of such share split or combination, as the case may be;

$OS_0$ = the number of shares of our common stock outstanding at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for such dividend or distribution or the effective date of such share split or combination; and

$OS_1$ = the number of shares of our common stock that would be outstanding immediately after, and solely as a result of, such dividend, distribution, share split or combination, as the case may be.

(2) If we distribute to all or substantially all holders of our common stock any rights or warrants (other than rights issued pursuant to a stockholders' right plan) entitling them for a

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period of not more than 60 days from the issuance date for such distribution to subscribe for or purchase shares of our common stock, at a price per share less than the last reported sale price of our common stock on the trading day immediately preceding the declaration date of such distribution, the conversion rate will be increased based on the following formula; provided that the conversion rate will be readjusted to the extent that such rights or warrants are not exercised prior to their expiration:

where,

$CR_1$ = the conversion rate in effect immediately prior to the open of business on the record date for such distribution;

$CR_0$ = the conversion rate in effect at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for such distribution;

$OS_0$ = the number of shares of our common stock outstanding at 5:00 p.m. New York City time, on the trading day immediately preceding the record date for such distribution;

X = the total number of shares of our common stock issuable pursuant to such rights or warrants; and

Y = the number of shares of our common stock equal to the aggregate price payable to exercise such rights or warrants, divided by the average of the last reported sale prices of our common stock over the 10 consecutive trading day period ending on the trading day immediately preceding the record date for such distribution.

(3) (a) If we distribute shares of our capital stock, evidences of our indebtedness or other of our assets or property to all or substantially all holders of our common stock, excluding:

dividends or distributions as to which adjustment is required to be effected in clause (1) or (2) above;

dividends or distributions paid exclusively in cash; and

spin-offs described below in clause (3)(b),

then the conversion rate will be increased based on the following formula:

where,

$CR_1$ = the conversion rate in effect immediately prior to the open of business on the record date for such distribution;

$CR_0$ = the conversion rate in effect at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for such distribution;

$SP_0$ = the average of the last reported sale prices of our common stock over the 10 consecutive trading day period ending on the trading day immediately preceding the record date for such distribution; and

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FMV = the fair market value (as determined by our board of directors or a committee thereof) of the shares of capital stock, evidences of indebtedness, assets or property distributed, with respect to each outstanding share of our common stock as of the open of business on the record date for such distribution.

(b) With respect to an adjustment pursuant to this clause (3) where there has been a payment of a dividend or other distribution on our common stock in shares of capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit of ours that are listed on a national or regional securities exchange, which is referred to in this prospectus supplement as a "spin-off", the conversion rate will be increased based on the following formula:

where,

$CR_1$ = the conversion rate in effect immediately prior to the open of business on the record date for the spin-off;

$CR_0$ = the conversion rate in effect at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for the spin-off;

FMV = the average of the last reported sale prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the first 10 consecutive trading day period immediately following, and including, the third trading day after the record date for such spin-off (such period, the "valuation period"); and

$MP_0$ = the average of the last reported sale prices of our common stock over the valuation period.

Any adjustment to the conversion rate under this clause (3)(b) will be made immediately after the open of business on the day after the last day of the valuation period, but will be given effect as of the open of business on the record date for the spin-off. Because we will make the adjustment to the conversion rate at the end of the valuation period with retroactive effect, we will delay the settlement of any Convertible Notes where the conversion date occurs during the valuation period. In such event, we will deliver shares of our common stock, if any, and any cash in lieu thereof (based on the adjusted conversion rate as described above) on the third business day immediately following the last day of the valuation period.

(4) If we pay any cash dividends or make distributions paid exclusively in cash to all or substantially all holders of our common stock (other than dividends or distributions made in connection with our liquidation, dissolution or winding-up or upon a merger, consolidation or sale, lease, transfer, conveyance or other disposition resulting in a change in the conversion consideration as described under " Change in the Conversion Rights upon Certain Reclassification, Business Combinations, Asset Sales and Corporate Events"), the conversion rate will be increased based on the following formula (other than a regular quarterly cash dividend that does not exceed "T" (as defined below)):

where,

$CR_1$ = the conversion rate in effect immediately prior to the open of business on the record date for such dividend or distribution;

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$CR_0$ = the conversion rate in effect at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for such distribution;

$SP_0$ = the average of the last reported sale prices of our common stock over the 10 consecutive trading day period ending on the trading day immediately preceding the record date for such distribution;

T = the dividend threshold amount, which will initially equal $0.34 per share in any quarterly period; provided that if the dividend or distribution is not a regular quarterly cash dividend, the initial dividend threshold will be deemed to be zero; and

C = the amount in cash per share we distribute to holders of our common stock in any dividend

The initial dividend threshold is subject to adjustment in a manner inversely proportional to adjustments to the conversion rate; *provided* that no adjustment will be made to the initial dividend threshold for any adjustment to the conversion rate under this clause (4).

