BROCKMAN CARLA D
Form 4
November 10, 2009

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
BROCKMAN CARLA D

(Last) (First) (Middle)

P.O. BOX 321

(Street)

OKLAHOMA CITY, OK 73101

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
OGE ENERGY CORP. [OGE]

3. Date of Earliest Transaction (Month/Day/Year)
11/06/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP-Admin & Corp. Secretary

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying	8. Price of Derivative Security

(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)				Securities (Instr. 3 and 4)		(Instr. 5)
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Equiv Units	(1)	11/06/2009	A		21.59		(2)	(2)	Com Stk	21.59	$ 32.78

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BROCKMAN CARLA D P.O. BOX 321 OKLAHOMA CITY, OK 73101			VP-Admin & Corp. Secretary	

Signatures

Carla D. Brockman	11/10/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Security converts to common stock on a one-for-one basis.

(2) The Common Stock Units were accrued under the Deferred Compensation Plan of OGE Energy Corp. and are to be settled 100% in cash at a specified future date or following termination of service.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. determinations"> **Quarterly Net Asset Value Determinations**

Operating Company

The Operating Company conducts the valuation of assets, pursuant to which its net asset value, and, consequently, NMFC's net asset value is determined, at all times consistent with GAAP and the 1940 Act. NMFC values its ownership interest on a quarterly basis, or more frequently if required under the 1940 Act.

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

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

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

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

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

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

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

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

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

b. Preliminary valuation conclusions will then be documented and discussed with the Operating Company's senior management;

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

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

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 certain investments may fluctuate from period to period and the fluctuations could be material.

NMFC

Since NMFC is a holding company and its only business and sole asset will be its ownership of units of the Operating Company, the value of its interest in the Operating Company depends on the Operating Company's valuation of our investments. NMFC conducts the valuation of its ownership in the Operating Company, pursuant to which its net asset value is determined, at all times consistent with GAAP and the 1940 Act. The net asset value per share of NMFC's common stock is determined on a quarterly basis and is equal to NMFC's pro rata share, based on the number of units of the Operating Company held by NMFC at the time of the net asset value determination, of the Operating Company's net asset value divided by the total number of shares of NMFC's common stock outstanding. NMFC's board of directors have no control over the determinations of fair value by the Operating Company's board of directors, although the Operating Company's current board of directors is the same as NMFC's. As a result, the value of your investment in shares of NMFC's common stock may be understated or overstated based on the Operating Company's fair value determinations. In the event that NMFC's board of directors believes that a different fair value for the Operating Company's investments is appropriate, NMFC's board of directors will endeavor to discuss the differences in the valuations with the Operating Company's board of directors for the purposes of resolving the differences in valuation. The valuation procedures of NMFC will be substantially similar to those utilized by the Operating Company described above.

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Determinations in Connection with Offerings

In connection with future offering of shares of NMFC's common stock, NMFC's board of directors or an authorized committee thereof will be required to make the determination that it is not selling shares of NMFC's common stock at a price below the then current net asset value of NMFC's common stock at the time at which the sale is made. NMFC's board of directors or an authorized committee thereof will consider the following factors, among others, in making such determination:

- the net asset value per share of NMFC's common stock disclosed in the most recent periodic report that we filed with the SEC;

- NMFC's management's assessment of whether any material change in the net asset value per share of its common stock has occurred (including through the realization of gains on the sale of the Operating Company's portfolio securities) during the period beginning on the date of the most recently disclosed net asset value per share of NMFC's common stock and ending two days prior to the date of the sale of NMFC's common stock; and

- the magnitude of the difference between (i) a value that NMFC's Board of Directors or an authorized committee thereof has determined reflects the current net asset value of NMFC's common stock, which is generally based upon the net asset value of NMFC's common stock disclosed in the most recent periodic report that NMFC filed with the SEC, as adjusted to reflect NMFC's management's assessment of any material change in the net asset value of its common stock since the date of the most recently disclosed net asset value of NMFC's common stock, and (ii) the offering price of the shares of NMFC's common stock in the proposed offering.

Moreover, to the extent that there is even a remote possibility that NMFC may (i) issue shares of its common stock at a price per share below the then current net asset value per share of its common stock at the time at which the sale is made or (ii) trigger the undertaking (which we provide in certain registration statements we file with the SEC) to suspend the offering of shares of its common stock pursuant to this prospectus if the net asset value per share of NMFC's common stock fluctuates by certain amounts in certain circumstances until the prospectus is amended, NMFC's board of directors will elect, in the case of clause (i) above, either to postpone the offering until such time that there is no longer the possibility of the occurrence of such event or to undertake to determine the net asset value per share of its common stock within two days prior to any such sale to ensure that such sale will not be below its then current net asset value per share, and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine the net asset value per share of its common stock to ensure that such undertaking has not been triggered.

These processes and procedures are part of our compliance policies and procedures. Records will be made contemporaneously with all determinations described in this section and these records will be maintained with other records that NMFC and the Operating Company are required to maintain under the 1940 Act.

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DIVIDEND REINVESTMENT PLAN

NMFC has adopted a dividend reinvestment plan that provides for reinvestment of its distributions on behalf of its stockholders, unless a stockholder elects to receive cash as provided below. As a result, if NMFC's board of directors authorizes, and NMFC declares, a cash distribution, then NMFC's stockholders who have not "opted out" of the dividend reinvestment plan will have their cash distributions automatically reinvested in additional shares of NMFC's common stock, rather than receiving the cash distributions.

No action will be required on the part of a registered stockholder to have their cash distributions reinvested in shares of NMFC's common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying American Stock Transfer and Trust Company, LLC the plan administrator and NMFC's transfer agent and registrar, in writing, by phone or through the internet so that such notice is received by the plan administrator no later than three days prior to the payment date for distributions to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive distributions in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, received in writing, by phone or through the internet at any time, the plan administrator will, instead of crediting shares to the participant's account, issue a certificate registered in the participant's name for the number of whole shares of NMFC's common stock and a check for any fractional share less a transaction fee of the lesser of (i) $15.00 and (ii) the price of the fractional share.

Cash distributions reinvested in additional shares of NMFC's common stock will be automatically reinvested by NMFC in the Operating Company. NMFC will use only newly issued shares to implement the plan if the price at which newly issued shares are to be credited is equal to or greater than 110.0% of the last determined net asset value of the shares. Under such circumstances, the number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of NMFC's common stock at the close of regular trading 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 asked prices. If NMFC uses newly issued shares to implement the plan, NMFC will receive, on a one-for-one basis, additional units of the Operating Company in exchange for cash distributions that are reinvested in shares of NMFC's common stock under the dividend reinvestment plan. NMFC reserves the right to purchase its shares in the open market in connection with its implementation of the plan if the price at which its newly issued shares are to be credited does not exceed 110.0% of the last determined net asset value of the shares. 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 NMFC's common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of NMFC's stockholders have been tabulated.

There will be no brokerage charges or other charges for dividend reinvestment to stockholders who participate in the plan. The Operating Company will pay on NMFC's behalf the plan administrator's fees under the plan. If a participant elects by written, telephone, or internet 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 commissions from the proceeds.

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Stockholders who receive distributions in the form of stock generally are subject to the same federal income tax consequences as are stockholders who elect to receive their distributions in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a distribution from NMFC will be equal to the total dollar amount of the distribution payable to the stockholder. Any stock received in a distribution will have a holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Participants may terminate their accounts under the plan by notifying the plan administrator via its website at *www.amstock.com*, by filling out the transaction request form located at the bottom of their statement and sending it to the plan administrator at American Stock Transfer and Trust Company, LLC, P.O. Box 922, Wall Street Station, New York, New York 10269, Attention: Plan Administration Department, or by calling the plan administrator at (888) 333-0212.

All correspondence concerning the plan should be directed to the plan administrator by mail at American Stock Transfer and Trust Company, LLC, P.O. Box 922, Wall Street Station, New York, New York 10269, or by telephone at (888) 333-0212.

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DESCRIPTION OF NMFC'S SECURITIES

This prospectus contains a summary of NMFC's or the Operating Company's, as applicable, common stock, preferred stock, subscription rights, warrants and debt securities. These summaries are not meant to be a complete description of each security. However, this prospectus contains the material terms and conditions for each security.

DESCRIPTION OF NMFC'S CAPITAL STOCK

The following description is based on relevant portions of the Delaware General Corporation Law, NMFC's amended and restated certificate of incorporation and amended and restated bylaws. This summary is not necessarily complete, and we refer you to the Delaware General Corporation Law, NMFC's amended and restated certificate of incorporation and amended and restated bylaws for a more detailed description of the provisions summarized below.

Capital Stock

NMFC's authorized capital stock consists of 100,000,000 shares of common stock, par value $0.01 per share, of which 45,159,921 shares are outstanding as of November 18, 2013, which reflects the offering completed on October 17, 2013 including the exercise of the underwriters' option to purchase up to an additional 900,000 shares of NMFC's common stock on behalf of AIV Holdings, and 2,000,000 shares of preferred stock, par value $0.01, of which no shares are currently outstanding. NMFC's common stock is listed on the NYSE under the ticker symbol "NMFC". No stock has been authorized for issuance under any equity compensation plans. Under Delaware law, NMFC's stockholders generally will not be personally liable for our debts or obligations.

The following are NMFC's outstanding classes of securities as of November 18, 2013:

(1) Title of Class	(2) Amount Authorized	(3) Amount Held by NMFC or for Its Account	(4) Amount Outstanding Exclusive of Amount Under Column 3
Common Stock	100,000,000		45,159,921
Preferred Stock	2,000,000		

Common Stock

Under the terms of NMFC's amended and restated certificate of incorporation, all shares of NMFC's common stock will have equal rights as to earnings, assets, dividends and voting and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of NMFC's common stock if, as and when authorized by NMFC's board of directors and declared by NMFC out of funds legally available therefore. Shares of NMFC's common stock will have no preemptive, exchange, conversion or redemption rights and will be freely transferable, except where their transfer is restricted by federal and state securities laws or by contract. In the event of NMFC's liquidation, dissolution or winding up, each share of its common stock would be entitled to share ratably in all of its assets that are legally available for distribution after it pays all debts and other liabilities and subject to any preferential rights of holders of its preferred stock, if any preferred stock is outstanding at such time. Each share of NMFC's common stock will be entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of NMFC's common stock will possess exclusive voting power. There will be no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock will be able to elect all of NMFC's directors (other than

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directors to be elected solely by the holders of preferred stock), and holders of less than a majority of such shares will be unable to elect any director.

NMFC's amended and restated certificate of incorporation will require NMFC at all times to reserve and keep available out of its authorized but unissued shares of common stock the number of shares that are issuable upon exchange of all outstanding the Operating Company units held by AIV Holdings and, if applicable with respect to any units received as payment of the incentive fee, the Investment Adviser.

Preferred Stock

NMFC's amended and restated certificate of incorporation authorizes its board of directors to issue preferred stock. Prior to the issuance of shares of each class or series, the board of directors is required by Delaware law and by NMFC's amended and restated certificate of incorporation to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of NMFC's common stock or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to NMFC's common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50.0% of the Operating Company's total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two full years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a BDC. We believe that the availability for issuance by NMFC of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions. However, NMFC does not currently have any plans to issue preferred stock.

Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses

The Delaware General Corporation Law authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. NMFC's amended and restated certificate of incorporation will include a provision that eliminates the personal liability of its directors for monetary damages for actions taken as a director, except for liability:

- for breach of duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;
- under Section 174 of the DGCL (unlawful dividends); or
- for transactions from which the director derived improper personal benefit.

Under NMFC's amended and restated bylaws, NMFC will fully indemnify any person who was or is involved in any actual or threatened action, suit or proceeding by reason of the fact that such person is or was one of NMFC's directors or officers. So long as NMFC is regulated under the

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1940 Act, the above indemnification and limitation of liability is limited by the 1940 Act or by any valid rule, regulation or order of the SEC thereunder. The 1940 Act provides, among other things, that a company may not indemnify any director or officer against liability to it or its security holders to which he or she might otherwise be subject by reason of his or her willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office unless a determination is made by final decision of a court, by vote of a majority of a quorum of directors who are disinterested, non-party directors or by independent legal counsel that the liability for which indemnification is sought did not arise out of the foregoing conduct.

Delaware law also provides that indemnification permitted under the law shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under the corporation's bylaws, any agreement, a vote of stockholders or otherwise.

NMFC has obtained liability insurance for its officers and directors.

Delaware Law and Certain Certificate of Incorporation and Bylaw Provisions; Anti-Takeover Measures

Certain provisions of NMFC's amended and restated certificate of incorporation and amended and restated bylaws, as summarized below, and applicable provisions of the Delaware General Corporation Law and certain other agreements to which NMFC is a party may make it more difficult for or prevent an unsolicited third party from acquiring control of NMFC or changing its board of directors and management. These provisions may have the effect of deterring hostile takeovers or delaying changes in NMFC's control or in its management. These provisions are intended to enhance the likelihood of continued stability in the composition of NMFC's board of directors and in the policies furnished by them and to discourage certain types of transactions that may involve an actual or threatened change in NMFC's control. The provisions also are intended to discourage certain tactics that may be used in proxy fights. These provisions, however, could have the effect of discouraging others from making tender offers for NMFC's shares and, as a consequence, they also may inhibit fluctuations in the market price of NMFC's shares that could result from actual or rumored takeover attempts.

Classified Board; Vacancies; Removal. The classification of NMFC's board of directors and the limitations on removal of directors and filling of vacancies could have the effect of making it more difficult for a third party to acquire NMFC, or of discouraging a third party from acquiring NMFC. NMFC's board of directors will be divided into three classes, with the term of one class expiring at each annual meeting of stockholders. At each annual meeting, one class of directors is elected to a three-year term. This provision could delay for up to two years the replacement of a majority of the board of directors.

NMFC's amended and restated certificate of incorporation provides that, subject to the applicable requirements of the 1940 Act and the rights of any holders of preferred stock, any vacancy on the board of directors, however the vacancy occurs, including a vacancy due to an enlargement of the board, may only be filled by vote a majority of the directors then in office.

A director may be removed at any time at a meeting called for that purpose, but only for cause and only by the affirmative vote of the holders of at least 75.0% of the shares then entitled to vote for the election of the respective director.

Advance Notice Requirements for Stockholder Proposals and Director Nominations. NMFC's amended and restated bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the board of directors and the proposal of business to be considered by stockholders may be made only (1) by or at the direction of the board of directors or (2) by a stockholder who is entitled to vote at the meeting and who has

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complied with the advance notice procedures of the amended and restated bylaws. Nominations of persons for election to the board of directors at a special meeting may be made only (1) by or at the direction of the board of directors or (2) provided that the board of directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the amended and restated bylaws. The purpose of requiring stockholders to give NMFC advance notice of nominations and other business is to afford NMFC's board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by NMFC's board of directors, to inform its stockholders and make recommendations about such qualifications or business, as well as to approve a more orderly procedure for conducting meetings of stockholders. Although NMFC's amended and restated bylaws do not give its board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to NMFC and its stockholders.

Amendments to Certificate of Incorporation and Bylaws. Delaware's corporation law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws requires a greater percentage. NMFC's amended and restated certificate of incorporation will provide that the following provisions, among others, may be amended by its stockholders only by a vote of at least two-thirds of the shares of NMFC's capital stock entitled to vote:

- the classification of its board of directors;
- the removal of directors;
- the limitation on stockholder action by written consent;
- the limitation of directors' personal liability to NMFC or its stockholders for breach of fiduciary duty as a director;
- the ability to call a Special Meeting of Stockholders being vested in NMFC's board of directors, the chairperson of its board, NMFC's chief executive officer and in the holders of at least fifty (50) percent of the voting power of all shares of capital stock of NMFC generally entitled to vote on the election of directors then outstanding subject to certain procedures; and
- the amendment provision requiring that the above provisions be amended only with a two-thirds supermajority vote.

The amended and restated bylaws generally can be amended by approval of (i) a majority of the total number of authorized directors or (ii) the affirmative vote of the holders of at least two-thirds of the shares of NMFC's capital stock entitled to vote.

Calling of Special Meetings by Stockholders. NMFC's certificate of incorporation and bylaws also provide that special meetings of the stockholders may only be called by NMFC's board of directors, the chairperson of its board, NMFC's chief executive officer or upon the request of the holders of at least 50.0% of the voting power of all shares of capital stock of NMFC, generally entitled to vote on the election of directors then outstanding, subject to certain limitations.

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Section 203 of the Delaware General Corporation Law. We will not be subject to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the "business combination" or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status, did own) 15.0% or more of a corporation's voting stock. In our certificate of incorporation, we have elected not to be bound by Section 203.

The Credit Facilities also include change of control provisions that accelerate the indebtedness under the Credit Facilities in the event of certain change of control events. If certain transactions were engaged in without the consent of the lender, repayment obligations under the Credit Facilities could be accelerated.

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DESCRIPTION OF NMFC'S PREFERRED STOCK

In addition to shares of common stock, NMFC has 2,000,000 shares of preferred stock, par value $0.01, of which no shares are currently outstanding. If we offer preferred stock under this prospectus, we will issue an appropriate prospectus supplement. We may issue preferred stock from time to time in one or more classes or series, without stockholder approval. Prior to issuance of shares of each class or series, our board of directors is required by Delaware law and by our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Any such an issuance must adhere to the requirements of the 1940 Act, Delaware law and any other limitations imposed by law.

The 1940 Act currently requires, among other things, that (a) immediately after issuance and before any distribution is made with respect to common stock, the liquidation preference of the preferred stock, together with all other senior securities, must not exceed an amount equal to 50.0% of the Operating Company's total assets (taking into account such distribution), (b) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on the preferred stock are in arrears by two years or more and (c) such class of stock have complete priority over any other class of stock as to distribution of assets and payment of dividends, which dividends shall be cumulative.

For any series of preferred stock that we may issue, our board of directors will determine and the amendment to the charter and the prospectus supplement relating to such series will describe:

- the designation and number of shares of such series;
- the rate and time at which, and the preferences and conditions under which, any dividends will be paid on shares of such series, as well as whether such dividends are participating or non-participating;
- any provisions relating to convertibility or exchangeability of the shares of such series, including adjustments to the conversion price of such series;
- the rights and preferences, if any, of holders of shares of such series upon our liquidation, dissolution or winding up of our affairs;
- the voting powers, if any, of the holders of shares of such series;
- any provisions relating to the redemption of the shares of such series;
- any limitations on our ability to pay dividends or make distributions on, or acquire or redeem, other securities while shares of such series are outstanding;
- any conditions or restrictions on our ability to issue additional shares of such series or other securities;
- if applicable, a discussion of certain U.S. federal income tax considerations; and
- any other relative powers, preferences and participating, optional or special rights of shares of such series, and the qualifications, limitations or restrictions thereof.

All shares of preferred stock that we may issue will be identical and of equal rank except as to the particular terms thereof that may be fixed by our board of directors, and all shares of each series of preferred stock will be identical and of equal rank except as to the dates from which dividends, if any, thereon will be cumulative.

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DESCRIPTION OF NMFC'S SUBSCRIPTION RIGHTS

General

NMFC may issue subscription rights to its stockholders to purchase common stock. Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with a subscription rights offering to NMFC's stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to NMFC's stockholders on the record date that we set for receiving subscription rights in such subscription rights offering.

The applicable prospectus supplement would describe the following terms of subscription rights in respect of which this prospectus is being delivered:

- the period of time the offering would remain open (which shall be open a minimum number of days such that all record holders would be eligible to participate in the offering and shall not be open longer than 120 days);
- the title of such subscription rights;
- the exercise price for such subscription rights (or method of calculation thereof);
- the ratio of the offering (which, in the case of transferable rights, will require a minimum of three shares to be held of record before a person is entitled to purchase an additional share);
- the number of such subscription rights issued to each stockholder;
- the extent to which such subscription rights are transferable and the market on which they may be traded if they are transferable;
- if applicable, a discussion of certain U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights;
- the date on which the right to exercise such subscription rights shall commence, and the date on which such right shall expire (subject to any extension);
- the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities and the terms of such over-subscription privilege;
- any termination right we may have in connection with such subscription rights offering; and
- any other terms of such subscription rights, including exercise, settlement and other procedures and limitations relating to the transfer and exercise of such subscription rights.

Exercise Of Subscription Rights

Each subscription right would entitle the holder of the subscription right to purchase for cash such amount of shares of common stock at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the subscription rights offered thereby. Subscription rights may be exercised at any time up to the close of business on the expiration date for such subscription rights set forth in the prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights would become void.