Any increase made under this clause (4) shall become effective immediately after the open of business on the ex-dividend date for such dividend or distribution. If such dividend or distribution is not so paid, the conversion rate shall be decreased, effective as of the date our board of directors or a committee thereof determines not to make or pay such dividend or distribution, to be the conversion rate that would then be in effect if such dividend or distribution had not been declared.

If "C" (as defined above) is equal to or greater than "SP0" (as defined above), or if the difference between "SP0" and "C" is less than $0.01, in lieu of the foregoing increase, each holder of a Convertible Note shall receive, in respect of each $1,000 principal amount thereof, at the same time and upon the same terms as holders of shares of our common stock, the amount of cash that such holder would have received as if such holder owned a number of shares of our common stock equal to the conversion rate on the record date for such cash dividend or distribution.

(5) If we or any of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock, to the extent that the cash and value of any other consideration included in the payment per share of our common stock exceeds the last reported sale price of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the conversion rate will be increased based on the following formula:

where,

$CR_1$ = the conversion rate in effect immediately after the open of business on the trading day next succeeding the date such tender offer or exchange offer expires;

$CR_0$ = the conversion rate in effect immediately prior to the open of business on the trading day next succeeding the date such tender offer or exchange offer expires;

AC = the aggregate value of all cash and any other consideration (as determined by our board of directors or a committee thereof) paid or payable for shares purchased in such tender or exchange offer;

$SP_1$ = the average of the last reported sale prices of our common stock over the 10 consecutive trading day period commencing on, and including, the trading day next succeeding the date such tender or exchange offer expires (the "averaging period");

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$OS_1$ = the number of shares of our common stock outstanding immediately after the date such tender or exchange offer expires (after giving effect to such tender offer or exchange offer); and

$OS_0$ = the number of shares of our common stock outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to such tender offer or exchange offer).

Any adjustment to the conversion rate under this clause (5) will be made immediately prior to the open of business on the day following the last day of the averaging period, but will be given effect as of the open of business on the trading day next succeeding the date such tender offer or exchange offer expires. Because we will make the adjustment to the conversion rate at the end of the averaging period with retroactive effect, we will delay the settlement of any Convertible Notes where the conversion date occurs during the averaging period. In such event, we will deliver shares of our common stock, if any, and any cash in lieu thereof (based on the adjusted conversion rate as described above) on the third business day immediately following the last day of the averaging period.

To the extent that any future stockholders' rights plan adopted by us is in effect upon conversion of the Convertible Notes into common stock, you will receive, in addition to the common stock, the rights under the applicable rights agreement unless the rights have separated from our common stock at the time of conversion of the Convertible Notes, in which case, the conversion rate will be adjusted as if we distributed to all holders of our common stock shares of our capital stock, evidences of indebtedness or assets as described above in clause (3), subject to readjustment in the event of the expiration, termination or redemption of such rights.

We will not make any adjustment if holders may participate in the transaction at the same time and upon the same terms as holders of our common stock as a result of holding the Convertible Notes, without having to convert their Convertible Notes, as if they had a number of shares of common stock equal to the applicable conversion rate multiplied by the principal amount (expressed in thousands) of Convertible Notes held by such holder, or in certain other cases. Except with respect to a spin-off, in cases where the fair market value of assets, debt securities or certain rights, warrants or options to purchase our securities, applicable to one share of common stock, distributed to stockholders:

- equals or exceeds the average closing price of the common stock over the 10 consecutive trading day period ending on the record date for such distribution, or

- such average closing price exceeds the fair market value of such assets, debt securities or rights, warrants or options so distributed by less than $0.01,

rather than being entitled to an adjustment in the conversion price, the holder of Convertible Notes will be entitled to receive upon conversion, in addition to the shares of common stock, the kind and amount of assets, debt securities or rights, warrants or options comprising the distribution that such holder would have received if such holder had converted such Convertible Notes immediately prior to the record date for determining the stockholders entitled to receive the distribution.

To the extent that we are required to make an adjustment pursuant to a distribution that qualifies under two or more of the clauses above, we will adjust the conversion rate pursuant to clause (3)(a) above to the extent it applies.

Except as stated above, we will not adjust the conversion rate for the issuance of our common stock or any securities convertible into or exchangeable for our common stock or carrying the right to purchase any of the foregoing.

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If a taxable distribution to holders of our common stock or other transaction occurs that results in an adjustment or nonoccurrence of an adjustment to the conversion rate, you may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal income tax as a dividend. In certain other circumstances, the absence of an adjustment may result in a taxable dividend to the holders of our common stock. See "Certain Material U.S. Federal Income Tax Considerations Tax to U.S. Holders of Convertible Notes Constructive distributions" and "Certain Material U.S. Federal Income Tax Considerations Tax to Non-U.S. Holders of Convertible Notes Constructive distributions" in this prospectus supplement.