Subscription rights may be exercised as set forth in the prospectus supplement relating to the subscription rights offered thereby. Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement we will forward, as soon as practicable,

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the shares of common stock purchasable upon such exercise. To the extent permissible under applicable law, we may determine to offer any unsubscribed offered securities directly to persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, as set forth in the applicable prospectus supplement.

Dilutive Effects

Any stockholder who chooses not to participate in a rights offering should expect to own a smaller interest in NMFC upon completion of such rights offering. Any rights offering will dilute the ownership interest and voting power of stockholders who do not fully exercise their subscription rights. Further, because the net proceeds per share from any rights offering may be lower than NMFC's then current net asset value per share, the rights offering may reduce NMFC's net asset value per share. The amount of dilution that a stockholder will experience could be substantial, particularly to the extent we engage in multiple rights offerings within a limited time period. In addition, the market price of NMFC's common stock could be adversely affected while a rights offering is ongoing as a result of the possibility that a significant number of additional shares may be issued upon completion of such rights offering. All of NMFC's stockholders will also indirectly bear the expenses associated with any rights offering we may conduct, regardless of whether they elect to exercise any rights.

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DESCRIPTION OF NMFC'S WARRANTS

The following is a general description of the terms of the warrants NMFC may issue from time to time. Particular terms of any warrants NMFC offers will be described in the prospectus supplement relating to such warrants.

NMFC may issue warrants to purchase shares of NMFC's common stock. Such warrants may be issued independently or together with shares of common stock and may be attached or separate from such shares of common stock. NMFC will issue each series of warrants under a separate warrant agreement to be entered into between NMFC and a warrant agent. The warrant agent will act solely as NMFC's agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

- the title of such warrants;
- the aggregate number of such warrants;
- the price or prices at which such warrants will be issued;
- the currency or currencies, including composite currencies, in which the price of such warrants may be payable;
- the number of shares of common stock issuable upon exercise of such warrants;
- the price at which and the currency or currencies, including composite currencies, in which the shares of common stock purchasable upon exercise of such warrants may be purchased;
- the date on which the right to exercise such warrants shall commence and the date on which such right will expire;
- whether such warrants will be issued in registered form or bearer form;
- if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;
- if applicable, the number of such warrants issued with each share of common stock;
- if applicable, the date on and after which such warrants and the related shares of common stock will be separately transferable;
- information with respect to book-entry procedures, if any;
- if applicable, a discussion of certain U.S. federal income tax considerations; and
- any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

NMFC and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

Under the 1940 Act, NMFC may generally only offer warrants provided that (1) the warrants expire by their terms within ten years; (2) the exercise or conversion price is not less than the current market value at the date of issuance; (3) NMFC's stockholders authorize the proposal to issue such warrants, and NMFC's board of directors approves such issuance on the basis that the

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issuance is in the best interests of NMFC and its stockholders; and (4) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. The 1940 Act also provides that the amount of NMFC's voting securities that would result from the exercise of all outstanding warrants at the time of issuance may not exceed 25.0% of NMFC's outstanding voting securities.

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DESCRIPTION OF THE OPERATING COMPANY'S DEBT SECURITIES

Under the terms of the Credit Facilities and the loan documents related thereto, as currently in effect, the Operating Company is generally prohibited from or subject to limitations on incurring any additional indebtedness, which would include issuing any debt securities. However, in the event that the Operating Company obtains any necessary approvals, consents, amendments or waivers from the lenders under the Credit Facilities to permit the issuance of debt securities, the Operating Company may issue debt securities in one or more series as described below. The specific terms of each series of debt securities will be described in the particular prospectus supplement relating to that series. The prospectus supplement may or may not modify the general terms found in this prospectus and will be filed with the SEC. For a complete description of the terms of a particular series of debt securities, you should read both this prospectus and the prospectus supplement relating to that particular series.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called an "indenture". An indenture is a contract between the Operating Company and the financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against the Operating Company if it defaults. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under " Events of Default Remedies if an Event of Default Occurs". Second, the trustee performs certain administrative duties for the Operating Company with respect to the debt securities.

This section includes a description of the material provisions of the indenture. Because this section is a summary, however, it does not describe every aspect of the debt securities and the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of debt securities. A copy of the form of indenture is attached as an exhibit to the registration statement of which this prospectus is a part. The Operating Company will file a supplemental indenture with the SEC in connection with any debt offering, at which time the supplemental indenture would be publicly available. See "Where You Can Find Additional Information" for information on how to obtain a copy of the indenture.

The prospectus supplement, which will accompany this prospectus, will describe the particular series of debt securities being offered by including:

- the designation or title of the series of debt securities;
- the total principal amount of the series of debt securities;
- the percentage of the principal amount at which the series of debt securities will be offered;
- the date or dates on which principal will be payable;
- the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;
- the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;
- whether any interest may be paid by issuing additional securities of the same series in lieu of cash (and the terms upon which any such interest may be paid by issuing additional securities);
- the terms for redemption, extension or early repayment, if any;
- the currencies in which the series of debt securities are issued and payable;

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whether the amount of payments of principal, premium or interest, if any, on a series of debt securities will be determined with reference to an index, formula or other method (which could be based on one or more currencies, commodities, equity indices or other indices) and how these amounts will be determined;

the place or places, if any, other than or in addition to the Borough of Manhattan in the City of New York, of payment, transfer, conversion and/or exchange of the debt securities;

the denominations in which the offered debt securities will be issued (if other than $1,000 and any integral multiple thereof);

the provision for any sinking fund;

any restrictive covenants;

any Events of Default (as defined in "Events of Default" below);

whether the series of debt securities are issuable in certificated form;

any provisions for defeasance or covenant defeasance;

any special federal income tax implications, including, if applicable, federal income tax considerations relating to original issue discount;

whether and under what circumstances the Operating Company will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether the Operating Company will have the option to redeem the debt securities rather than pay the additional amounts (and the terms of this option);

any provisions for convertibility or exchangeability of the debt securities into or for any other securities;

whether the debt securities are subject to subordination and the terms of such subordination;

whether the debt securities are secured and the terms of any security interest;

the listing, if any, on a securities exchange; and

any other terms.

The debt securities may be secured or unsecured obligations. Under the provisions of the 1940 Act, the Operating Company, as a BDC, is permitted to issue debt only in amounts such that its asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of debt, but giving effect to any exemptive relief granted to the Operating Company by the SEC. Unless the prospectus supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by the Operating Company in immediately available funds.

General

The indenture provides that any debt securities proposed to be sold under this prospectus and the accompanying prospectus supplement ("offered debt securities") may be issued under the indenture in one or more series.

For purposes of this prospectus, any reference to the payment of principal of, or premium or interest, if any, on, debt securities will include additional amounts if required by the terms of the debt securities.

The indenture does not limit the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under the indenture, when a single trustee is acting for all debt

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securities issued under the indenture, are called the "indenture securities". The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See " Resignation of Trustee" below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term "indenture securities" means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

Except as described under " Events of Default" and " Merger or Consolidation" below, the indenture does not contain any provisions that give you protection in the event the Operating Company issues a large amount of debt or the Operating Company is acquired by another entity.

We refer you to the prospectus supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or the Operating Company's covenants that are described below, including any addition of a covenant or other provision providing event risk protection or similar protection.

The Operating Company has the ability to issue indenture securities with terms different from those of indenture securities previously issued and, without the consent of the holders thereof, to reopen a previous issue of a series of indenture securities and issue additional indenture securities of that series unless the reopening was restricted when that series was created.

No person from whom the Operating Company borrows will, in its capacity as either a lender or debt security holder, have either a veto power or a vote in approving or changing any of the Operating Company's operating policies or investment strategies.

Conversion and Exchange

If any debt securities are convertible into or exchangeable for other securities, the prospectus supplement will explain the terms and conditions of the conversion or exchange, including the conversion price or exchange ratio (or the calculation method), the conversion or exchange period (or how the period will be determined), if conversion or exchange will be mandatory or at the option of the holder or the Operating Company, provisions for adjusting the conversion price or the exchange ratio and provisions affecting conversion or exchange in the event of the redemption of the underlying debt securities. These terms may also include provisions under which the number or amount of other securities to be received by the holders of the debt securities upon conversion or exchange would be calculated according to the market price of the other securities as of a time stated in the prospectus supplement.

Issuance of Securities in Registered Form

The Operating Company may issue the debt securities in registered form, in which case the Operating Company may issue them either in book-entry form only or in "certificated" form. Debt securities issued in book-entry form will be represented by global securities. The Operating Company expects that it will usually issue debt securities in book-entry only form represented by global securities.

Book-Entry Holders

The Operating Company will issue registered debt securities in book-entry form only, unless the Operating Company specifies otherwise in the applicable prospectus supplement. This means

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debt securities will be represented by one or more global securities registered in the name of a depositary that will hold them on behalf of financial institutions that participate in the depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the debt securities held by the depositary or its nominee. These institutions may hold these interests on behalf of themselves or customers.

Under the indenture, only the person in whose name a debt security is registered is recognized as the holder of that debt security. Consequently, for debt securities issued in book-entry form, the Operating Company will recognize only the depositary as the holder of the debt securities and the Operating Company will make all payments on the debt securities to the depositary. The depositary will then pass along the payments it receives to its participants, which in turn will pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the debt securities.

As a result, investors will not own debt securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the debt securities are represented by one or more global securities, investors will be indirect holders, and not holders, of the debt securities.

Street Name Holders

In the future, the Operating Company may issue debt securities in certificated form or terminate a global security. In these cases, investors may choose to hold their debt securities in their own names or in "street name". Debt securities held in street name are registered in the name of a bank, broker or other financial institution chosen by the investor, and the investor would hold a beneficial interest in those debt securities through the account he or she maintains at that institution.

For debt securities held in street name, the Operating Company will recognize only the intermediary banks, brokers and other financial institutions in whose names the debt securities are registered as the holders of those debt securities, and the Operating Company will make all payments on those debt securities to them. These institutions will pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold debt securities in street name will be indirect holders, and not holders, of the debt securities.

Legal Holders

The Operating Company's obligations, as well as the obligations of the applicable trustee and those of any third parties employed by the Operating Company or the applicable trustee, run only to the legal holders of the debt securities. The Operating Company does not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a debt security or has no choice because the Operating Company is issuing the debt securities only in book-entry form.

For example, once the Operating Company makes a payment or give a notice to the holder, the Operating Company has no further responsibility for the payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, if the Operating Company wants to obtain the approval of the holders for any purpose (for example, to amend an indenture or to relieve itself of the consequences of a default or of its obligation to comply with a particular provision of an

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indenture), the Operating Company would seek the approval only from the holders, and not the indirect holders, of the debt securities. Whether and how the holders contact the indirect holders is up to the holders.

When we refer to you in this Description of the Operating Company's Debt Securities, we mean those who invest in the debt securities being offered by this prospectus, whether they are the holders or only indirect holders of those debt securities. When we refer to your debt securities, we mean the debt securities in which you hold a direct or indirect interest.

Special Considerations for Indirect Holders

If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, we urge you to check with that institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- how it would handle a request for the holders' consent, if ever required;
- whether and how you can instruct it to send you debt securities registered in your own name so you can be a holder, if that is permitted in the future for a particular series of debt securities;
- how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests; and
- if the debt securities are in book-entry form, how the depositary's rules and procedures will affect these matters.

Global Securities

As noted above, the Operating Company usually will issue debt securities as registered securities in book-entry form only. A global security represents one or any other number of individual debt securities. Generally, all debt securities represented by the same global securities will have the same terms.

Each debt security issued in book-entry form will be represented by a global security that the Operating Company deposits with and registers in the name of a financial institution or its nominee that the Operating Company selects. The financial institution that the Operating Company selects for this purpose is called the depositary. Unless the Operating Company specifies otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depositary for all debt securities issued in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under "   Termination of a Global Security". As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all debt securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that has an account with the depositary. Thus, an investor whose security is represented by a global security will not be a holder of the debt security, but only an indirect holder of a beneficial interest in the global security.

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Special Considerations for Global Securities

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depositary, as well as general laws relating to securities transfers. The depositary that holds the global security will be considered the holder of the debt securities represented by the global security.

If debt securities are issued only in the form of a global security, an investor should be aware of the following:

- an investor cannot cause the debt securities to be registered in his or her name and cannot obtain certificates for his or her interest in the debt securities, except in the special situations we describe below;

- an investor will be an indirect holder and must look to his or her own bank or broker for payments on the debt securities and protection of his or her legal rights relating to the debt securities, as we describe under "Issuance of Securities in Registered Form" above;

- an investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form;

- an investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the debt securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;

- the depositary's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in a global security. The Operating Company and the trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in a global security. The Operating Company and the trustee also do not supervise the depositary in any way;

- if the Operating Company redeems less than all the debt securities of a particular series being redeemed, DTC's practice is to determine by lot the amount to be redeemed from each of its participants holding that series;

- an investor is required to give notice of exercise of any option to elect repayment of its debt securities, through its participant, to the applicable trustee and to deliver the related debt securities by causing its participant to transfer its interest in those debt securities, on DTC's records, to the applicable trustee;

- DTC requires that those who purchase and sell interests in a global security deposited in its book-entry system use immediately available funds, your broker or bank may also require you to use immediately available funds when purchasing or selling interests in a global security;

- financial institutions that participate in the depositary's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments, notices and other matters relating to the debt securities; there may be more than one financial intermediary in the chain of ownership for an investor, the Operating Company does not monitor and is not responsible for the actions of any of those intermediaries.

Termination of a Global Security

If a global security is terminated for any reason, interests in it will be exchanged for certificates in non-book-entry form (certificated securities). After that exchange, the choice of whether to hold

Explanation of Responses:

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the certificated debt securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of legal holders and street name investors under " Issuance of Securities in Registered Form" above.

The prospectus supplement may list situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. If a global security is terminated, only the depositary, and not the Operating Company or the applicable trustee, is responsible for deciding the investors in whose names the debt securities represented by the global security will be registered and, therefore, who will be the holders of those debt securities.

Payment and Paying Agents

The Operating Company will pay interest to the person listed in the applicable trustee's records as the owner of the debt security at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the debt security on the interest due date. That day, usually about two weeks in advance of the interest due date, is called the "record date". Since the Operating Company will pay all the interest for an interest period to the holders on the record date, holders buying and selling debt securities must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the debt securities to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called "accrued interest".

Payments on Global Securities

The Operating Company will make payments on a global security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, the Operating Company will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder's right to those payments will be governed by the rules and practices of the depositary and its participants, as described under " Special Considerations for Global Securities".

Payments on Certificated Securities

The Operating Company will make payments on a certificated debt security as follows. The Operating Company will pay interest that is due on an interest payment date to the holder of debt securities as shown on the trustee's records as of the close of business on the regular record date at the Operating Company's office in New York, New York and/or at other offices that may be specified in the prospectus supplement. The Operating Company will make all payments of principal and premium, if any, by check at the office of the applicable trustee in New York, New York and/or at other offices that may be specified in the prospectus supplement or in a notice to holders against surrender of the debt security.

Alternatively, at the Operating Company's option, it may pay any cash interest that becomes due on the debt security by mailing a check to the holder at his, her or its address shown on the trustee's records as of the close of business on the regular record date or by transfer to an account at a bank in the United States, in either case, on the due date.

Payment When Offices Are Closed

If any payment is due on a debt security on a day that is not a business day, the Operating Company will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date, except as otherwise indicated in the attached prospectus supplement. Such payment will not result in a default under any debt security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on their debt securities.

Events of Default

You will have rights if an Event of Default occurs in respect of the debt securities of your series and is not cured, as described later in this subsection.

The term "Event of Default" in respect of the debt securities of your series means any of the following:

- the Operating Company does not pay the principal of, or any premium on, a debt security of the series on its due date;
- the Operating Company does not pay interest on a debt security of the series within 30 days of its due date;
- the Operating Company does not deposit any sinking fund payment in respect of debt securities of the series within two business days of its due date;
- the Operating Company remains in breach of a covenant in respect of debt securities of the series for 60 days after it receives a written notice of default stating the Operating Company is in breach (the notice must be sent by either the trustee or holders of at least 25.0% of the principal amount of debt securities of the series);
- the Operating Company files for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 90 days; or
- the series of debt securities has an asset coverage, as such term is defined in the 1940 Act, of less than 100.0% on the last business day of each of 24 consecutive calendar months, giving effect to any exemptive relief granted to the Operating Company by the SEC; or
- any other Event of Default in respect of debt securities of the series described in the prospectus supplement occurs.

An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of debt securities of any default, except in the payment of principal, premium, interest, or sinking or purchase fund installment, if it in good faith considers the withholding of notice to be in the interest of the holders.

Remedies if an Event of Default Occurs

If an Event of Default has occurred and is continuing, the trustee or the holders of not less than 25.0% in principal amount of the debt securities of the affected series may (and the trustee shall at the request of such holders) declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the debt securities of the affected series if (1) the Operating Company has deposited with the trustee all amounts due and owing with respect to the securities (other than

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principal that has become due solely by reason of such acceleration) and certain other amounts, and (2) any other Events of Default have been cured or waived.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee protection from expenses and liability reasonably satisfactory to it (called an "indemnity"). If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass your trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

- you must give the trustee written notice that an Event of Default with respect to the relevant series of debt securities has occurred and remains uncured;

- the holders of at least 25.0% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default and must offer indemnity, security, or both reasonably satisfactory to the trustee against the costs, expenses, and other liabilities of taking that action;

- the trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity; and

- the holders of a majority in principal amount of the debt securities of that series must not have given the trustee a direction inconsistent with the above notice during that 60-day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt securities on or after the due date.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.

Each year, the Operating Company will furnish to each trustee a written statement of certain of its officers certifying that to their knowledge the Operating Company is in compliance with the indenture and the debt securities, or else specifying any default.

Waiver of Default

Holders of a majority in principal amount of the debt securities of the affected series may waive any past defaults other than

- the payment of principal, any premium or interest; or

- in respect of a covenant that cannot be modified or amended without the consent of each holder.

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Merger or Consolidation

Under the terms of the indenture, the Operating Company is generally permitted to consolidate or merge with another entity. The Operating Company is also permitted to sell all or substantially all of its assets to another entity. However, the Operating Company may not take any of these actions unless all the following conditions are met:

- where the Operating Company merges out of existence or sells substantially all its assets, the resulting entity or transferee must agree to be legally responsible for the Operating Company's obligations under the debt securities;

- the merger or sale of assets must not cause a default on the debt securities and the Operating Company must not already be in default (unless the merger or sale would cure the default). For purposes of this no-default test, a default would include an Event of Default that has occurred and has not been cured, as described under "Events of Default" above. A default for this purpose would also include any event that would be an Event of Default if the requirements for giving the Operating Company a notice of default or the Operating Company's default having to exist for a specific period of time were disregarded.

- the Operating Company must deliver certain certificates and documents to the trustee; and

- the Operating Company must satisfy any other requirements specified in the prospectus supplement relating to a particular series of debt securities.

Modification or Waiver

There are three types of changes the Operating Company can make to the indenture and the debt securities issued thereunder.

Changes Requiring Your Approval

First, there are changes that the Operating Company cannot make to your debt securities without your specific approval. The following is a list of those types of changes:

- change the stated maturity of the principal of or interest on a debt security or the terms of any sinking fund with respect to any security;

- reduce any amounts due on a debt security;

- reduce the amount of principal payable upon acceleration of the maturity of an original issue discount or indexed security following a default or upon the redemption thereof or the amount thereof provable in a bankruptcy proceeding;

- adversely affect any right of repayment at the holder's option;

- change the place or currency of payment on a debt security (except as otherwise described in the prospectus or prospectus supplement);

- impair your right to sue for payment;

adversely affect any right to convert or exchange a debt security in accordance with its terms;

modify the subordination provisions in the indenture in a manner that is adverse to outstanding holders of the debt securities;

reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;

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- reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults;

- modify any other aspect of the provisions of the indenture dealing with supplemental indentures with the consent of holders, waiver of past defaults, changes to the quorum or voting requirements or the waiver of certain covenants; and

- change any obligation the Operating Company has to pay additional amounts.

Changes Not Requiring Approval

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifications, establishment of the form or terms of new securities of any series as permitted by the indenture and certain other changes that would not adversely affect holders of the outstanding debt securities in any material respect. The Operating Company also does not need any approval to make any change that affects only debt securities to be issued under the indenture after the change takes effect.

Changes Requiring Majority Approval

Any other change to the indenture and the debt securities would require the following approval:

- if the change affects only one series of debt securities, it must be approved by the holders of a majority in principal amount of that series; and

- if the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

In each case, the required approval must be given by written consent.

The holders of a majority in principal amount of a series of debt securities issued under the indenture, voting together as one class for this purpose, may waive the Operating Company's compliance with some of its covenants applicable to that series of debt securities. However, the Operating Company cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under " Changes Requiring Your Approval".

Further Details Concerning Voting

When taking a vote, we will use the following rules to decide how much principal to attribute to a debt security:

- for original issue discount securities, the Operating Company will use the principal amount that would be due and payable on the voting date if the maturity of these debt securities were accelerated to that date because of a default;

- for debt securities whose principal amount is not known (for example, because it is based on an index), the Operating Company will use the principal face amount at original issuance or a special rule for that debt security described in the prospectus supplement; and

- for debt securities denominated in one or more foreign currencies, the Operating Company will use the U.S. dollar equivalent.

Debt securities will not be considered outstanding, and therefore not eligible to vote, if the Operating Company has deposited or set aside in trust money for their payment or redemption or if

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the Operating Company, any other obligor, or any affiliate of the Operating Company or any obligor own such debt securities. Debt securities will also not be eligible to vote if they have been fully defeased as described later under " Defeasance Full Defeasance".

The Operating Company will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding indenture securities that are entitled to vote or take other action under the indenture. However, the record date may not be more than 30 days before the date of the first solicitation of holders to vote on or take such action. If the Operating Company sets a record date for a vote or other action to be taken by holders of one or more series, that vote or action may be taken only by persons who are holders of outstanding indenture securities of those series on the record date and must be taken within 11 months following the record date.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if the Operating Company seeks to change the indenture or the debt securities or requests a waiver.

Defeasance

The following provisions will be applicable to each series of debt securities unless the Operating Company states in the applicable prospectus supplement that the provisions of covenant defeasance and full defeasance will not be applicable to that series.

Covenant Defeasance

Under current U.S. federal tax law and the indenture, the Operating Company can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series was issued. This is called "covenant defeasance". In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your debt securities. If the Operating Company achieved covenant defeasance and your debt securities were subordinated as described under " Indenture Provisions Subordination" below, such subordination would not prevent the trustee under the indenture from applying the funds available to it from the deposit described in the first bullet below to the payment of amounts due in respect of such debt securities for the benefit of the subordinated debt holders. In order to achieve covenant defeasance, the Operating Company must do the following:

- the Operating Company must deposit in trust for the benefit of all holders of a series of debt securities a combination of cash (in such currency in which such securities are then specified as payable at stated maturity) or government obligations applicable to such securities (determined on the basis of the currency in which such securities are then specified as payable at stated maturity) that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates and any mandatory sinking fund payments or analogous payments;

- the Operating Company must deliver to the trustee a legal opinion of its counsel confirming that, under current U.S. federal income tax law, the Operating Company may make the above deposit without causing you to be taxed on the debt securities any differently than if the Operating Company did not make the deposit;

- the Operating Company must deliver to the trustee a legal opinion of its counsel stating that the above deposit does not require registration by the Operating Company under the 1940 Act and a legal opinion and officers' certificate stating that all conditions precedent to covenant defeasance have been complied with;

defeasance must not result in a breach or violation of, or result in a default under, of the indenture or any of the Operating Company's other material agreements or instruments;

no default or event of default with respect to such debt securities shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days; and

satisfy the conditions for covenant defeasance contained in any supplemental indentures.

If the Operating Company accomplishes covenant defeasance, you can still look to the Operating Company for repayment of the debt securities if there were a shortfall in the trust deposit or the trustee is prevented from making payment. For example, if one of the remaining Events of Default occurred (such as the Operating Company's bankruptcy) and the debt securities became immediately due and payable, there might be such a shortfall. However, there is no assurance that the Operating Company would have sufficient funds to make payment of the shortfall.

Full Defeasance

If there is a change in U.S. federal tax law or the Operating Company obtains IRS ruling, as described in the second bullet below, the Operating Company can legally release itself from all payment and other obligations on the debt securities of a particular series (called "full defeasance") if the Operating Company puts in place the following other arrangements for you to be repaid:

the Operating Company must deposit in trust for the benefit of all holders of a series of debt securities a combination of cash (in such currency in which such securities are then specified as payable at stated maturity) or government obligations applicable to such securities (determined on the basis of the currency in which such securities are then specified as payable at stated maturity) that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates and any mandatory sinking fund payments or analogous payments;

the Operating Company must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an IRS ruling that allows the Operating Company to make the above deposit without causing you to be taxed on the debt securities any differently than if the Operating Company did not make the deposit. Under current U.S. federal tax law, the deposit and the Operating Company's legal release from the debt securities would be treated as though the Operating Company paid you your share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for your debt securities and you would recognize gain or loss on the debt securities at the time of the deposit;

the Operating Company must deliver to the trustee a legal opinion of its counsel stating that the above deposit does not require registration by the Operating Company under the 1940 Act and a legal opinion and officers' certificate stating that all conditions precedent to defeasance have been complied with;

defeasance must not result in a breach or violation of, or constitute a default under, of the indenture or any of the Operating Company's other material agreements or instruments;

no default or event of default with respect to such debt securities shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days; and

satisfy the conditions for full defeasance contained in any supplemental indentures.

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If the Operating Company ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the debt securities. You could not look to the Operating Company for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of the Operating Company's lenders and other creditors if the Operating Company ever became bankrupt or insolvent. If your debt securities were subordinated as described later under " Indenture Provisions Subordination", such subordination would not prevent the trustee under the indenture from applying the funds available to it from the deposit referred to in the first bullet of the preceding paragraph to the payment of amounts due in respect of such debt securities for the benefit of the subordinated debt holders.

Form, Exchange and Transfer of Certificated Registered Securities

If registered debt securities cease to be issued in book-entry form, they will be issued:

- only in fully registered certificated form;
- without interest coupons; and
- unless the Operating Company indicates otherwise in the prospectus supplement, in denominations of $1,000 and amounts that are multiples of $1,000.

Holders may exchange their certificated securities for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed and as long as the denomination is greater than the minimum denomination for such securities.

Holders may exchange or transfer their certificated securities at the office of the trustee. The Operating Company has appointed the trustee to act as its agent for registering debt securities in the names of holders transferring debt securities. The Operating Company may appoint another entity to perform these functions or perform them itself.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if the Operating Company's transfer agent is satisfied with the holder's proof of legal ownership.

If the Operating Company has designated additional transfer agents for your debt security, they will be named in the prospectus supplement. The Operating Company may appoint additional transfer agents or cancel the appointment of any particular transfer agent. The Operating Company may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and the Operating Company redeems less than all the debt securities of that series, the Operating Company may block the transfer or exchange of those debt securities during the period beginning 15 days before the day the Operating Company mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. The Operating Company may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that the Operating Company will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

If a registered debt security is issued in book-entry form, only the depositary will be entitled to transfer and exchange the debt security as described in this subsection, since it will be the sole holder of the debt security.

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Resignation of Trustee

Each trustee may resign or be removed with respect to one or more series of indenture securities provided that a successor trustee is appointed to act with respect to these series and has accepted such appointment. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

Indenture Provisions Subordination

Upon any distribution of the Operating Company's assets upon its dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all Senior Indebtedness (as defined below), but the Operating Company's obligation to you to make payment of the principal of (and premium, if any) and interest, if any, on such subordinated debt securities will not otherwise be affected. In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on Senior Indebtedness has been made or duly provided for in money or money's worth.

In the event that, notwithstanding the foregoing, any payment by the Operating Company received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt securities, upon the Operating Company's dissolution, winding up, liquidation or reorganization before all Senior Indebtedness is paid in full, the payment or distribution must be paid over to the holders of the Senior Indebtedness or on their behalf for application to the payment of all the Senior Indebtedness remaining unpaid until all the Senior Indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness upon this distribution by the Operating Company, the holders of such subordinated debt securities will be subrogated to the rights of the holders of the Senior Indebtedness to the extent of payments made to the holders of the Senior Indebtedness out of the distributive share of such subordinated debt securities.

By reason of this subordination, in the event of a distribution of the Operating Company's assets upon its insolvency, certain of its senior creditors may recover more, ratably, than holders of any subordinated debt securities or the holders of any indenture securities that are not Senior Indebtedness. The indenture provides that these subordination provisions will not apply to money and securities held in trust under the defeasance provisions of the indenture.

Senior Indebtedness is defined in the indenture as the principal of (and premium, if any) and unpaid interest on:

- the Operating Company's indebtedness (including indebtedness of others guaranteed by the Operating Company), whenever created, incurred, assumed or guaranteed, for money borrowed, that the Operating Company has designated as "Senior Indebtedness" for purposes of the indenture and in accordance with the terms of the indenture (including any indenture securities designated as Senior Indebtedness), and

- renewals, extensions, modifications and refinancings of any of this indebtedness.

If this prospectus is being delivered in connection with the offering of a series of indenture securities denominated as subordinated debt securities, the accompanying prospectus supplement will set forth the approximate amount of the Operating Company's Senior Indebtedness and of its other Indebtedness outstanding as of a recent date.

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Secured Indebtedness and Ranking

Certain of the Operating Company's indebtedness, including certain series of indenture securities, may be secured. The prospectus supplement for each series of indenture securities will describe the terms of any security interest for such series and will indicate the approximate amount of the Operating Company's secured indebtedness as of a recent date. Any unsecured indenture securities will effectively rank junior to any secured indebtedness, including any secured indenture securities, that the Operating Company incurs in the future to the extent of the value of the assets securing such future secured indebtedness. The debt securities, whether secured or unsecured, of the Operating Company will rank structurally junior to all existing and future indebtedness (including trade payables) incurred by its subsidiaries, financing vehicles or similar facilities.

In the event of the Operating Company's bankruptcy, liquidation, reorganization or other winding up, any of its assets that secure secured debt will be available to pay obligations on unsecured debt securities only after all indebtedness under such secured debt has been repaid in full from such assets. We advise you that there may not be sufficient assets remaining to pay amounts due on any or all unsecured debt securities then outstanding. As a result, the holders of unsecured indenture securities may recover less, ratably, than holders of any of the Operating Company's secured indebtedness.

The Trustee under the Indenture

U.S. Bank National Association will serve as the trustee under the indenture.

Certain Considerations Relating to Foreign Currencies

Debt securities denominated or payable in foreign currencies may entail significant risks. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable prospectus supplement.

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DESCRIPTION OF STRUCTURE-RELATED AGREEMENTS

In connection with the formation transactions consummated immediately prior to the IPO, NMFC and the Operating Company entered into various agreements governing the relationship among NMFC, Guardian AIV, New Mountain Guardian Partners, L.P., AIV Holdings and the Operating Company.

These agreements are summarized below, which summaries are qualified in their entirety by reference to the full text of the agreements which were previously filed as exhibits to the registration statement relating to the IPO.

For a description of the agreements governing the relationship between the Operating Company and the Investment Adviser and the New Mountain Finance Entities' relationship with the Administrator, see "Investment Management Agreement" and "Administration Agreement".

The Operating Company Agreement

Guardian AIV and New Mountain Guardian Partners, L.P. previously entered into the Amended and Restated Limited Liability Company Agreement of the Operating Company (the "LLC Agreement"). Limited liability company interests in the Operating Company may, to the extent permissible under the 1940 Act, be represented by one or more classes of units.

In connection with the contribution by Guardian AIV of its units to AIV Holdings prior to the IPO, AIV Holdings entered into a joinder agreement with respect to the LLC Agreement, pursuant to which AIV Holdings was admitted as a member of the Operating Company. In addition, in connection with the contribution by New Mountain Guardian Partners, L.P. of its units to NMFC, NMFC entered into a joinder agreement with respect to the LLC Agreement, pursuant to which NMFC was admitted as a member of the Operating Company.

NMFC and the Operating Company Businesses. NMFC has no direct operations, and its only business and sole asset is its ownership of units of the Operating Company. Under the LLC Agreement, NMFC is not permitted to conduct any business or ventures other than in connection with:

- the acquisition, ownership or disposition of its units of the Operating Company; and
- its operation as a public reporting company.

Under the LLC Agreement, the Operating Company may conduct any business that may be lawfully conducted by a limited liability company under the Delaware Limited Liability Company Act, except that the LLC Agreement requires that the Operating Company conduct its operations in such a manner that will (1) permit NMFC to satisfy the requirements for qualification as a BDC, (2) permit NMFC to satisfy the requirements for qualification as a RIC for federal income tax purposes and (3) ensure that the Operating Company will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Code except to the extent determined by the board of directors of the Operating Company.

Board of Directors. The Operating Company is managed by a board of directors. Subject to the Investment Company Act, director nominees will be elected if the votes cast by the Operating Company's members for such nominee's election exceed the votes cast against such nominee's election, unless such nominee has also been nominated for election to the board of directors of NMFC, in which case such nominee will be elected by a plurality of the Operating Company's members. The Operating Company's current board of directors is comprised of the same individuals as the board of directors of NMFC. Under the LLC Agreement, the Operating Company is required to endeavor to nominate the same slate of director nominees for election by its members as NMFC. However, there can be no assurance that the Operating Company's board

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composition and NMFC's board composition will remain the same. The Operating Company's board of directors is divided into three classes, with the term of one class expiring at each annual meeting of the members of the Operating Company. At each annual meeting, one class of directors is elected to a three-year term. This provision could delay for up to two years the replacement of a majority of the board of directors.

Management. Subject to the overall supervision of the Operating Company's board of directors, the Investment Adviser manages the Operating Company's day-to-day operations and provides the Operating Company with investment management services pursuant to the Investment Management Agreement. The Operating Company pays a management fee and incentive fee to the Investment Adviser for its services.

Tax Matters. NMFC is the Operating Company's tax matters member and, as such, has the authority to handle any tax audits of the Operating Company. Under the LLC Agreement, NMFC is generally be prohibited from taking any action in its capacity as tax matters member, which it knows (or would reasonably be expected to know) would (or would reasonably be expected to) have a significant adverse effect on AIV Holdings, Guardian AIV or Guardian AIV's partners. AIV Holdings also has a consent right over NMFC's actions as the Operating Company's tax matters member if such action would have a significant adverse effect on AIV Holdings, Guardian AIV or Guardian AIV's partners.

The Operating Company has made an election under Section 754 of the Code and to cause such election to remain in effect for every year of the Operating Company during which the Operating Company is treated as a partnership for federal income tax purposes. The board of directors of the Operating Company has the authority to cause the Operating Company to make all other tax elections, and all decisions and positions taken with respect to the Operating Company's taxable income or tax loss (or items thereof) under the Code or other applicable tax law will be made in such manner as may be reasonably determined by the Operating Company's board of directors. Under the LLC Agreement, the Operating Company's board of directors is generally prohibited from making tax elections or making any decision or taking any position with respect to allocations of taxable income that the Operating Company's board of directors knows (or would reasonably be expected to know) would (or would reasonably be expected to) adversely affect NMFC's status as a RIC or have a significant adverse effect on AIV Holdings, Guardian AIV or Guardian AIV's partners and a greater negative impact proportionally on the amount of taxable inclusions incurred by AIV Holdings with respect to income allocated to it by the Operating Company than if such election, decision or position had not been made or taken.

Exchange Right. The LLC Agreement provides for an exchange right for any member other than NMFC, whereby, upon appropriate notice, any such member will have the right to exchange all or any portion of its units for shares of NMFC's common stock on a one-for-one basis. This right can be conditionally exercised by any such member, or its transferees, meaning that prior to the receipt of shares of NMFC's common stock upon exchange, a member can withdraw its request to have its units exchanged for shares of NMFC's common stock.

The LLC Agreement also provides that, in connection with the occurrence of an event that would result in the dissolution of the Operating Company where prior to or concurrent with the occurrence of such event, NMFC has adopted a plan relating to the liquidation or dissolution of NMFC, NMFC will have the right to acquire all (but not less than all) of the outstanding units of any other member in exchange for shares of NMFC's common stock on a one-for-one basis.

Distributions and Allocations of Profits and Losses. The LLC Agreement provides that distributions of cash from the Operating Company will be determined by the Operating Company's board of directors and will be made pro rata among the members holding units in accordance with

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their respective percentage interests in the Operating Company. The Operating Company intends to make distributions to the Operating Company's members that will be sufficient to enable NMFC to pay quarterly distributions to its stockholders and to maintain its status as a RIC.

Similarly, the LLC Agreement provides that, for tax purposes, subject to compliance with the provisions of Section 704(b) and 704(c) of the Code and the corresponding Treasury regulations, the Operating Company will allocate items of income, gain, loss, deduction and credit to its members, including NMFC, pro rata in accordance with their respective percentage interests in the Operating Company. NMFC's allocable share of the Operating Company's losses cannot be passed through to its stockholders but will be taken into account in determining NMFC's taxable income that is required to be distributed to its stockholders by reason of NMFC's status as a RIC.

If the Operating Company liquidates, debts and other obligations must be satisfied before the members may receive any distributions. Any distributions to members then will be made to members in accordance with their respective positive capital account balances.

Capital Contributions. NMFC contributed to the Operating Company the gross proceeds of the IPO and the Concurrent Private Placement as a capital contribution in exchange for 10,697,691 units.

Under the LLC Agreement, NMFC is also required to contribute the gross proceeds of any subsequent offering of its common stock by NMFC as additional capital to the Operating Company in exchange for, on a one-to-one basis, additional units of the Operating Company. See " One-to-One Ratio" below. If NMFC contributes additional capital to the Operating Company, it will receive additional units of the Operating Company and its percentage interest in the Operating Company will be increased on a proportionate basis based upon the amount of such additional capital contributions. Conversely, the percentage interests of other members will be decreased on a proportionate basis in the event of additional capital contributions by NMFC. In addition, if NMFC contributes additional capital to the Operating Company, the Operating Company can revalue its property to its fair market value (as determined by its board of directors) and the capital accounts of the members will be adjusted to reflect the manner in which the unrealized gain or loss inherent in such property (that has not been reflected in the capital accounts previously) would be allocated among the members under the terms of the LLC Agreement if there were a taxable disposition of such property for its fair market value (as determined by its board of directors) on the date of revaluation. Under the LLC Agreement, NMFC is also required to contribute to the Operating Company any reinvested distributions received by it pursuant to its dividend reinvestment plan. In addition, if NMFC uses newly issued shares to implement the plan, it will receive, on a one-for-one basis, additional units of the Operating Company in exchange for such reinvested distributions.

As a result of such transactions since NMFC's IPO and through September 30, 2013, NMFC owned approximately 85.3% of the units of the Operating Company and AIV Holdings owned approximately 14.7% of the units of the Operating Company.

One-to-One Ratio. The LLC Agreement contains various provisions requiring that NMFC and the Operating Company take certain actions in order to maintain, at all times, a one-to-one ratio between the number of units held by NMFC and the number of shares of NMFC's common stock outstanding. This one-to-one ratio must also be maintained in the event that NMFC issues additional shares of its common stock. Accordingly, every time NMFC issues shares of its common stock, other than in connection with the exercise of the exchange right described above by AIV Holdings, the Investment Adviser, if applicable with respect to any units received as payment of the incentive fee, or any other entity or individual that may become a member (other than NMFC), the Operating Company will be required to issue additional units to NMFC. In addition, in order for NMFC to pay a dividend or other distribution to holders of its common stock, it must be accompanied by a prior distribution by the Operating Company to all of its members.

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If NMFC redeems, repurchases, acquires, exchanges, cancels or terminates any shares of its common stock, this action must be accompanied by an immediately prior identical (including with respect to the appropriate consideration paid for such action) redemption, repurchase, acquisition, exchange, cancellation or termination of the units of the Operating Company held by NMFC. If NMFC splits its common stock, this action must be accompanied by an immediately prior identical split of units of the Operating Company. In addition, in general, upon any consolidation or merger or combination to which NMFC is a party or any sale or disposition of all or substantially all of its assets to a third party, NMFC is required to take all necessary action so that the units held by AIV Holdings, the Investment Adviser, if applicable with respect to any units received as payment of the incentive fee, and any other entity or individual that may become a member (other than NMFC) will be exchangeable on a per-unit basis at any time or from time to time following such event into the kind and amount of shares of stock and/or other securities or property (including cash) receivable upon such event by holders of NMFC's common stock.

The LLC Agreement also provides that, in connection with any reclassification or recapitalization or any other distribution or dilutive or concentrative event by NMFC, if AIV Holdings, the Investment Adviser, if applicable with respect to any units received as payment of the incentive fee or any other entity or individual that may become a member (other than NMFC) exercises the exchange right following such event, such member will generally be treated as if they were entitled to receive the number of shares of NMFC's common stock or other property (including cash) that it would have been entitled to receive had it exercised its exchange right immediately prior to the record date of such event. In addition, the LLC Agreement provides that NMFC and the Operating Company must take all necessary action in order to maintain the one-to-one ratio if in the future NMFC determines to issue options or other types of equity compensation to individuals that provide services to the Operating Company.

Voting. Subject to the Investment Company Act, directors will be elected as set forth above under " Board of Directors". All other matters submitted to the vote of the members will be decided by a majority vote unless a different vote is required as a matter of law (including the Investment Company Act), in which case such provision will govern and control the voting. The LLC Agreement will also provide that, to the extent required by the Investment Company Act, each of NMFC and AIV Holdings and any other member that may be an investment company relying on the Investment Company Act will seek instructions from its stockholders with regard to matters subject to a member vote, and each such member will vote on all such matters in accordance with such instructions. Accordingly, to the extent required by the Investment Company Act, NMFC and AIV Holdings will not have any separate voting power other than to pass through the votes of the respective stockholders of NMFC and AIV Holdings in accordance with their respective indirect percentage ownership in the Operating Company.

Expenses. All of the Operating Company's expenses and all of NMFC's expenses, including any amounts owed pursuant to the Administration Agreement, will be borne by the Operating Company.

Dissolution. The LLC Agreement provides that the Operating Company may be dissolved with the approval of the board of directors. In addition to a voluntary dissolution, the Operating Company will be dissolved upon the entry of a decree of judicial dissolution in accordance with Delaware law or upon the termination of the legal existence of the last remaining member of the Operating Company. Upon a dissolution event, the proceeds of liquidation will be distributed in the following order:

- first, to pay the expenses of winding up, liquidating and dissolving the Operating Company and all of its creditors, including members who are creditors; and

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second, to the members pro rata in accordance with their respective positive capital account balances.

Upon a dissolution event, if (i) NMFC is not the sole member at such time and (ii) prior to or concurrent with such event, NMFC has adopted a plan relating to the liquidation or dissolution of NMFC, then NMFC has the right to acquire from any other Operating Company member all (but not less than all) of the units held by such other member in exchange for shares of NMFC common stock on a one-for-one basis.

Information. The LLC Agreement provides that the Operating Company's members will be entitled to certain information regarding the Operating Company. This information includes quarterly and annual information regarding the Operating Company, information required for certain tax matters and any other information required under Delaware law or as reasonably requested by a member.

Confidentiality. Each member has agreed to maintain the confidentiality of any information received by the member or its affiliates and representatives in connection with the transactions contemplated by the LLC Agreement which is determined to be confidential for a period of three years following the earlier of the date of the Operating Company's dissolution or the date such member ceases to be a member, with customary exceptions, including to the extent disclosure is required by law or judicial process.

Restrictions on Transfer. The LLC Agreement provides that, subject to certain limited exceptions (including transfers to affiliates), a member may not transfer any of its units of the Operating Company to any person without the consent of the Operating Company's board of directors, which consent may be given or withheld in their sole and absolute discretion. No member shall have the right to substitute a transferee as a member in its place. A transferee of units of the Operating Company may be admitted as a substituted member only with the consent of the Operating Company's board of directors, which consent may be given or withheld in their sole and absolute discretion.

Amendment. Unless otherwise required by law, the LLC Agreement may be amended only by the written consent of the members owning a majority of the Operating Company's units then outstanding; provided, however, that no amendment may be made without the consent of a member if the amendment would adversely affect the rights of the member other than on a pro rata basis with other members of units.

Limitation of Liability; Indemnification. The LLC Agreement provides that none of the Operating Company's members or directors or their respective subsidiaries or affiliates may be liable to the Operating Company or any member for any act or omission by such individual or entity in connection with the conduct of affairs of the Operating Company or otherwise incurred in connection with the Operating Company or the LLC Agreement or the matters contemplated therein, in each case unless such act or omission was the result of gross negligence or willful misconduct or constitutes a breach of, or a failure to comply with the LLC Agreement. The LLC Agreement further provides for indemnification of the Operating Company's directors and officers from and against liabilities arising out of or relating to any alleged action taken by any director or officer of the Operating Company, subject to the Investment Company Act.

Term. The Operating Company shall continue until terminated as provided in the LLC Agreement or by operation of law.

Fiduciary Duties. Circumstances may arise in the future when the interests of the Operating Company's members conflict with the interests of NMFC's stockholders. Following the completion of this offering, the Operating Company's board of directors and the board of directors of NMFC

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will be comprised of the same members. However, the Operating Company's board of directors will owe fiduciary duties to the Operating Company's members that could conflict with the fiduciary duties NMFC's board of directors owes to NMFC's stockholders.

Registration Rights Agreement

In connection with the IPO, NMFC entered into a registration rights agreement (the "Registration Rights Agreement") with AIV Holdings, Steven B. Klinsky, an entity related to Steven B. Klinsky and the Investment Adviser. Subject to several exceptions, AIV Holdings and the Investment Adviser have the right to require NMFC to register for public resale under the Securities Act all registerable securities that are held by any of them and that they request to be registered at any time. Registerable securities subject to the Registration Rights Agreement are shares of NMFC's common stock issued or issuable in exchange for units and any other shares of NMFC's common stock held by AIV Holdings, the Investment Adviser and any of their transferees. The rights under the Registration Rights Agreement can be conditionally exercised by AIV Holdings or the Investment Adviser, meaning that prior to the registration of the shares AIV Holdings or the Investment Adviser can withdraw their request to have the shares registered. AIV Holdings and the Investment Adviser may each assign their rights to any person that acquires registerable securities subject to the Registration Rights Agreement and who agrees to be bound by the terms of the Registration Rights Agreement. Steven B. Klinsky and a related entity will have the right to "piggyback", or include their own registrable securities in such a registration. AIV Holdings, Steven B. Klinsky, and an entity related to Steven B. Klinsky have exercised their rights under the Registration Rights Agreement and their respective shares of NMFC's common stock are being offered for resale in this prospectus. See "Selling Stockholders" in this prospectus.

AIV Holdings and the Investment Adviser may require NMFC to use its reasonable best efforts to register under the Securities Act all or any portion of these registerable securities upon a "demand request". The demand registration rights are subject to certain limitations. NMFC is not obligated to:

- cause a registration statement with respect to a demand request to be declared effective within forty-five (45) days after the effective date of a previous demand registration, other than a shelf registration pursuant to Rule 415 under the Securities Act;

- cause a registration statement with respect to a demand request to be declared effective unless the demand request is for a number of shares with a market value that is equal to at least $10.0 million; or

- cause to be declared effective more than five registration statements with respect to demand registration rights.

The Registration Rights Agreement includes limited blackout and suspension periods. In addition, AIV Holdings and the Investment Adviser may also require NMFC to file a shelf registration statement on Form N-2 for the resale of their registerable securities if NMFC is eligible to use Form N-2 at that time.

Holders of registerable securities also have "piggyback" registration rights, which means that these holders may include their respective shares in any future registrations of NMFC's equity securities, whether or not that registration relates to a primary offering by NMFC or a secondary offering by or on behalf of any of NMFC's stockholders. AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) have priority over NMFC in any registration that is an underwritten offering.

Conflicts arising under the Registration Rights Agreement will be resolved as set forth therein. Under the Registration Rights Agreement, AIV Holdings and, if applicable, the Investment Adviser,

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and Steven B. Klinsky (and a related entity) have priority over NMFC or any other NMFC stockholder when selling any shares of NMFC common stock pursuant to their exercise of registration rights under that agreement.

AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) will be responsible for the expenses of any demand registration (including underwriters' discounts or commissions) and their pro rata share of any piggyback registration. NMFC has agreed to indemnify AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) with respect to liabilities resulting from untrue statements or omissions in any registration statement filed pursuant to the Registration Rights Agreement, other than untrue statements or omissions resulting from information furnished to us by such parties. AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) have also agreed to indemnify NMFC with respect to liabilities resulting from untrue statements or omissions furnished by them to NMFC relating to them in any registration statement.

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SHARES ELIGIBLE FOR FUTURE SALE

Sales of substantial amounts of NMFC's unregistered common stock in the public market, including by AIV Holdings, if it exercises its right to exchange all or any portion of its units of the Operating Company for shares of NMFC's common stock on a one-for-one basis, or New Mountain Guardian Partners, L.P., or its transferees, or the perception that such sales could occur, could adversely affect the prevailing market price of NMFC's common stock and NMFC's future ability to raise capital through the sale of its equity securities.

Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 under the Securities Act. Any shares of NMFC's common stock to be received by New Mountain Guardian Partners, L.P. or its transferees or issued in exchange for units of the Operating Company held by AIV Holdings or the Investment Adviser, if applicable with respect to any units received as payment of the incentive fee, would be eligible for public sale if registered under the Securities Act or sold in accordance with Rule 144 of the Securities Act. NMFC has granted AIV Holdings, Steven B. Klinsky, an entity related to Mr. Klinsky, the Investment Adviser and their permitted transferees the registration rights described below.

Rule 144

In general, a person who has beneficially owned restricted shares of NMFC's common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of NMFC's affiliates at the time of, or at any time during the 90 days preceding, a sale and (ii) NMFC is subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Persons who have beneficially owned restricted shares or NMFC's common stock for at least six months but who are NMFC's affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1.0% of the number of shares of NMFC's common stock then outstanding; or

- the average weekly trading volume of NMFC's common stock on the NYSE for the four calendar weeks prior to the sale,

provided, in each case, that NMFC is subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales must also comply with the manner of sale, current public information and notice provisions of Rule 144.

Registration Rights

AIV Holdings has the right to exchange all or any portion of its units of the Operating Company for shares of NMFC's common stock, on a one-for-one basis. Pursuant to the Registration Rights Agreement entered into in connection with NMFC's IPO, AIV Holdings and the Investment Adviser have the right, subject to various conditions and limitations, to demand the filing of, and include any registerable securities held by AIV Holdings in, registration statements relating to NMFC's common stock. Furthermore, Steven B. Klinsky and a related entity have the right to "piggyback", or include their own registrable securities in a demand registration. These registration rights could impair the prevailing market price and impair NMFC's ability to raise capital by depressing the price at which it could sell its common stock. AIV Holdings, Steven B. Klinsky, and an entity related to Steven B. Klinsky have exercised their rights under the Registration Rights Agreement and their respective shares of NMFC's common stock are being offered for resale in this prospectus. See "Selling Stockholders" in this prospectus.

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MATERIAL FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material federal income tax considerations applicable to NMFC and an investment in shares of NMFC's common stock. The discussion is based upon the Internal Revenue Code of 1986, as amended, which we refer to as the "Code", the regulations of the U.S. Department of Treasury promulgated thereunder, which we refer to as the "Treasury regulations", the legislative history of the Code, current administrative interpretations and practices of the Internal Revenue Service, which we refer to as the "IRS", (including administrative interpretations and practices of the IRS expressed in private letter rulings which are binding on the IRS only with respect to the particular taxpayers that requested and received those rulings) and judicial decisions, each as of the date of this prospectus and all of which are subject to change or differing interpretations, possibly retroactively, which could affect the continuing validity of this discussion. The U.S federal income tax laws addressed in this summary are highly technical and complex, and certain aspects of their application to the Operating Company and NMFC are not completely clear. In addition, certain U.S. federal income tax consequences described in this summary depend upon certain factual matters, including (without limitation) the value and tax basis ascribed to the Operating Company's assets and the manner in which the Operating Company and NMFC operate, and certain complicated tax accounting calculations. NMFC and the Operating Company have not sought, and will not seek, any ruling from the IRS regarding any matter discussed in this summary, and this summary is not binding on the IRS. Accordingly, there can be no assurance that the IRS will not assert, and a court will not sustain, a position contrary to any of the tax consequences discussed below. This summary does not purport to be a complete description of all the tax aspects affecting NMFC, the Operating Company and/or NMFC stockholders. For example, this summary does not describe all federal income tax consequences that may be relevant to certain types of stockholders subject to special treatment under federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, partnerships or other pass-through entities and their owners, persons that hold shares of NMFC's common stock through a foreign financial institution, persons that hold shares of NMFC's common stock through a non-financial foreign entity, Non-U.S. stockholders (as defined below) engaged in a trade or business in the United States or Non-U.S. stockholders entitled to claim the benefits of an applicable income tax treaty, persons who have ceased to be U.S. citizens or to be taxed as resident aliens, persons holding NMFC's common stock in connection with a hedging, straddle, conversion or other integrated transaction, dealers in securities, a trader in securities that elects to use a market-to-market method of accounting for its securities holdings, pension plans and trusts, and financial institutions. This summary assumes that stockholders hold NMFC's common stock as capital assets for federal income tax purposes (generally, assets held for investment) and that all of the parties to the LLC Agreement comply with all of their respective representations, covenants and agreements contained in the LLC Agreement in accordance with their terms. This summary generally does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under federal income tax laws that could result if the Operating Company invested in tax-exempt securities or certain other investment assets.

A "U.S. stockholder" generally is a beneficial owner of shares of NMFC's common stock that is, for federal income tax purposes:

- A citizen or individual resident of the United States;
- A corporation, or other entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any state thereof, including, for this purpose, the District of Columbia;

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- A trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantive decisions of the trust, or (ii) the trust has in effect a valid election to be treated as a domestic trust for federal income tax purposes; or

- An estate, the income of which is subject to federal income taxation regardless of its source.

A "Non-U.S. stockholder" generally is a beneficial owner of shares of NMFC's common stock that is not a U.S. stockholder or a partnership (or an entity or arrangement treated as a partnership) for federal income tax purposes.

If a partnership, or other entity or arrangement treated as a partnership for federal income tax purposes, holds shares of NMFC's common stock, the federal income tax treatment of the partnership and each partner generally will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. A stockholder that is a partnership holding shares of NMFC's common stock, and each partner in such a partnership, should consult his, her or its own tax adviser with respect to the tax consequences of the purchase, ownership and disposition of shares of NMFC's common stock.

Tax matters are very complicated and the tax consequences to each stockholder of an investment in shares of NMFC's common stock will depend on the facts of his, her or its particular situation. You should consult your own tax adviser regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of federal, state, local and foreign tax laws, eligibility for the benefits of any applicable income tax treaty and the effect of any possible changes in the tax laws.

NMFC's Election to be Taxed as a RIC

NMFC has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. As a RIC, NMFC generally will not pay corporate-level federal income taxes on any income that NMFC timely distributes to its stockholders as dividends. Rather, dividends distributed by NMFC generally will be taxable to NMFC's stockholders, and any net operating losses, foreign tax credits and other tax attributes of NMFC generally will not pass through to NMFC's stockholders, subject to special rules for certain items such as net capital gains and qualified dividend income recognized by NMFC. See "   Taxation of U.S. Stockholders" and "   Taxation of Non-U.S. Stockholders" below.

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

Taxation of NMFC as a RIC

If NMFC:

- qualifies as a RIC; and

- satisfies the Annual Distribution Requirement,

then NMFC will not be subject to federal income tax on the portion of its income that it timely distributes (or is deemed to timely distribute) to its stockholders. If NMFC fails to qualify as a RIC, it will be subject to federal income tax at the regular corporate rates on its income and capital gains.

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

In order to qualify as a RIC for federal income tax purposes, NMFC must, among other things:

- continue to qualify as a BDC under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90.0% of its gross income from dividends, interest, payments with respect to loans of certain securities, gains from the sale of stock or other securities, net income from certain "qualified publicly traded partnerships", or other income derived with respect to NMFC's business of investing in such stock or securities (the "90.0% Income Test"); and
- diversify its holdings so that at the end of each quarter of the taxable year:
  - at least 50.0% of the value of NMFC's assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5.0% of the value of NMFC's assets or more than 10.0% of the outstanding voting securities of the issuer; and
  - no more than 25.0% of the value of NMFC's assets is invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by NMFC and that are engaged in the same or similar or related trades or businesses or of certain "qualified publicly traded partnerships" (the "Diversification Tests").

As discussed above in "Formation Transactions and Related Agreements Holding Company Structure", NMFC's sole asset is its direct ownership of common membership units in the Operating Company, and NMFC's only source of cash flow from operations is distributions from the Operating Company. As discussed below, the Operating Company expects to be treated for federal income tax purposes as a partnership in each taxable year (or portion thereof) during which the Operating Company has at least two members.

For federal income tax purposes, NMFC will take into account in each taxable year (or portion thereof) during which the Operating Company is treated as a partnership for such purposes, NMFC's allocable share of the Operating Company's items of income, gain, loss, deduction and credit, subject to the discussion in " Investment in the Operating Company" below. If NMFC becomes the Operating Company's sole member, the Operating Company will be treated as a disregarded entity for federal income tax purposes, and NMFC will take into account all of the Operating Company's assets and items of income, gain, loss, deduction and credit for such purposes.

NMF SLF is treated as a disregarded entity for federal income tax purposes. As a result, NMF SLF will itself not be subject to federal income tax and, for federal income tax purposes, the Operating Company will take into account all of NMF SLF's assets and items of income, gain, loss, deduction and credit. In the remainder of this discussion, except as otherwise indicated, references to the Operating Company include NMF SLF.

The Code mandates a partnership look-through rule in applying the 90.0% Income Test to a RIC that holds an interest in a partnership. Therefore, NMFC's allocable share of the Operating

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Company's income will be treated as qualifying income for purposes of the 90.0% Income Test to the extent that such income would be qualifying income if realized directly by NMFC in the same manner as such income was realized by the Operating Company.

You should be aware that the Code and applicable Treasury regulations do not contain an explicit partnership look-through rule for purposes of the Diversification Tests. However, analogous provisions in the tax law, general principles of partnership taxation and the purpose and intention of the tax laws governing RICs support partnership look-through treatment for this purpose. In addition, in Revenue Procedure 2001-57 (the "Revenue Procedure"), the IRS provided a safe harbor for a typical "master-feeder" structure pursuant to which a RIC that invests in an investment partnership (similar to the Operating Company) will be treated for purposes of the Diversification Tests as if the RIC directly invested in the assets held by such partnership, determined in accordance with the RIC's percentage ownership of the capital interests in such partnership, if the RIC meets certain requirements. Most importantly, the Revenue Procedure requires that, except as required by Section 1.704-3 of the Treasury regulations, the RIC's allocable share of each item of the partnership's income, gain, loss, deduction, and credit is proportionate to the RIC's percentage ownership of the capital interests in the partnership (the "Proportionate Allocation Requirement"). Although NMFC will not satisfy all of the requirements of the Revenue Procedure, NMFC will satisfy the Proportionate Allocation Requirement, which appears to be the main substantive requirement of the Revenue Procedure. The Revenue Procedure reflects the administrative interpretations of the IRS in rulings that have been issued to other taxpayers and the IRS's administrative practice in other revenue procedures. However, such administrative interpretations and practice do not constitute official precedent that is binding on a court or the IRS. Accordingly, although there is no authority directly applicable to NMFC and thus the matter is not free from doubt, it is expected that NMFC will be treated as if it directly invested in its pro rata share of the assets held by the Operating Company for purposes of the Diversification Tests. Nevertheless, there can be no assurance that the IRS will not successfully assert that NMFC does not meet the Diversification Tests because it is unable to look through to the Operating Company's assets for purposes of the Diversification Tests. In that case, NMFC would fail to qualify as a RIC and thus become subject to corporate-level federal income tax (and any applicable state and local taxes).

Subject to the foregoing, it is intended (1) that the Operating Company will be operated in a manner that enables NMFC to satisfy the 90.0% Income Test and the Diversification Tests on a look-through basis, and (2) that the distributions made by the Operating Company to its members will be sufficient to enable NMFC to satisfy the Annual Distribution Requirement and Excise Tax Avoidance Requirement, thereby enabling NMFC to continue to qualify and maintain its status as a RIC and avoid the 4.0% federal excise tax on its earnings. However, no assurance can be given in this regard.

For federal income tax purposes, NMFC will include in its taxable income its allocable share of certain amounts that the Operating Company has not yet received in cash. For example, if the Operating Company holds debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or issued with warrants), NMFC must include in its taxable income in each year its allocable share of the portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by the Operating Company in the same taxable year. NMFC may also have to include in its taxable income its allocable share of other amounts that the Operating Company has not yet received in cash, such as accruals on a contingent payment debt instrument or deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. Because NMFC's allocable share of such original issue discount or other amounts accrued will be included in NMFC's investment company taxable income for the year of accrual and before the

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Operating Company receives any corresponding cash payments, NMFC may be required to make a distribution to its stockholders in order to satisfy the Annual Distribution Requirement, even though NMFC will not have received any corresponding distribution from the Operating Company.

Accordingly, to enable the Operating Company to make distributions to its members that will be sufficient to enable NMFC to satisfy the Annual Distribution Requirement, the Operating Company may need to sell some of the Operating Company's assets at times and/or at prices that the Operating Company would not consider advantageous, NMFC or the Operating Company may need to raise additional equity or debt capital or the Operating Company may need to forego new investment opportunities or otherwise take actions that are disadvantageous to the Operating Company's business (or be unable to take actions that are advantageous to the Operating Company's business). If the Operating Company or NMFC is unable to obtain cash from other sources to enable NMFC to satisfy the Annual Distribution Requirement, NMFC may fail to qualify for the federal income tax benefits allowable to RICs and, thus, become subject to a corporate-level federal income tax (and any applicable state and local taxes).

Because the Operating Company intends to use debt financing, the Operating Company may be prevented by financial covenants contained in the Holdings Credit Facility, the SLF Credit Facility and other debt financing agreements from making distributions to the Operating Company's members in certain circumstances. In addition, under the 1940 Act, the Operating Company is generally not permitted to make distributions to the Operating Company's members while the Operating Company's debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. See "Regulation Senior Securities". Limits on the Operating Company's distributions to its members may prevent NMFC from satisfying the Annual Distribution Requirement and, therefore, may jeopardize NMFC's qualification for taxation as a RIC, or subject NMFC to the 4.0% federal excise tax.

Although the Operating Company does not presently expect to do so, the Operating Company may borrow funds and sell assets in order to make distributions to its members that are sufficient for NMFC to satisfy the Annual Distribution Requirement. However, the Operating Company's ability to dispose of assets may be limited by (1) the illiquid nature of the Operating Company's portfolio and/or (2) other requirements relating to NMFC's status as a RIC, including the Diversification Tests. If the Operating Company disposes of assets in order for NMFC to meet the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, the Operating Company may make such dispositions at times that, from an investment standpoint, are not advantageous.

A RIC is limited in its ability to deduct expenses in excess of its "investment company taxable income" (which is, generally, ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses). If NMFC's expenses in a given year exceed NMFC's investment company taxable income, NMFC would experience a net operating loss for that year. However, a RIC is not permitted to carry forward net operating losses to subsequent years and such net operating losses do not pass through to its stockholders. In addition, expenses can be used only to offset investment company taxable income, not net capital gain. A RIC may not use any net capital losses (that is, realized capital losses in excess of realized capital gains) to offset the RIC's investment company taxable income, but may carry forward such losses, and use them to offset capital gains, indefinitely. Due to these limits on the deductibility of expenses and net capital losses, NMFC may for tax purposes have aggregate taxable income for several years that NMFC is required to distribute and that is taxable to its stockholders even if such income is greater than the aggregate net income NMFC actually earned during those years. Because NMFC will be a holding company, NMFC will only be able to make such required distributions on its common stock from distributions received from the Operating Company. Such distributions to NMFC may be made from the Operating Company's cash assets or by liquidation of the Operating Company's investments, if necessary. The Operating Company may recognize gains or losses from such liquidations. In the event the Operating Company recognizes net capital gains from such transactions, NMFC will be required to take into account its allocable share of such net capital gains (subject to the discussion in " Investment in the Operating Company" below) and, consequently, you may receive a larger capital gain distribution than you would have received in the absence of such transactions.

Failure of NMFC to Qualify as a RIC

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

Subject to a limited exception applicable to RICs that qualified as such under Subchapter M of the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the non-qualifying year, NMFC could be subject to tax on any unrealized net built-in gains in the assets held by NMFC during the period in which NMFC failed to qualify as a RIC that are recognized during the ten-year period (or five-year period for taxable years beginning during 2013) after its requalification as a RIC, unless NMFC made a special election to pay corporate-level federal income tax on such built-in gain at the time of NMFC's requalification as a RIC. NMFC may decide to be taxed as a regular corporation even if NMFC would otherwise qualify as a RIC if NMFC determines that treatment as a corporation for a particular year would be in its best interests.

Investment in the Operating Company

At March 31, 2011 (the cutoff date, subject to reasonable adjustments as determined by the Operating Company's board of directors), the total fair market value of the Operating Company's existing assets was estimated to exceed their total adjusted tax basis for federal income tax purposes by approximately $31.4 million (such excess is referred to herein as the "net built-in gains"), comprised of approximately $31.8 million of built-in gains and approximately $0.4 million of built-in losses. Included in the $31.4 million of net built-in gains was approximately $1.9 million of built-in gains that was estimated to be attributable to Guardian Partners' existing assets. As discussed in more detail below, the structure resulting from the formation transactions is designed to generally prevent NMFC from recognizing taxable income in respect of the built-in gains in our existing assets (generally determined as of the cutoff date) with the result that any distributions made to NMFC's stockholders that are attributable to such built-in gains generally will not be treated as taxable dividends.

Taxation of the Operating Company

In general, a partnership (other than a publicly traded partnership taxable as a corporation) is not subject to federal income tax on its income. Rather, the partners of the partnership must report

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on their federal income tax returns their allocable share of the items of income, gain, loss, deduction and credit of the partnership, and are potentially subject to federal income tax thereon, without regard to whether the partners receive any distributions from the partnership. Generally, an entity with two or more members formed as a partnership or limited liability company under state law will be treated as a partnership for federal income tax purposes unless the entity specifically elects to be taxable as a corporation. It is expected that the Operating Company will be treated for federal income tax purposes as a partnership for so long as the Operating Company has at least two members because the Operating Company was formed as a limited liability company under state law and will not elect to be taxable as a corporation.

However, an entity that would otherwise be classified as a partnership for federal income tax purposes may nonetheless be taxable as a corporation if it is a "publicly traded partnership". A partnership would be treated as a publicly traded partnership if its interests are traded on an established securities market or are readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury regulations. The LLC Agreement contains certain limitations on transfers and redemptions of the common membership units of the Operating Company that are intended to cause the Operating Company to qualify for an exemption from being a publicly traded partnership under one or more of the safe harbors contained in the applicable Treasury regulations. Accordingly, it is expected that the Operating Company will not be treated as a publicly traded partnership taxable as a corporation. Nevertheless, if for any reason the Operating Company were taxable as a corporation, NMFC would be treated as owning, as its sole asset, interests in a corporation. Consequently, NMFC would be unable to satisfy the Diversification Tests which, in turn, would prevent NMFC from qualifying as a RIC. See "   Failure of NMFC to Qualify as a RIC" for a discussion of the effect of NMFC's failure to meet the Diversification Tests for a taxable year. In addition, the Operating Company's income would be subject to corporate-level federal income tax.

This entire discussion (including the discussion above under "Taxation of NMFC as a RIC") assumes that the Operating Company will be treated as a partnership that is not a publicly traded partnership taxable as a corporation in each taxable year (or portion thereof) during which the Operating Company has at least two members.

Allocations of Income, Gain, Loss, Deduction and Credit

The LLC Agreement provides that, except as required by Section 704(c) of the Code and Section 1.704-3 of the Treasury regulations (discussed below), items of income, gain, loss, deduction and credit will be allocated to the members of the Operating Company, including NMFC, in proportion to the number of outstanding common membership units of the Operating Company held by each such member. It is expected that the allocations of these items provided for in the LLC Agreement will comply with the requirements regarding partnership allocations contained in Section 704(b) of the Code and the Treasury regulations. If the IRS were to determine that the allocations did not so comply, these items would be reallocated in accordance with the partners' interest in the partnership.

Tax Allocations With Respect to Certain Assets

Under Section 704(c) of the Code and Section 1.704-3 of the Treasury regulations, income, gain, loss and deduction attributable to an appreciated or depreciated asset that is contributed to a partnership in exchange for an interest in the partnership, or is attributable to an asset of the partnership that has been revalued on the books of the partnership, must be allocated in a manner so that the contributing partner, or the partners that held an interest in the partnership at the time of such revaluation, are allocated the tax gain or loss attributable to the unrealized gain or unrealized loss in the asset at the time of such contribution or revaluation. The amount of the unrealized gain

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or unrealized loss generally is equal to the difference (i.e., the book-tax difference) between the fair market value and the adjusted tax basis of the relevant asset at the time of contribution or revaluation, as adjusted from time to time. These allocations are designed so that the taxable gain or loss on an asset contributed or revalued is allocated to the partners that earned such gain or loss for economic purposes. These allocations are solely for federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners.

For federal income tax purposes, Guardian AIV and New Mountain Guardian Partners, L.P. contributed assets with built-in gains and built-in losses to the Operating Company in exchange for common membership units of the Operating Company in connection with the formation transactions completed prior to the IPO. In certain circumstances, book-tax differences may arise as a result of a revaluation of the Operating Company's assets, including in connection with contributions by NMFC to the Operating Company of distributions reinvested by NMFC's stockholders under NMFC's dividend reinvestment plan. The LLC Agreement requires that allocations attributable to these assets be made in a manner consistent with Section 704(c) of the Code and Section 1.704-3 of the Treasury regulations.

It is expected that the built-in gains (determined as of the cutoff date subject to reasonable adjustments as determined by the Operating Company's board of directors) attributable to the assets contributed by Guardian AIV to the Operating Company, when recognized by the Operating Company for federal income tax purposes, either (i) will be allocated to AIV Holdings (and not NMFC) or (ii) will be allocated to NMFC to the extent attributable to common membership units of the Operating Company that NMFC acquired from AIV Holdings in exchange for shares of NMFC common stock, but that any such allocations of built-in gains to NMFC generally will be offset as a result of upward adjustments in NMFC's share of the Operating Company's tax basis in the assets contributed by Guardian AIV to the Operating Company arising as a result of NMFC's acquisition of such common membership units (as discussed below). Similarly, it is expected that the built-in gains (determined as of the cutoff date subject to reasonable adjustments as determined by the Operating Company's board of directors) attributable to the assets contributed by New Mountain Guardian Partners, L.P. to the Operating Company, when recognized by the Operating Company for federal income tax purposes, will be allocated to NMFC, but that, except as discussed below, any such allocations of built-in gains to NMFC will be offset as a result of upward adjustments in NMFC's share of the Operating Company's tax basis in the assets contributed by New Mountain Guardian Partners, L.P. to the Operating Company. Accordingly, except as discussed below, it is expected that the allocations of built-in gains to AIV Holdings and the upward adjustments in NMFC's share of the Operating Company's tax basis in its assets (in the case of assets contributed by Guardian AIV to the Operating Company, as a general matter, provided the value per share of the shares of NMFC common stock received by AIV Holdings in each exchange is not less than the cutoff NAV per unit of the Operating Company subject to any such adjustments referred to above) will generally prevent NMFC from recognizing taxable income in respect of the built-in gains in our existing assets (determined as of the cutoff date subject to any such adjustments referred to above), when such built-in gains are recognized by the Operating Company for federal income tax purposes, with the result that any distributions made to NMFC's stockholders that are attributable to such recognized built-in gains generally will not be treated as taxable dividends. It is expected that, under Section 704(c)(1)(C) of the Code, any built-in losses in our existing assets (determined as of the cut-off date) will not be allocable to either NMFC or AIV Holdings because neither of them will be treated as the "contributing partner" with respect to our existing assets.

Section 1.704-3 of the Treasury regulations provides a partnership with a choice of several methods of accounting for book-tax differences. It should be noted that the method selected by the Operating Company to account for book-tax differences attributable to assets contributed to the Operating Company by Guardian AIV and New Mountain Guardian Partners, L.P., may result in a

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smaller amount of taxable loss or a greater amount of taxable gain being allocated to NMFC by the Operating Company as compared to other available methods. Any asset purchased by the Operating Company for cash after admission of NMFC to the Operating Company will initially have a tax basis equal to the asset's fair market value and, accordingly, Section 704(c) of the Code will not initially apply.

Distributions and Constructive Distributions

Distributions by the Operating Company to NMFC generally will not be taxable to NMFC. However, NMFC will have taxable income in the event that the amount of distributions that NMFC receives from the Operating Company, or the amount of any decrease in NMFC's share of the Operating Company's indebtedness (any such decrease being considered a constructive cash distribution to NMFC), exceeds NMFC's adjusted tax basis in its common membership units in the Operating Company. Such taxable income would normally be characterized as capital gain.

In the event that NMFC becomes the sole member of the Operating Company, the Operating Company will cease to be treated as a partnership for federal income tax purposes and will be deemed to liquidate (thereafter being treated as a disregarded entity for federal income tax purposes). It is not expected that NMFC would recognize loss as a result of this deemed liquidation. However, it is possible that, under certain circumstances, NMFC would recognize gain as a result of this deemed liquidation and would be required to make a distribution to its stockholders in respect of such gain to satisfy the Annual Distribution Requirement even though NMFC would not have received any corresponding cash payment. See the discussion above under "   Taxation of NMFC as a RIC". The rules applicable to determining tax basis in assets received in a liquidating distribution from a partnership could operate to cause NMFC's tax basis in such assets to differ from its proportionate share of the tax basis in such assets while held by the Operating Company. This could affect the amount of gain or loss recognized by NMFC as a result of the retirement, redemption, sale or other disposition of such assets.

Section 754 Election

The Operating Company has made an election under Section 754 of the Code. A Section 754 election is irrevocable without the consent of the IRS. This election generally permits a person that acquires an interest in a partnership by sale or exchange (such as NMFC when it acquires common membership units of the Operating Company from New Mountain Guardian Partners, L.P. and AIV Holdings, as discussed below) to adjust its share of the tax basis in the partnership's assets ("inside basis") pursuant to Section 743(b) of the Code to fair market value (as reflected by the consideration paid for the partnership interest), as if such person had acquired a direct interest in the partnership's assets. The Section 743(b) adjustment is attributed solely to the person that so acquires an interest in a partnership and is not added to the tax basis of the partnership's assets associated with all of the partners in the partnership. The calculations involved in applying the Section 754 election are complex. It is expected that the Operating Company will make such calculations on the basis of its determination as to the value of its assets and other matters.

As a result of the transfer of common membership units of the Operating Company to NMFC by New Mountain Guardian Partners, L.P. in connection with the formation transactions completed prior to the IPO, New Mountain Guardian Partners, L.P. made an election that resulted in the corporate partner of New Mountain Guardian Partners, L.P. recognizing its distributive share of the built-in gain inherent in such common membership units, which at the time of the formation transactions, was approximately 95.0% of the built-in gain inherent in such common membership units at that date. This election, along with the Section 754 election, is expected to result in an increase (determined at the cutoff date subject to reasonable adjustments as determined by the Operating Company's board of directors) in NMFC's share of the Operating Company's tax basis in

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the assets that were contributed by New Mountain Guardian Partners, L.P. to the Operating Company with built-in gains (as discussed above) by an amount equal to the built-in gain in such common membership units so recognized by the corporate partner of New Mountain Guardian Partners, L.P. This increase in tax basis is expected to offset allocations made to NMFC under Section 704(c) of the Code resulting from the Operating Company's recognition of built-in gains in the assets that were contributed by New Mountain Guardian Partners, L.P. to the Operating Company (as discussed above).

It is also expected that the remaining distributive share of New Mountain Guardian Partners, L.P.'s built-in gain inherent in common membership units transferred by New Mountain Guardian Partners, L.P. to NMFC, which at the time of the formation transactions, was approximately 5.0% of the built-in gain inherent in such common membership units at that date, will not result in any increase in NMFC's share of the Operating Company's tax basis in the assets that were contributed by New Mountain Guardian Partners, L.P. to the Operating Company. Accordingly, it is expected that allocations made to NMFC under Section 704(c) of the Code resulting from the Operating Company's recognition of built-in gains in these assets will not be offset to this extent, with the result that any distributions made to NMFC's stockholders that are attributable to such recognized built-in gains generally will be treated as taxable dividends to this extent even though such distributions could represent a return of such stockholder's investment.

In addition, it is expected that, as a result of an exchange by AIV Holdings of common membership units of the Operating Company for shares of NMFC's common stock, NMFC's share of the Operating Company's tax basis in assets that were contributed to the Operating Company by Guardian AIV and have built-in gains as of the time of the exchange will be increased to reflect the value of the shares of NMFC's common stock received by AIV Holdings. This increase in tax basis is expected to generally offset allocations made after such exchange to NMFC under Section 704(c) of the Code resulting from the recognition of such built-in gains (as discussed above).

Tax Matters

NMFC will be the Operating Company's tax matters member and, as such, will have the authority to handle any tax audits of the Operating Company. Under the LLC Agreement, NMFC will generally be prohibited from taking any action in its capacity as tax matters member, which it knows (or would reasonably be expected to know) would (or would reasonably be expected to) have a significant adverse effect on AIV Holdings, Guardian AIV or Guardian AIV's partners. AIV Holdings will also have a consent right over NMFC's actions as the Operating Company's tax matters member if such action would have a significant adverse effect on AIV Holdings, Guardian AIV or Guardian AIV's partners.

The Operating Company has made an election under Section 754 of the Code and intends for such election to remain in effect for every year of the Operating Company during which the Operating Company is treated as a partnership for federal income tax purposes. The Operating Company's board of directors will have the authority to cause the Operating Company to make all other tax elections, and all decisions and positions taken with respect to the Operating Company's taxable income or tax loss (or items thereof) under the Code or other applicable tax law will be made in such manner as may be reasonably determined by the Operating Company's board of directors. Under the LLC Agreement, the Operating Company's board of directors will generally be prohibited from making tax elections or making any decision or taking any position with respect to allocations of taxable income that the Operating Company's board of directors knows (or would reasonably be expected to know) would (or would reasonably be expected to) adversely affect NMFC's status as a RIC or have a significant adverse effect on AIV Holdings, Guardian AIV or Guardian AIV's partners and a greater negative impact proportionally on the amount of taxable inclusions incurred by AIV Holdings with respect to income allocated to it by the Operating Company than if such election, decision or position had not been made or taken.

References in the remainder of this discussion to the tax consequences of NMFC investments and activities refer solely to the investments and activities of the Operating Company.

The Operating Company's Investments General

Certain of the Operating Company's investment practices may be subject to special and complex federal income tax provisions that may, among other things, (1) treat dividends that would otherwise constitute qualified dividend income as non-qualified dividend income, (2) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (3) convert lower-taxed long-term capital gain into higher-taxed short-term capital gain or ordinary income, (4) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (5) cause NMFC to recognize income or gain without receipt of a corresponding distribution of cash from the Operating Company, (6) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (7) adversely alter the characterization of certain complex financial transactions and (8) produce income that will not be qualifying income for purposes of the 90.0% Income Test. The Operating Company intends to monitor its transactions and may make certain tax elections to mitigate the potential adverse effect of these provisions, but there can be no assurance that any adverse effects of these provisions will be mitigated.

Passive Foreign Investment Companies

If the Operating Company purchases shares in a "passive foreign investment company" (a "PFIC"), NMFC may be subject to federal income tax on its allocable share of a portion of any "excess distribution" received on, or any gain from the disposition of, such shares even if NMFC's allocable share of such income is distributed by it as a taxable dividend to its stockholders. Additional charges in the nature of interest generally will be imposed on NMFC in respect of deferred taxes arising from any such excess distribution or gain. If the Operating Company invests in a PFIC and elects to treat the PFIC as a "qualified electing fund" under the Code (a "QEF"), in lieu of the foregoing requirements, NMFC will be required to include in income each year its allocable share of the Operating Company's proportionate share of the ordinary earnings and net capital gain of the QEF, even if such income is not distributed by the QEF. Alternatively, the Operating Company may be able to elect to mark-to-market at the end of each taxable year its shares in a PFIC; in this case, NMFC will recognize as ordinary income its allocable share of any increase in the value of such shares, and as ordinary loss its allocable share of any decrease in such value to the extent that any such decrease does not exceed prior increases included in its income. Under either election, NMFC may be required to recognize in a year income in excess of distributions from PFICs made by the Operating Company to NMFC and the Operating Company's proceeds from dispositions of PFIC stock during that year, and such income will nevertheless be subject to the Annual Distribution Requirement and will be taken into account for purposes of the 4.0% excise tax. See " Taxation of NMFC as a RIC" above.

Foreign Currency Transactions

Under Section 988 of the Code, gains or losses attributable to fluctuations in exchange rates between the time the Operating Company accrues income, expenses or other liabilities denominated in a foreign currency and the time the Operating Company actually collects such income or pays such expenses or liabilities are generally treated as ordinary income or loss. Similarly, gains or losses on foreign currency forward contracts and the disposition of debt obligations denominated in a foreign currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates, are also treated as ordinary income or loss.

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The remainder of this discussion assumes that NMFC qualifies as a RIC for each taxable year.

Taxation of U.S. Stockholders

The following discussion only applies to U.S. stockholders. Prospective stockholders that are not U.S. stockholders should refer to "Taxation of Non-U.S. Stockholders" below.

Distributions

Distributions by NMFC generally are taxable to U.S. stockholders as ordinary income or capital gains. Distributions of NMFC's "investment company taxable income" (which is, generally, NMFC's net ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses) will be taxable as ordinary income to U.S. stockholders to the extent of NMFC's current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. To the extent that such distributions paid by NMFC to non-corporate stockholders (including individuals) are attributable to dividends from U.S. corporations and certain qualified foreign corporations, such distributions ("Qualifying Dividends") may be eligible for a maximum tax rate of 20.0%. In this regard, it is anticipated that distributions paid by NMFC will generally not be attributable to dividends received by NMFC and, therefore, generally will not qualify for the 20.0% maximum rate applicable to Qualifying Dividends. Distributions of NMFC's net capital gains (which are generally NMFC's realized net long-term capital gains in excess of realized net short-term capital losses) properly reported by NMFC as "capital gain dividends" in written statements furnished to its stockholders will be taxable to a U.S. stockholder as long-term capital gains that are currently taxable at a maximum rate of 20.0% in the case of individuals, trusts or estates, regardless of the U.S. stockholder's holding period for his, her or its common stock and regardless of whether paid in cash or reinvested in additional common stock. Distributions in excess of NMFC's earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted tax basis is reduced to zero, will constitute capital gains to such U.S. stockholder.

NMFC may retain some or all of its realized net long-term capital gains in excess of realized net short-term capital losses, but designate the retained net capital gain as a "deemed distribution". In that case, among other consequences, (i) NMFC will pay tax on the retained amount, (ii) each U.S. stockholder will be required to include his, her or its share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and (iii) the U.S. stockholder will be entitled to claim a credit equal to his, her or its allocable share of the tax paid thereon by NMFC. Because NMFC expects to pay tax on any retained net capital gains at the regular corporate tax rate, and because that rate is in excess of the maximum rate currently payable by individuals on long-term capital gains, the amount of tax that individual U.S. stockholders will be treated as having paid will exceed the tax they owe on the capital gain distribution and such excess generally may be refunded or claimed as a credit against the U.S. stockholder's other federal income tax obligations. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder's cost basis for his, her or its common stock. In order to utilize the deemed distribution approach, NMFC must provide written notice to its stockholders prior to the expiration of 60 days after the close of the relevant taxable year. NMFC cannot treat any of its investment company taxable income as a "deemed distribution".

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain dividends paid for that year, NMFC may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If NMFC makes such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by NMFC in October, November or December of any

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calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by its U.S. stockholders on December 31 of the year in which the dividend was declared.

If an investor purchases shares of NMFC's common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though economically it may represent a return of his, her or its investment.

NMFC or the applicable withholding agent will send to each of its U.S. stockholders, as promptly as possible after the end of each calendar year, a notice reporting the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the federal tax status of each year's distributions from NMFC generally will be reported to the IRS (including the amount of dividends, if any, that are Qualifying Dividends eligible for the 20.0% maximum rate). Dividends paid by NMFC generally will not be eligible for the dividends-received deduction or the preferential tax rate applicable to Qualifying Dividends because NMFC's income generally will not consist of dividends. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation.

Alternative Minimum Tax

As a RIC, NMFC will be subject to alternative minimum tax, also referred to as "AMT", but any items that are treated differently for AMT purposes must be apportioned between NMFC and its U.S. stockholders, and this may affect the U.S. stockholders' AMT liabilities. Although Treasury regulations explaining the precise method of apportionment have not yet been issued, such items will generally be apportioned in the same proportion that dividends paid to each U.S. stockholder bear to NMFC's taxable income (determined without regard to the dividends paid deduction), unless a different method for a particular item is warranted under the circumstances.

Dividend Reinvestment Plan

Under the dividend reinvestment plan, if a U.S. stockholder owns shares of NMFC's common stock registered in the U.S. stockholder's own name, the U.S. stockholder will have all cash distributions automatically reinvested in additional shares of NMFC's common stock unless the U.S. stockholder opts out of the dividend reinvestment plan by delivering a written, phone or internet notice to the plan administrator at least three days prior to the payment date of the next dividend or distribution. See "Dividend Reinvestment Plan". Any distributions reinvested under the plan will nevertheless remain taxable to the U.S. stockholder. The U.S. stockholder will have an adjusted tax basis in the additional shares of NMFC's common stock purchased through the plan equal to the amount of the reinvested distribution. The additional shares will have a new holding period commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Dispositions

A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of his, her or its shares of NMFC's common stock. The amount of gain or loss will be measured by the difference between such stockholder's adjusted tax basis in the common stock sold and the amount of the proceeds received in exchange. Any gain or loss arising from such sale or disposition generally will be treated as long-term capital gain or loss if the U.S. stockholder has held his, her or its shares for more than one year; otherwise, any such gain or loss will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of NMFC's common stock held for six months or less will be treated as

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long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of NMFC's common stock may be disallowed if other shares of NMFC's common stock are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition. In general, non-corporate U.S. stockholders currently are subject to a maximum federal income tax rate of 20.0% on their recognized net capital gain (i.e., the excess of realized net long-term capital gains over realized net short-term capital losses), including any long-term capital gain derived from an investment in shares of NMFC's common stock. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. In addition, individuals with income in excess of $200,000 ($250,000 in the case of married individuals filing jointly) and certain estates and trusts are subject to an additional 3.8% tax on their "net investment income", which generally includes net income from interest, dividends, annuities, royalties and rents, and net capital gains (other than certain amounts earned from trades or businesses). Corporate U.S. stockholders currently are subject to federal income tax on net capital gain at the maximum 35.0% rate also applied to ordinary income. Non-corporate U.S. stockholders with net capital losses for a year (i.e., capital losses in excess of capital gains) generally may deduct up to $3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate U.S. stockholder in excess of $3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate U.S. stockholders generally may not deduct any net capital losses for a year, but may carry back such losses for three years or carry forward such losses for five years.

Tax Shelter Reporting Regulations

Under applicable Treasury regulations, if a U.S. stockholder recognizes a loss with respect to NMFC's common stock of $2.0 million or more for a non-corporate U.S. stockholder or $10.0 million or more for a corporate U.S. stockholder in any single taxable year (or a greater loss over a combination of years), the U.S. stockholder must file with the IRS a disclosure statement on Form 8886. Direct U.S. stockholders of portfolio securities are in many cases excepted from this reporting requirement, but under current guidance, U.S. stockholders of a RIC are not excepted. Future guidance may extend the current exception from this reporting requirement to U.S. stockholders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. U.S. stockholders should consult their own tax advisers to determine the applicability of these regulations in light of their individual circumstances.

Backup Withholding

NMFC may be required to withhold federal income tax ("backup withholding") from any distribution to a U.S. stockholder (other than a corporation, a financial institution, or a stockholder that otherwise qualifies for an exemption) (1) that fails to provide NMFC or the distribution paying agent with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding or (2) with respect to whom the IRS notifies NMFC that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's federal income tax liability, provided that proper information is timely provided to the IRS.

Taxation of Non-U.S. Stockholders

The following discussion applies only to Non-U.S. stockholders. Whether an investment in shares of NMFC's common stock is appropriate for a Non-U.S. stockholder will depend upon that person's particular circumstances. An investment in shares of NMFC's common stock by a Non-U.S. stockholder may have adverse tax consequences to such Non-U.S. stockholder. Non-U.S. stockholders should consult their tax advisers before investing in NMFC's common stock.

Distributions; Dispositions

Subject to the discussion in " Foreign Account Tax Compliance Act" below, distributions of NMFC's "investment company taxable income" to Non-U.S. stockholders (including interest income and realized net short-term capital gains in excess of realized long-term capital losses, which generally would be free of withholding if paid to Non-U.S. stockholders directly) will be subject to withholding of federal income tax at a 30.0% rate (or lower rate provided by an applicable income tax treaty) to the extent of NMFC's current or accumulated earnings and profits, unless an applicable exception applies. If the distributions are effectively connected with a U.S. trade or business of the Non-U.S. stockholder (and, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment of the Non-U.S. stockholder), NMFC will not be required to withhold federal income tax if the Non-U.S. stockholder complies with applicable certification and disclosure requirements, although the distributions will be subject to federal income tax at the rates applicable to U.S. persons. (Special certification requirements apply to a Non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisers.)

In addition, dividends with respect to any taxable year of NMFC beginning on or before December 31, 2013 are not subject to withholding of federal income tax to the extent the dividends are properly reported by NMFC as "interest-related dividends" or "short-term capital gain dividends". Under this exemption, interest-related dividends and short-term capital gain dividends generally represent distributions of interest or short-term capital gains that would not have been subject to withholding of federal income tax at the source if they had been received directly by a foreign person, and that satisfy certain other requirements. No assurance can be given as to whether this exemption will be extended for taxable years after 2013. In addition, no assurance can be given as to whether any of NMFC's distributions will be eligible for this exemption from withholding tax or, if eligible, will be reported as such by NMFC. Subject to the discussion in " Foreign Account Tax Compliance Act" below, actual or deemed distributions of NMFC's net capital gains to a Non-U.S. stockholder, and gains realized by a Non-U.S. stockholder upon the sale of NMFC's common stock, will not be subject to federal income or withholding tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the Non-U.S. stockholder (and, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment of the Non-U.S. stockholder).

If NMFC distributes its net capital gains in the form of deemed rather than actual distributions, a Non-U.S. stockholder will be entitled to a federal income tax credit or tax refund equal to the stockholder's allocable share of the tax NMFC pays on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a federal income tax return, even if the Non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a federal income tax return. For a corporate Non-U.S. stockholder, both distributions (actual or deemed) and gains realized upon the sale of NMFC's common stock that are effectively connected with a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" at a 30.0% rate (or at a lower rate if provided for by an applicable income tax treaty). Accordingly, investment in shares of NMFC's common stock may not be appropriate for a Non-U.S. stockholder.

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Dividend Reinvestment Plan

Under NMFC's dividend reinvestment plan, if a Non-U.S. stockholder owns shares of NMFC's common stock registered in the Non-U.S. stockholder's own name, the Non-U.S. stockholder will have all cash distributions automatically reinvested in additional shares of NMFC's common stock unless it opts out of the dividend reinvestment plan by delivering a written, phone or internet notice to the plan administrator at least three days prior to the payment date of the next dividend or distribution. See "Dividend Reinvestment Plan". If the distribution is a distribution of NMFC's investment company taxable income, is not reported by NMFC as a short-term capital gain dividend or interest-related dividend, if applicable, and is not effectively connected with a U.S. trade or business of the Non-U.S. stockholder (or, if required by an applicable income tax treaty, is not attributable to a U.S. permanent establishment of the Non-U.S. stockholder), the amount distributed (to the extent of NMFC's current or accumulated earnings and profits) will be subject to withholding of federal income tax at a 30.0% rate (or lower rate provided by an applicable income tax treaty) and only the net after-tax amount will be reinvested in NMFC's common stock. If the distribution is effectively connected with a U.S. trade or business of the Non-U.S. stockholder (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of the Non-U.S. stockholder), the full amount of the distribution generally will be reinvested in NMFC's common stock and will nevertheless be subject to federal income tax at the ordinary income rates applicable to U.S. persons. The Non-U.S. stockholder will have an adjusted tax basis in the additional shares of NMFC's common stock purchased through the plan equal to the amount of the reinvested distribution. The additional shares will have a new holding period commencing on the day following the day on which the shares are credited to the Non-U.S. stockholder's account.

Backup Withholding

A Non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of federal income tax, will be subject to information reporting and may be subject to backup withholding of federal income tax on taxable distributions unless the Non-U.S. stockholder provides NMFC or the distribution paying agent with an IRS Form W-8BEN (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a Non-U.S. stockholder or otherwise establishes an exemption from backup withholding.

Non-U.S. stockholders should consult their own tax advisers with respect to the federal income and withholding tax consequences, and state, local and foreign tax consequences, of an investment in shares of NMFC's common stock.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act generally imposes a 30.0% withholding tax on payments of certain types of income to foreign financial institutions that fail to enter into an agreement with the United States Treasury to report certain required information with respect to accounts held by United States persons (or held by foreign entities that have U.S. persons as substantial owners). The types of income subject to the tax include U.S. source dividends paid after June 30, 2014, and the gross proceeds from the sale of any property that could produce U.S. source dividends received after December 31, 2016. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the holder's account. In addition, subject to certain exceptions, this legislation also imposes a 30.0% withholding on payments to foreign entities that are not financial institutions unless the foreign entity certifies that it does not have a 10.0% or greater U.S. owner or provides the withholding agent with identifying information on each 10.0% or greater U.S. owner. When these provisions become effective, depending on the status of a Non-U.S. Holder and the status of the intermediaries through which they hold their units, Non-U.S. Holders

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could be subject to this 30.0% withholding tax with respect to distributions on their shares of NMFC's common stock and proceeds from the sale of their shares of NMFC's common stock. Under certain circumstances, a Non-U.S. Holder might be eligible for refunds or credits of such taxes.

Certain State, Local and Foreign Tax Matters

We and NMFC's stockholders may be subject to state, local or foreign taxation in various jurisdictions in which we or they transact business, own property or reside. The state, local or foreign tax treatment of us and NMFC's stockholders may not conform to the federal income tax treatment discussed above. In particular, the Operating Company's investment in foreign securities may be subject to foreign withholding taxes and the Operating Company may be subject to the New York City Unincorporated Business Tax which is imposed at a 4.0% rate. The imposition of any such foreign, New York City or other taxes would reduce cash available for distribution to NMFC's stockholders, and NMFC's stockholders would not be entitled to claim a credit or deduction with respect to such taxes. Prospective investors should consult with their own tax advisers regarding the application and effect of state, local and foreign income and other tax laws on an investment in shares of NMFC's common stock.

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REGULATION

NMFC and the Operating Company have elected to be treated as BDCs under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to investments by a BDC in another investment company and transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters. The 1940 Act requires that a majority of the directors be persons other than "interested persons", as that term is defined in the 1940 Act. In addition, the 1940 Act provides that NMFC and the Operating Company may not change the nature of our business so as to cease to be, or to withdraw their respective elections as, BDCs unless approved by a majority of our outstanding voting securities. The 1940 Act defines "a majority of the outstanding voting securities" as the lesser of (i) 67.0% or more of the voting securities present at a meeting if the holders of more than 50.0% of our outstanding voting securities are present or represented by proxy or (ii) more than 50.0% of our voting securities.

NMFC is relying on the provisions of Section 12(d)(1)(E) of the 1940 Act, which requires, among other things, that its investment in the Operating Company be its only asset and that its stockholders are entitled to vote on a "pass-through" basis with the Operating Company's other voting security holders.

NMFC may, to the extent permitted under the 1940 Act, issue additional equity capital, which would in turn increase the equity capital available to the Operating Company. NMFC will generally not be able to issue and sell its common stock at a price below net asset value per share. See "Risk Factors Risks Relating to Our Business Regulations governing the operations of business development companies will affect NMFC's ability to raise additional equity capital as well as the Operating Company's 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". NMFC may, however, sell its common stock, or warrants, options or rights to acquire its common stock, at a price below the then-current net asset value of its common stock if its board of directors determines that such sale is in the best interests of NMFC and the best interests of its stockholders, and its stockholders approve such sale. In addition, NMFC may generally issue new shares of its common stock at a price below net asset value in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

As a BDC, the Operating Company will not generally be permitted to invest in any portfolio company in which the Investment Adviser or any of its affiliates currently have an investment or to make any co-investments with the Investment Adviser or its affiliates without an exemptive order from the SEC. In addition, as BDCs, NMFC and the Operating Company are not permitted to issue stock or units in consideration for services.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70.0% of the BDC's total assets. Since NMFC has no assets other than its ownership of units of the Operating Company and has no material long-term liabilities, NMFC looks to the Operating Company's assets for purposes of satisfying these requirements. The principal categories of qualifying assets relevant to our business are any of the following:

1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to

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such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

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

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

(c) satisfies any of the following:

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

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

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

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

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

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

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

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

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

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

As of September 30, 2013, 3.9% of the Operating Company's total assets were not qualifying assets.

Managerial Assistance to Portfolio Companies

In order to count portfolio securities as qualifying assets for the purpose of the 70.0% test, the Operating Company must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance, except that, where the Operating Company purchases such securities in

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conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. The Administrator or its affiliate provides such managerial assistance on the Operating Company's behalf to portfolio companies that request this assistance.

Temporary Investments

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

Senior Securities

The Operating Company is permitted, under specified conditions, to issue multiple classes of debt and one class of membership units senior to its common membership units if the Operating Company's asset coverage, as defined in the 1940 Act, is at least equal to 200.0% immediately after each such issuance. In addition, while any senior securities remain outstanding (other than any indebtedness issued in consideration of a privately arranged loan, such as any indebtedness outstanding under the Holdings Credit Facility or the SLF Credit Facility), the New Mountain Finance Entities must make provisions to prohibit any distribution to their stockholders or unit holders, as applicable, or the repurchase of their equity securities unless the Operating Company meets the applicable asset coverage ratios at the time of the distribution or repurchase. The Operating Company may also borrow amounts up to 5.0% of the value of its total assets for temporary or emergency purposes without regard to its asset coverage. The Operating Company will include the assets and liabilities of NMF SLF for purposes of calculating the asset coverage ratio. For a discussion of the risks associated with leverage, see "Risk Factors Risks Relating to Our Business Regulations governing the operations of business development companies will affect NMFC's ability to raise additional equity capital as well as the Operating Company's 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" and " The Operating Company may borrow money, which could magnify the potential for gain or loss on amounts invested in us and increase the risk of investing in us".

Code of Ethics

The New Mountain Finance Entities have adopted codes of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the codes may invest in securities for their personal investment accounts, including securities that may be purchased or held by the Operating Company so long as such investments are made in accordance with the codes' requirements. You may read and copy the codes of ethics at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, District of Columbia 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330, and copies of the codes of ethics may be obtained, after paying a duplication fee, by electronic request at the following e-mail address: publicinfo@sec.gov. In addition, the codes of ethics are available on the SEC's Internet site at *http://www.sec.gov*.

Compliance Policies and Procedures

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

Proxy Voting Policies and Procedures

The Operating Company has delegated its proxy voting responsibility to the Investment Adviser. The proxy voting policies and procedures of the Investment Adviser are set forth below. The guidelines will be reviewed periodically by the Investment Adviser and the Operating Company's non-interested directors, and, accordingly, are subject to change.

Introduction

As an investment adviser registered under the Advisers Act, the Investment Adviser has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, it recognizes that it must vote the Operating Company's securities in a timely manner free of conflicts of interest and in the best interests of the New Mountain Finance Entities.

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

Proxy policies

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

The proxy voting decisions of the Investment Adviser are made by the senior officers who are responsible for monitoring each of its clients' investments. To ensure that its vote is not the product of a conflict of interest, it will require that: (a) anyone involved in the decision making process disclose to its chief compliance officer any potential conflict that he or she is aware of and any

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contact that he or she has had with any interested party regarding a proxy vote; and (b) employees involved in the decision making process or vote administration are prohibited from revealing how the Investment Adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties.

Proxy voting records

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

Other

We will be periodically examined by the SEC for compliance with the 1940 Act.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as BDCs, we will be prohibited from protecting any director or officer against any liability to us or our stockholders/unit holders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

Exchange Act and Sarbanes-Oxley Act Compliance

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

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

- pursuant to Item 307 of Regulation S-K, the New Mountain Finance Entities' periodic reports are required to disclose their respective conclusions about the effectiveness of their disclosure controls and procedures;

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

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

The Sarbanes-Oxley Act of 2002 requires the New Mountain Finance Entities to review their current policies and procedures to determine whether they comply with the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder. The New Mountain Finance Entities intend to monitor their compliance with all regulations that are adopted under the Sarbanes-Oxley Act of 2002 and will take actions necessary to ensure that they are in compliance therewith.

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Fundamental Investment Policies

Neither the Operating Company's investment objective nor its investment policies are identified as fundamental. Accordingly, the Operating Company's investment objective and policies may be changed by the Operating Company without the approval of its unit holders.

NYSE Corporate Governance Regulations

The NYSE has adopted corporate governance regulations that listed companies must comply with. NMFC intends to be in compliance with such corporate governance listing standards applicable to BDCs. NMFC intends to monitor its compliance with all future listing standards and to take all necessary actions to ensure that it is in compliance therewith. On January 2, 2013, we received a letter of public reprimand from the NYSE indicating that NMFC had failed to comply with Section 204.12 of the NYSE Listed Company Manual requiring ten days prior notice of a record date, in connection with the announcement of a special dividend distribution. If NMFC were to be delisted by the NYSE, the liquidity of NMFC's common stock would be materially impaired.

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PLAN OF DISTRIBUTION

NMFC and the Operating Company, as applicable, may offer, from time to time, up to $250,000,000 of common stock, preferred stock, subscription rights to purchase shares of common stock, debt securities or warrants, in one or more underwritten public offerings, at-the-market offerings, negotiated transactions, block trades, best efforts or a combination of these methods. In addition, this prospectus relates to 4,843,938 shares of NMFC's common stock that may be sold by the selling stockholders identified under "Selling Stockholders", which reflects the offering completed on October 17, 2013 including the exercise of the underwriters' option to purchase up to an additional 900,000 shares of NMFC's common stock on behalf of a selling stockholder. We may sell the securities through underwriters or dealers, directly to one or more purchasers through agents or through a combination of any such methods of sale. In the case of a rights offering, the applicable prospectus supplement will set forth the number of shares of NMFC's common stock issuable upon the exercise of each right and the other terms of such rights offering. Any underwriter or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement. A prospectus supplement or supplements will also describe the terms of the offering of the securities, including: the purchase price of the securities and the proceeds we will receive from the sale; any options under which underwriters may purchase additional securities from us; any agency fees or underwriting discounts and other items constituting agents' or underwriters' compensation; the public offering price; any discounts or concessions allowed or re-allowed or paid to dealers; and any securities exchange or market on which the securities may be listed. Only underwriters named in the prospectus supplement will be underwriters of the shares offered by the prospectus supplement.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, or at negotiated prices, provided, however, that the offering price per share of NMFC's common stock, less any underwriting commissions or discounts, must equal or exceed the net asset value per share of NMFC's common stock at the time of the offering except (i) in connection with a rights offering to NMFC's existing stockholders, (ii) with the prior approval of the majority of NMFC's common stockholders, or (iii) under such other circumstances as the SEC may permit. Any offering of securities by us that requires the consent of the majority of NMFC's common stockholders, must occur, if at all, within one year after receiving such consent. The price at which the securities may be distributed may represent a discount from prevailing market prices.

In connection with the sale of the securities, underwriters or agents may receive compensation from us or from purchasers of the securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell the securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of the securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement. The maximum aggregate commission or discount to be received by any member of FINRA or independent broker-dealer, including any reimbursements to underwriters or agents for certain fees and legal expenses incurred by them, will not be greater than 10.0% of the gross proceeds of the sale of shares offered pursuant to this prospectus and any applicable prospectus supplement.

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Any underwriter may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum price. Syndicate-covering or other short-covering transactions involve purchases of the securities, either through exercise of the option to purchase additional shares from us or in the open market after the distribution is completed, to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a stabilizing or covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

Any underwriters that are qualified market makers on the NYSE may engage in passive market making transactions in NMFC's common stock on the NYSE in accordance with Regulation M under the Exchange Act, during the business day prior to the pricing of the offering, before the commencement of offers or sales of NMFC's common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker's bid, however, the passive market maker's bid must then be lowered when certain purchase limits are exceeded. Passive market making may stabilize the market price of the shares at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

We may sell securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment.

Unless otherwise specified in the applicable prospectus supplement, each class or series of securities will be a new issue with no trading market, other than NMFC's common stock, which is traded on the NYSE. We may elect to list any other class or series of securities on any exchanges, but we are not obligated to do so. We cannot guarantee the liquidity of the trading markets for any securities.

Under agreements that we may enter, underwriters, dealers and agents who participate in the distribution of our securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act, or contribution with respect to payments that the agents or underwriters may make with respect to these liabilities. Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase our securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of our securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in

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the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of such contracts.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement.

In order to comply with the securities laws of certain states, if applicable, our securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers.

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SAFEKEEPING AGENT, TRANSFER AND DISTRIBUTION PAYING AGENT AND REGISTRAR

The Operating Company maintains custody of its assets in accordance with the requirements of Rule 17f-2 under the 1940 Act. Also in accordance with this rule, the Operating Company's portfolio securities are held under a safekeeping agreement, by Wells Fargo Bank, National Association, which is a bank whose functions and physical facilities are supervised by federal or state authority. The address of the safekeeping agent is: 9062 Old Annapolis Road, Columbia, Maryland 21045. American Stock Transfer & Trust Company, LLC acts as NMFC's transfer agent, distribution paying agent and registrar. The principal address of the transfer agent is 6201 15th Avenue, Brooklyn, New York 11219, telephone number: (800) 937-5449.

BROKERAGE ALLOCATION AND OTHER PRACTICES

Since the Operating Company generally acquires and disposes of its investments in privately negotiated transactions, we expect that it will infrequently use brokers in the normal course of its business. Subject to policies established by the Operating Company's board of directors, the Investment Adviser is primarily responsible for the execution of the publicly-traded securities portion of the Operating Company's portfolio transactions and the allocation of brokerage commissions. The Investment Adviser does not execute transactions through any particular broker or dealer, but seeks to obtain the best net results, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While the Investment Adviser generally seeks reasonably competitive trade execution costs, the Operating Company will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, the Investment Adviser may select a broker based partly upon brokerage or research services provided to the Investment Adviser and the Operating Company and any other clients. In return for such services, the Operating Company may pay a higher commission than other brokers would charge if the Investment Adviser determines in good faith that such commission is reasonable in relation to the services provided.

LEGAL MATTERS

Certain legal matters regarding the securities offered hereby will be passed upon for us by Sutherland Asbill & Brennan LLP, Washington, D.C. Certain legal matters in connection with the offering will be passed upon for the underwriters, if any, by the counsel named in the applicable prospectus supplement.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

With respect to the unaudited interim financial information of New Mountain Finance Holdings, L.L.C., New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation as of September 30, 2013 and for the three and nine month periods ended September 30, 2013 and 2012, which is included in this prospectus, Deloitte & Touche LLP, an independent registered public accounting firm, has applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their report included in this prospectus, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial information because those reports are not "reports" or a "part" of the Registration Statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

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The financial statements of New Mountain Finance Holdings, L.L.C. as of December 31, 2012 and 2011 and for each of the three years ended December 31, 2012, and the financial statements of New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation as of December 31, 2012 and 2011, for the year ended December 31, 2012 and for the period from May 19, 2011 (Commencement of Operations) to December 31, 2011, including the Senior Securities table included in this prospectus, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports appearing herein and elsewhere in the Registration Statement. Such financial statements and information included in the Senior Securities table as of December 31, 2012, 2011, 2010 and 2009 have been so included in reliance upon the reports of such firm, given their authority as experts in accounting and auditing.

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

AVAILABLE INFORMATION

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

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

PRIVACY NOTICE

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

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

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

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

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

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

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

If you have any questions regarding this policy or the treatment of your non-public personal information, please contact our Chief Compliance Officer at (212) 655-0024.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Assets, Liabilities and Members' Capital
(in thousands, except units and per unit data)

	September 30, 2013 (unaudited)	December 31, 2012
Assets		
Investments at fair value (cost of $1,025,337 and $976,243, respectively)	$ 1,041,432	$ 989,820
Cash and cash equivalents	17,629	12,752
Interest and dividend receivable	11,097	6,340
Deferred credit facility costs (net of accumulated amortization of $3,147 and $2,016, respectively)	4,838	5,490
Receivable from affiliate	317	534
Receivable from unsettled securities sold		9,962
Other assets	1,981	666
Total assets	$ 1,077,294	$ 1,025,564
Liabilities		
SLF Credit Facility	215,000	214,262
Holdings Credit Facility	159,091	206,938
Payable for unsettled securities purchased	43,400	9,700
Capital gains incentive fee payable	6,974	4,407
Incentive fee payable	3,534	3,390
Management fee payable	3,754	3,222
Interest payable	755	712
Payable to affiliate	3	
Dividends payable		11,192
Other liabilities	2,978	1,802
Total liabilities	435,489	455,625
Members' Capital	641,805	569,939
Total liabilities and members' capital	$ 1,077,294	$ 1,025,564
Outstanding common membership units	44,831,859	40,548,189
Capital per unit	$ 14.32	$ 14.06

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

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New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Operations
(in thousands)
(unaudited)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Investment income				
Interest income	$ 27,175	$ 21,362	$ 79,539	$ 60,087
Dividend income	(1,631)	215	4,802	215
Other income	249	175	1,926	771
Total investment income	25,793	21,752	86,267	61,073
Expenses				
Incentive fee	3,533	2,978	12,398	8,147
Capital gains incentive fee	1,587	2,583	2,568	3,547
Total incentive fee	5,120	5,561	14,966	11,694
Management fee	3,754	2,768	11,049	7,887
Interest and other credit facility expenses	3,190	2,402	9,379	7,286
Administrative expenses	743	544	2,441	1,604
Professional fees	549	405	1,684	1,279
Other general and administrative expenses	378	375	1,184	1,015
Total expenses	13,734	12,055	40,703	30,765
Less: expenses waived and reimbursed (See Note 5)	(600)	(439)	(2,265)	(1,387)
Net expenses	13,134	11,616	38,438	29,378
Net investment income	12,659	10,136	47,829	31,695
Net realized gains on investments	5,160	1,615	9,516	14,591
Net change in unrealized appreciation (depreciation) of investments	2,659	10,494	2,518	10,710
Net increase in members' capital resulting from operations	$ 20,478	$ 22,245	$ 59,863	$ 56,996

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

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New Mountain Finance Holdings, L.L.C.

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

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Increase in members' capital resulting from operations:		
Net investment income	$ 47,829	$ 31,695
Net realized gains on investments	9,516	14,591
Net change in unrealized appreciation (depreciation) of investments	2,518	10,710
Net increase in members' capital resulting from operations	59,863	56,996
Net contributions	57,020	82,300
Dividends declared	(48,877)	(40,046)
Offering costs	(249)	(377)
Reinvestment of dividends	4,109	980
Net increase in members' capital	71,866	99,853
Members' capital at beginning of period	569,939	420,502
Members' capital at end of period	$ 641,805	$ 520,355

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

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New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine months ended September 30, 2013	September 30, 2012
Cash flows from operating activities		
Net increase in members' capital resulting from operations	$ 59,863	$ 56,996
Adjustments to reconcile net (increase) decrease in capital resulting from operations to net cash (used in) provided by operating activities:		
Net realized gains on investments	(9,516)	(14,591)
Net change in unrealized (appreciation) depreciation of investments	(2,518)	(10,710)
Amortization of purchase discount	(2,671)	(4,549)
Amortization of deferred credit facility costs	1,131	825
Non-cash interest income	(2,697)	(888)
(Increase) decrease in operating assets:		
Purchase of investments	(349,349)	(392,162)
Proceeds from sales and paydowns of investments	315,139	268,369
Cash paid for drawn revolvers		(10,710)
Cash repayments on drawn revolvers		9,870
Interest and dividend receivable	(4,757)	(1,272)
Receivable from affiliate	217	198
Receivable from unsettled securities sold	9,962	
Other assets	(302)	(642)
Increase (decrease) in operating liabilities:		
Payable for unsettled securities purchased	33,700	12,195
Capital gains incentive fee payable	2,567	3,547
Incentive fee payable	144	661
Management fee payable	532	567
Interest payable	43	(1,166)
Payable to affiliate	3	23
Other liabilities	590	(322)
Net cash flows provided by (used in) operating activities	52,081	(83,761)
Cash flows from financing activities		
Net contributions	57,020	82,300
Dividends paid	(55,961)	(39,066)
Offering costs paid	(656)	(259)
Proceeds from Holdings Credit Facility	246,923	311,326
Repayment of Holdings Credit Facility	(294,770)	(304,699)
Proceeds from SLF Credit Facility	11,138	89,031
Repayment of SLF Credit Facility	(10,400)	(54,959)
Deferred credit facility costs paid	(498)	(2,561)

Net cash flows (used in) provided by financing activities		(47,204)		81,113
Net increase (decrease) in cash and cash equivalents		4,877		(2,648)
Cash and cash equivalents at the beginning of the period		12,752		15,319
Cash and cash equivalents at the end of the period	$	17,629	$	12,671
Supplemental disclosure of cash flow information				
Interest paid	$	7,938	$	7,185
Non-cash operating activities:				
Non-cash activity on investments	$	1,986	$	
Non-cash financing activities:				
Value of members' capital issued in connection with dividend reinvestment plan	$	4,109	$	980
Accrual for offering costs		1,162		326
Accrual for deferred credit facility costs		25		59

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments

September 30, 2013
(in thousands, except shares)
(unaudited)

ortfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
unded Debt Investments Bermuda							
tratus Technologies Bermuda Holdings Ltd.(4)**							
tratus Technologies Bermuda Ltd. / Stratus Technologies, Inc.							
nformation Technology	First lien(2)(7)	12.00%	3/29/2015	$ 6,497	$ 6,305	$ 6,513	1.01%
otal Funded Debt Investments Bermuda				**$ 6,497**	**$ 6,305**	**$ 6,513**	**1.01%**
unded Debt Investments Cayman Islands							
innacle Holdco S.à r.l. / Pinnacle (US) cquisition Co Limited**							
oftware	Second lien(2)	10.50% (Base Rate + 9.25%)	7/30/2020	$30,000	$29,458	$30,394	4.74%
otal Funded Debt Investments Cayman slands				**$ 30,000**	**$29,458**	**$30,394**	**4.74%**
unded Debt Investments United States							
cGraw-Hill Global Education Holdings, LLC							
ducation	First lien(2)	9.75%	4/1/2021	$24,500	$24,345	$26,093	
	First lien(3)	9.00% (Base Rate + 7.75%)	3/22/2019	19,900	19,342	20,174	
				44,400	43,687	46,267	7.21%
niTek Global Services, Inc.							
usiness Services	First lien(2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	26,176	25,265	25,543	
	First lien(2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	6,337	6,117	6,184	

	First lien(2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	5,268	5,084	5,140	
				37,781	36,466	36,867	5.74%
dmentum, Inc.(fka Plato, Inc.)							
ducation	First lien(3)	6.00% (Base Rate + 4.75%)	5/17/2018	6,449	6,291	6,486	
	Second lien(2)	11.25% (Base Rate + 9.75%)	5/17/2019	29,150	28,649	29,405	
				35,599	34,940	35,891	5.59%
RA International, Inc.							
ederal Services	First lien(2)	6.50% (Base Rate + 5.25%)	7/20/2018	34,750	33,739	34,533	5.38%
ocket Software, Inc.							
oftware	Second lien(2)	10.25% (Base Rate + 8.75%)	2/8/2019	30,875	30,726	30,921	4.82%
lobal Knowledge Training LLC							
ducation	First lien(3)	6.51% (Base Rate + 4.99%)	4/21/2017	4,624	4,575	4,624	
	First lien(3)	6.51% (Base Rate + 4.99%)	4/21/2017	1,159	1,147	1,159	
	Second lien(2)	11.50% (Base Rate + 9.75%)	10/21/2018	24,250	23,855	24,643	
				30,033	29,577	30,426	4.74%
ovell, Inc. (fka Attachmate Corporation, NetIQ orporation)							
oftware	First lien(3)	7.25% (Base Rate + 5.75%)	11/22/2017	7,158	7,044	7,195	
	Second lien(2)	11.00% (Base Rate + 9.50%)	11/22/2018	23,353	22,758	23,090	
				30,511	29,802	30,285	4.72%
eltek, Inc.							
oftware	Second lien(2)	10.00% (Base Rate + 8.75%)	10/10/2019	30,000	29,709	30,275	4.72%
HCI Acquisition, Inc.							
istribution & Logistics	First lien(3)	7.00% (Base Rate + 5.75%)	7/11/2019	19,950	19,658	20,000	
	Second lien(2)	11.00% (Base Rate + 9.75%)	7/11/2020	10,000	9,707	9,700	
				29,950	29,365	29,700	4.63%

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

September 30, 2013
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Transtar Holding Company							
Distribution & Logistics	Second lien(2)	9.75% (Base Rate + 8.50%)	10/9/2019	$28,300	$27,828	$28,866	4.50%
KeyPoint Government Solutions, Inc.							
Federal Services	First lien(3)	7.25% (Base Rate + 6.00%)	11/13/2017	17,392	17,023	17,218	
	First lien(2)	7.25% (Base Rate + 6.00%)	11/13/2017	10,483	10,303	10,378	
				27,875	27,326	27,596	4.30%
YP Holdings LLC(8)							
YP LLC							
Media	First lien(2)	8.06% (Base Rate + 6.69%)	6/4/2018	27,120	26,476	26,984	4.20%
Meritas Schools Holdings, LLC							
Education	First lien(3)	7.00% (Base Rate + 5.75%)	6/25/2019	18,953	18,769	18,988	
	First lien(2)	7.00% (Base Rate + 5.75%)	6/25/2019	6,983	6,915	6,996	
				25,936	25,684	25,984	4.05%
Kronos Incorporated							
Software	Second lien(2)	9.75% (Base Rate + 8.50%)	4/30/2020	25,000	24,771	25,953	4.04%
Permian Tank & Manufacturing, Inc.							
Energy	First lien(2)	10.50%	1/15/2018	24,500	24,770	24,010	3.74%
Aderant North America, Inc.							
Software	Second lien(2)	10.00% (Base Rate + 8.75%)	6/20/2019	22,500	22,191	23,119	3.60%
LM U.S. Member LLC (and LM U.S. Corp Acquisition Inc.)							
Business Services	Second lien(3)	9.50% (Base Rate + 8.25%)	10/26/2020	20,000	19,724	20,333	3.17%

Merrill Communications LLC							
Business Services	First lien(3)	7.31% (Base Rate + 6.20%)	3/8/2018	19,900	19,708	20,033	3.12%
First American Payment Systems, L.P.							
Business Services	Second lien(3)	10.75% (Base Rate + 9.50%)	4/12/2019	20,000	19,642	19,988	3.11%
Six3 Systems, Inc.							
Federal Services	First lien(3)	7.00% (Base Rate + 5.75%)	10/4/2019	19,850	19,674	19,974	3.11%
eResearchTechnology, Inc.							
Healthcare Services	First lien(3)	6.00% (Base Rate + 4.75%)	5/2/2018	19,800	19,061	19,899	3.10%
Distribution International, Inc.							
Distribution & Logistics	First lien(2)	7.50% (Base Rate + 6.50%)	7/16/2019	19,950	19,562	19,862	3.09%
ARSloane Acquisition, LLC							
Business Services	First lien(2)	7.50% (Base Rate + 6.25%)	10/1/2019	20,000	19,800	19,800	3.09%
Envision Acquisition Company, LLC							
Healthcare Services	Second lien(2)	9.75% (Base Rate + 8.75%)	11/4/2021	20,000	19,600	19,600	3.05%
Insight Pharmaceuticals LLC							
Healthcare Products	Second lien(3)	13.25% (Base Rate + 11.75%)	8/25/2017	19,310	18,738	19,214	2.99%
St. George's University Scholastic Services LLC							
Education	First lien(3)	8.50% (Base Rate + 7.00%)	12/20/2017	11,947	11,733	12,052	
	First lien(2)	8.50% (Base Rate + 7.00%)	12/20/2017	6,391	6,280	6,447	
				18,338	18,013	18,499	2.88%
PODS, Inc.(6)							
Consumer Services							
PODS Funding Corp. II	First lien(3)	7.25% (Base Rate + 6.00%)	11/29/2016	12,575	12,323	12,606	
Storapod Holding Company, Inc.	Subordinated(2)	21.00% PIK*	11/29/2017	5,460	5,334	5,460	
				18,035	17,657	18,066	2.82%
Ascensus, Inc.							
Business Services	First lien(3)	8.00% (Base Rate + 6.75%)	12/21/2018	16,873	16,568	17,125	2.67%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien(3)	7.50% (Base Rate + 6.00%)	4/21/2017	18,527	18,323	16,674	2.60%
IG Investments Holdings, LLC							
Business Services	Second lien(3)	10.25% (Base Rate + 9.00%)	10/31/2020	15,000	14,861	15,075	2.35%
Confie Seguros Holding II Co.							

Consumer Services	Second lien(3)	10.25% (Base Rate + 9.00%)	5/8/2019	8,906	8,769	8,970	
	Second lien(2)	10.25% (Base Rate + 9.00%)	5/8/2019	5,979	5,988	6,021	
				14,885	14,757	14,991	2.34%

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

September 30, 2013
(in thousands, except shares)
(unaudited)

Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value
k International, Inc.						
	First lien(3)	7.75% (Base Rate + 6.25%)	10/30/2017	$ 14,738	$ 14,522	$ 14,793
dings, Inc. (Centerplate, Inc., et al.)						
Services	Subordinated(2)	11.75% (10.25% + 1.50% PIK)*	4/16/2019	14,802	14,539	14,576
ds Group Inc.						
Services	First lien(2)	7.50% (Base Rate + 6.25%)	8/16/2019	14,500	14,297	14,337
tal Management, Inc.						
Services	First lien(3)	7.00% (Base Rate + 5.50%)	10/6/2016	14,757	14,500	14,241
lings III, Inc.						
ervices	Second lien(2)	10.00% (Base Rate + 8.25%)	3/16/2018	14,000	13,850	14,222
Coordinators, Inc.(10)						
Products	Second lien(2)	9.50% (Base Rate + 8.25%)	11/10/2020	14,000	13,865	14,000
termediate Super Holdings, LLC						
ervices	Subordinated(2)	11.00% (Base Rate + 9.50%)	9/2/2019	12,000	11,692	12,570
r Communications, LLC						
	First lien(2)	6.25% (Base Rate + 5.00%)	8/3/2018	11,821	11,633	12,087
tions, Inc.						
	Second lien(2)	9.50% (Base Rate + 8.00%)	7/23/2017	12,000	11,927	11,850
Inc.						
	Second lien(2)	9.75% (Base Rate + 8.25%)	10/29/2017	10,000	9,933	10,215
Holdings, Inc.						
ervices	Second lien(3)	11.00% (Base Rate + 9.75%)	6/27/2018	10,000	9,731	10,163
Inc.						
	First lien(3)	6.75% (Base Rate + 5.00%)	12/14/2016	9,792	9,705	9,450
iologic Corporation						

Information Technology	First lien(3)	7.25% (Base Rate + 5.50%)	12/22/2016	13,598	13,481	8,838
oldings, Inc.						
	First lien(3)	7.25% (Base Rate + 6.00%)	8/6/2018	8,415	8,345	8,436
ntrol International, Inc.						
Products	First lien(2)	9.88%	1/15/2019	6,651	6,651	7,482
ace and Technology Corporation						
vices	First lien(2)(7)	12.00% (10.00% + 2.00% PIK)*	11/1/2014	6,383	6,271	6,426
nc.						
Services	Subordinated(2)(7)	11.13%	8/15/2019	5,000	4,948	5,525
ces Group, Inc.						
ervices	Second lien(2)	9.25% (Base Rate + 8.00%)	11/1/2020	5,000	4,954	5,096
Management LLC**						
	First lien(3)	8.25% (Base Rate + 7.00%)	3/30/2018	5,017	4,896	4,930
are Group (US), Inc.						
	Subordinated(2)	15.00% PIK*	5/8/2020	4,066	3,944	4,066
	Subordinated(2)	15.00% PIK*	5/8/2020	744	689	744
				4,810	4,633	4,810
Group Holdings, Inc.						
ervices	Subordinated(2)	9.13%	11/1/2018	3,650	3,371	3,924
sition Company (fka Ability , Inc.)(11)						
	First lien(2)	12.25% (Base Rate + 5.00% + 4.00% PIK)(5)*	12/30/2014	4,432	4,306	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(5)*	6/30/2012 - Past Due	1,665	1,434	233
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(5)*	6/30/2012 - Past Due	103	94	103
				6,200	5,834	336
led Debt Investments United States				**$ 982,732**	**$ 966,323**	**$ 975,117**
led Debt Investments				**$ 1,019,229**	**$1,002,086**	**$1,012,024**

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

September 30, 2013
(in thousands, except shares)
(unaudited)

tfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Member Capita
ity Bermuda							
tus Technologies Bermuda dings Ltd.(4)**							
rmation Technology	Ordinary shares(2)			$ 156,247	$ 65	$ 25	
	Preferred shares(2)			35,558	15	6	
					80	31	0.0
al Shares Bermuda					**$ 80**	**$ 31**	**0.0**
ity United States							
k Elk Energy Offshore Operations, LLC							
rgy	Preferred shares(2)	17.00%		20,000,000	$ 20,000	$ 20,000	3.1
bal Knowledge Training LLC							
cation	Ordinary shares(2)			2	2	3	
	Preferred shares(2)			2,423	1,193	3,039	
					1,195	3,042	0.4
kaging Coordinators, Inc.(10)							
kaging Coordinators Holdings, LLC							
thcare Products	Ordinary shares(2)			19,427	1,000	1,000	0.1
ora Acquisition LLC(11)							
cation	Preferred shares(2)			372	83	83	0.0
al Shares United States					**$ 22,278**	**$ 24,125**	**3.7**
al Shares					**$ 22,358**	**$ 24,156**	**3.7**
rrants United States							

ning Care Group (US), Inc.						
cation	Warrants(2)		844	194	522	
	Warrants(2)		3,589	61	2,218	
				255	2,740	0.4
Holdings LLC(8)						
Equity Investors LLC						
ia	Warrants(2)		5		1,634	0.2
ek Global Services, Inc.						
ness Services	Warrants(2)		1,014,451	1,449	1,009	0.1
S, Inc.(6)						
apod Holding Company, Inc.						
sumer Services	Warrants(2)		360,129	156	467	0.0
n Science and Technology Corporation						
eral Services	Warrants(2)		6,000	293	189	0.0
ora Acquisition LLC(11)						
cation	Warrants(2)		20			
l Warrants United States				**$ 2,153**	**$ 6,039**	**0.9**
l Funded Investments				**$ 1,026,597**	**$ 1,042,219**	**162.3**
unded Debt Investments United States						
antage Sales & Marketing Inc.						
ness Services	First lien(2)(9) Undrawn	12/17/2015	$ 10,500	$ (1,260)	$ (787)	(0.1
l Unfunded Debt Investments			**$ 10,500**	**$ (1,260)**	**$ (787)**	**(0.1**
l Investments				**$ 1,025,337**	**$ 1,041,432**	**$ 162.2**

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

(2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Operating Company as the Borrower and Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian. See Note 7, *Borrowing Facilities*, for details.

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

September 30, 2013
(in thousands, except shares)
(unaudited)

(3)
Investment is pledged as collateral for the SLF Credit Facility, a revolving credit facility among New Mountain Finance SPV Funding, L.L.C. as the Borrower, the Operating Company as the Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian. See Note 7, *Borrowing Facilities*, for details.

(4)
The Operating Company holds investments in two related entities of Stratus Technologies Bermuda Holdings, Ltd. ("Stratus Holdings"). The Operating Company directly holds ordinary and preferred equity in Stratus Holdings and has a credit investment in the joint issuers of Stratus Technologies Bermuda Ltd. ("Stratus Bermuda") and Stratus Technologies, Inc. ("Stratus U.S."), collectively, the "Stratus Notes". Stratus U.S. is a wholly-owned subsidiary of Stratus Bermuda, which in turn is a wholly-owned subsidiary of Stratus Holdings. Stratus Holdings is the parent guarantor of the credit investment of the Stratus Notes.

(5)
Investment is on non-accrual status.

(6)
The Operating Company holds investments in two related entities of PODS, Inc. The Operating Company directly holds warrants in Storapod Holding Company, Inc. ("Storapod") and has a credit investment in Storapod through Storapod WCF II Limited ("Storapod WCF II"). Storapod WCF II is a special purpose entity used to enter into a Shari'ah-compliant financing arrangement with Storapod. Additionally, the Operating Company has a credit investment in PODS Funding Corp. II ("PODS II"). PODS, Inc. is a wholly-owned subsidiary of PODS Holding, Inc., which in turn is a majority-owned subsidiary of Storapod. PODS II is a special purpose entity used to enter into a Shari'ah-compliant financing arrangement with PODS, Inc. and its subsidiary, PODS Enterprises, Inc.

(7)
Securities are registered under the Securities Act.

(8)
The Operating Company holds investments in two related entities of YP Holdings LLC. The Operating Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP LLC, a subsidiary of YP Holdings LLC.

(9)
Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities. Cost amounts represent the cash received at settlement date net the impact of paydowns and cash paid for drawn revolvers.

(10)
The Operating Company holds investments in Packaging Coordinators, Inc. and one related entity of Packaging Coordinators, Inc. The Operating Company has a credit investment in Packaging Coordinators, Inc. and holds ordinary equity in Packaging Coordinators Holdings, LLC, a wholly-owned subsidiary of Packaging Coordinators, Inc.

(11)
The Operating Company holds investments in ATI Acquisition Company and Ancora Acquisition LLC. The Operating Company has credit investments in ATI Acquisition Company and preferred equity and warrants to purchase units of common membership interests of Ancora Acquisition LLC. The Operating Company received its investments in Ancora Acquisition LLC as a result of its investments in ATI Acquisition Company.

*
All or a portion of interest contains payments-in-kind ("PIK").

**
Indicates assets that the Operating Company deems to be "non-qualifying assets" under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Operating Company's total assets at the time of acquisition of any additional non-qualifying assets.

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

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

September 30, 2013
(unaudited)

Investment Type	September 30, 2013 Percent of Total Investments at Fair Value
First lien	51.20%
Second lien	41.40%
Subordinated	4.50%
Equity and other	2.90%
Total investments	100.00%

Industry Type	September 30, 2013 Percent of Total Investments at Fair Value
Software	20.76%
Business Services	17.40%
Education	16.61%
Federal Services	10.12%
Distribution & Logistics	7.53%
Healthcare Services	7.07%
Media	4.82%
Consumer Services	4.62%
Energy	4.22%
Healthcare Products	4.00%
Industrial Services	1.37%
Healthcare Information Technology	0.85%
Information Technology	0.63%
Total investments	100.00%

Interest Rate Type	September 30, 2013 Percent of Total Investments at Fair Value
Floating rates	88.01%
Fixed rates	11.99%
Total investments	100.00%

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

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments

December 31, 2012
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Funded Debt Investments Bermuda							
Stratus Technologies Bermuda Holdings Ltd.(4)**							
Stratus Technologies Bermuda Ltd. / Stratus Technologies, Inc.							
Information Technology	First lien(2)(7)	12.00%	3/29/2015	$ 6,664	$ 6,396	$ 6,631	1.16%
Total Funded Debt Investments Bermuda				**$ 6,664**	**$ 6,396**	**$ 6,631**	**1.16%**
Funded Debt Investments Cayman Islands							
Pinnacle Holdco S.à r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	First lien(3)	6.50% (Base Rate + 5.25%)	7/30/2019	$ 2,992	$ 2,971	$ 2,999	
	Second lien(2)	10.50% (Base Rate + 9.25%)	7/30/2020	30,000	29,420	30,488	
				32,992	32,391	33,487	5.88%
Total Funded Debt Investments Cayman Islands				**$32,992**	**$32,391**	**$33,487**	**5.88%**
Funded Debt Investments United Kingdom							
Magic Newco, LLC**							
Software	First lien(3)	7.25% (Base Rate + 6.00%)	12/12/2018	$14,963	$14,543	$15,105	2.65%
Total Funded Debt Investments United Kingdom				**$14,963**	**$14,543**	**$15,105**	**2.65%**
Funded Debt Investments United States							
Edmentum, Inc.(fka Plato, Inc.)							
Education	First lien(3)	7.50% (Base Rate + 6.00%)	5/17/2018	$11,700	$11,378	$11,744	

	Second lien(2)	11.25% (Base Rate + 9.75%)	5/17/2019	29,150	28,604	28,567	
				40,850	39,982	40,311	7.07%
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)							
Software	First lien(3)	7.25% (Base Rate + 5.75%)	11/22/2017	7,700	7,560	7,785	
	Second lien(2)	11.00% (Base Rate + 9.50%)	11/22/2018	24,000	23,326	23,560	
				31,700	30,886	31,345	5.50%
Rocket Software, Inc.							
Software	Second lien(2)	10.25% (Base Rate + 8.75%)	2/8/2019	30,875	30,711	30,933	5.43%
Pharmaceutical Research Associates, Inc.							
Healthcare Services	Second lien(2)	10.50% (Base Rate + 9.25%)	6/10/2019	30,000	29,402	30,319	5.32%
UniTek Global Services, Inc.							
Business Services	First lien(2)	9.00% (Base Rate + 7.50%)	4/16/2018	19,650	19,202	19,331	
	First lien(2)	9.00% (Base Rate + 7.50%)	4/16/2018	5,970	5,798	5,873	
	First lien(2)	9.00% (Base Rate + 7.50%)	4/16/2018	4,963	4,781	4,882	
				30,583	29,781	30,086	5.28%
KeyPoint Government Solutions, Inc.							
Federal Services	First lien(3)	7.25% (Base Rate + 6.00%)	11/13/2017	20,000	19,608	19,900	
	First lien(2)	7.25% (Base Rate + 6.00%)	11/13/2017	10,000	9,703	9,950	
				30,000	29,311	29,850	5.24%
Global Knowledge Training LLC							
Education	First lien(3)	6.50% (Base Rate + 4.99%)	4/21/2017	4,776	4,718	4,705	
	First lien(3)	7.25% (Base Rate + 4.00%)	4/21/2017	1,174	1,159	1,156	
	Second lien(2)	11.50% (Base Rate + 9.75%)	10/21/2018	24,250	23,814	23,755	
				30,200	29,691	29,616	5.20%
Managed Health Care Associates, Inc.							
Healthcare Services	First lien(2)	3.47% (Base Rate + 3.25%)	8/1/2014	14,756	13,240	14,276	

	Second lien(2)	6.72% (Base Rate + 6.50%)	2/1/2015	15,000	12,790	14,475	
				29,756	26,030	28,751	5.05%
Transtar Holding Company							
Distribution & Logistics (10)	Second lien(2)	9.75% (Base Rate + 8.50%)	10/9/2019	28,300	27,787	28,654	5.03%
Meritas Schools Holdings, LLC							
Education	First lien(3)	7.50% (Base Rate + 6.00%)	7/29/2017	8,150	8,084	8,171	
	Second lien(2)	11.50% (Base Rate + 10.00%)	1/29/2018	20,000	19,747	20,000	
				28,150	27,831	28,171	4.94%

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2012
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members Capital
Kronos Incorporated							
Software	Second lien(2)	9.75% (Base Rate + 8.50%)	4/30/2020	$25,000	$24,753	$25,125	4.41%
St. George's University Scholastic Services LLC							
Education	First lien(2)	8.50% (Base Rate + 7.00%)	12/20/2017	25,000	24,501	24,500	4.30%
SRA International, Inc.							
Federal Services	First lien(3)	6.50% (Base Rate + 5.25%)	7/20/2018	20,436	19,741	19,542	
	First lien(2)	6.50% (Base Rate + 5.25%)	7/20/2018	4,315	4,225	4,126	
				24,751	23,966	23,668	4.15%
Aderant North America, Inc.							
Software	Second lien(2)	11.00% (Base Rate + 7.75%)	6/20/2019	22,500	22,163	23,062	4.05%
LM U.S. Member LLC (and LM U.S. Corp Acquisition Inc.)							
Business Services	Second lien(2)	9.50% (Base Rate + 8.25%)	10/26/2020	20,000	19,704	20,150	3.54%
Learning Care Group (US), Inc.							
Education	First lien(2)	12.00%	4/27/2016	17,369	17,174	16,696	
	Subordinated(2)	15.00% PIK*	6/30/2016	3,782	3,639	3,434	
				21,151	20,813	20,130	3.53%
Six3 Systems, Inc.							
Federal Services	First lien(2)	7.00% (Base Rate + 5.75%)	10/4/2019	20,000	19,805	20,025	3.51%
First American Payment Systems, L.P.							
Business Services	Second lien(2)	10.75% (Base Rate + 9.50%)	4/12/2019	20,000	19,609	19,900	3.49%
eResearchTechnology, Inc.							
Healthcare Services	First lien(3)	8.00% (Base Rate + 6.50%)	5/2/2018	19,950	19,202	19,850	3.48%

Insight Pharmaceuticals LLC							
Healthcare Products	Second lien(2)	13.25% (Base Rate + 11.75%)	8/25/2017	19,310	18,659	19,503	3.42%
Transplace Texas, L.P.							
Distribution & Logistics(10)	Second lien(2)	11.00% (Base Rate + 9.00%)	4/12/2017	20,000	19,586	19,500	3.42%
PODS, Inc.(6)							
Consumer Services							
PODS Funding Corp. II	First lien(3)	7.25% (Base Rate + 6.00%)	11/29/2016	14,007	13,668	13,972	
Storapod Holding Company, Inc.	Subordinated(2)	21.00% PIK*	11/29/2017	5,296	5,156	5,113	
				19,303	18,824	19,085	3.35%
Smile Brands Group Inc.							
Healthcare Services	First lien(3)	7.00% (Base Rate + 5.25%)	12/21/2017	19,859	19,598	18,767	3.29%
Ascensus, Inc.							
Business Services	First lien(2)	8.00% (Base Rate + 6.75%)	12/21/2018	8,500	8,330	8,330	
	First lien(3)	8.00% (Base Rate + 6.75%)	12/21/2018	8,500	8,330	8,330	
				17,000	16,660	16,660	2.92%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien(3)	7.50% (Base Rate + 6.00%)	4/21/2017	15,758	15,644	15,600	2.74%
IG Investments Holdings, LLC							
Business Services	Second lien(2)	10.25% (Base Rate + 9.00%)	10/31/2020	15,000	14,852	14,925	2.62%
OpenLink International, Inc.							
Software	First lien(3)	7.75% (Base Rate + 6.25%)	10/30/2017	14,850	14,600	14,850	2.61%
Landslide Holdings, Inc. (Crimson Acquisition Corp.)							
Software	First lien(3)	7.00% (Base Rate + 5.75%)	6/19/2018	14,625	14,353	14,671	2.57%
KPLT Holdings, Inc. (Centerplate, Inc., et al.)							
Consumer Services	Subordinated(2)	11.75% (10.25% + 1.50% PIK)*	4/16/2019	14,637	14,351	14,344	2.52%
Sabre Inc.							
Software	First lien(3)	7.25% (Base Rate + 6.00%)	12/29/2017	13,965	13,918	14,186	2.49%
Brock Holdings III, Inc.							
Industrial Services	Second lien(2)	10.00% (Base Rate + 8.25%)	3/16/2018	14,000	13,825	14,105	2.48%
Triple Point Technology, Inc.							
Software	First lien(3)		10/27/2017	12,968	12,549	13,021	2.28%

		6.25% (Base Rate + 5.00%)					
Lonestar Intermediate Super Holdings, LLC							
Business Services	Subordinated(2)	11.00% (Base Rate + 9.50%)	9/2/2019	12,000	11,666	12,765	2.24%
Aspen Dental Management, Inc.							
Healthcare Services	First lien(3)	7.00% (Base Rate + 5.50%)	10/6/2016	12,870	12,652	12,210	2.14%
Van Wagner Communications, LLC							
Media	First lien(2)	8.25% (Base Rate + 7.00%)	8/3/2018	12,000	11,772	12,160	2.13%

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2012
(in thousands, except shares)

folio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Perce of Memb Capit
rvalu Inc.**							
l	First lien(2)	8.00% (Base Rate + 6.75%)	8/30/2018	$ 11,940	$ 11,597	$ 12,146	2.
on Solutions, Inc.							
ware	Second lien(2)	9.50% (Base Rate + 8.00%)	7/23