We will not be required to make an adjustment in the conversion rate unless the adjustment would require a change of at least 1.0% in the conversion rate. However, we will carry forward any adjustment that is less than 1.0% of the conversion rate, take such carried-forward adjustments into account in any subsequent adjustment, and make such carried forward adjustments, regardless of whether the aggregate adjustment is less than 1.0%, (a) annually on the anniversary of the first date of issue of the Convertible Notes, or August , and otherwise (b)(1) 10 business days prior to the maturity date of the Convertible Notes or (2) 10 business days prior to any repurchase date or redemption date, unless such adjustment has already been made.

Without limiting the foregoing, no adjustment to the conversion rate need be made:

(i) upon the issuance of any shares of common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of common stock under any plan;

(ii) upon the issuance of any shares of common stock or options or rights to purchase shares of common stock pursuant to any present or future employee, director or consultant benefit plan or program or employee stock purchase plan of, or assumed by, us or any of our subsidiaries;

(iii) upon the issuance of any shares of common stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security not described in clause (ii) above and outstanding as of the issue date;

(iv) for a change in the par value of the common stock; or

(v) for accrued and unpaid interest (including any additional interest, if applicable).

We will not take any action that would result in an adjustment pursuant to the provisions described in this subsection (" Conversion Rate Adjustments") without complying with Section 312 of the NYSE's Listed Company Manual (which requires stockholder approval of certain issuances of stock), if applicable.

*Change in the Conversion Rights upon Certain Reclassifications, Business Combinations, Asset Sales and Corporate Events*

If we:

- reclassify or change our common stock (other than changes resulting from a subdivision or combination), or

- consolidate or merge with or into any person or sell, lease, transfer, convey or otherwise dispose of all or substantially all of our assets and those of our subsidiaries taken as a whole to another person,

and in either case holders of our common stock receive stock, other securities or other property or assets (including cash or any combination thereof) with respect to or in exchange for their common stock, then from and after the effective date of such transaction, each outstanding Convertible Note will, without the consent of any holders of the Convertible Notes, upon the occurrence of such transaction, become convertible in accordance with the procedures described in " Conversion Procedures", into the consideration the holders of our common stock received in such reclassification, change, consolidation, merger, sale, lease, transfer, conveyance or other disposition (such consideration, the "reference property"). If the transaction causes our common stock to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), the reference property into which the Convertible Notes will become convertible will be deemed to be the kind and amount of consideration elected to be received by a majority of our common stock voted for such an election (if electing between two types of consideration) or a plurality of our common stock voted for such an election (if electing between more than two types of consideration), as the case may be. We may not become a party to any such transaction unless its terms are consistent with the foregoing in all material respects.

*Adjustment to Conversion Rate Upon a Non-Stock Change of Control*

If and only to the extent you elect to convert your Convertible Notes in connection with a transaction described under clause (1), (2) or (4) under the definition of a fundamental change described below under " Fundamental Change Put" and determined after giving effect to any exceptions to or exclusions from such definition, but without regard to the proviso in clause (2) of the definition thereof (a "make-whole fundamental change"), pursuant to which 10.0% or more of the consideration for our common stock (other than cash payments for fractional shares and cash payments made in respect of dissenters' appraisal rights) in such make-whole fundamental change transaction consists of cash or securities (or other property) that are not shares of common stock traded or scheduled to be traded immediately following such transaction on the NYSE, the NASDAQ Global Market or the NASDAQ Global Select Market (or any of their respective successors), which we refer to as a "non-stock change of control" we will increase the conversion rate as described below (subject to the limitations described below). The number of additional shares by which the conversion is increased (the "additional shares") will be determined by reference to the table below, based on the date on which the non-stock change of control becomes effective (the "effective date") and the price (the "stock price") paid per share for our common stock in such non-stock change of control. If holders of our common stock receive only cash in such transaction, the price paid per share will be the cash amount paid per share. Otherwise, the stock price shall be the average of the last reported sale prices of our common stock over the five trading-day period ending on, and including, the trading day immediately preceding the effective date of the non-stock change of control. We will notify you of the effective date of any make-whole fundamental change no later than such time that the fundamental change occurs.

A conversion of the Convertible Notes by a holder will be deemed for these purposes to be "in connection with" a non-stock change of control if the conversion notice is received by the conversion agent following the effective date of the non-stock change of control but before 5:00 p.m., New York City time, on the business day immediately preceding the related repurchase date (as specified in the repurchase notice described under " Fundamental Change Put").

The number of additional shares will be adjusted in the same manner as and as of any date on which the conversion rate of the Convertible Notes is adjusted as described above under " Conversion Rate Adjustments". The stock prices set forth in the first row of the table below (i.e., the column headers) will be simultaneously adjusted to equal the stock prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the conversion rate immediately prior to the adjustment and the denominator of which is the conversion rate as so adjusted.

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The following table sets forth the number of additional shares by which the conversion rate shall be increased: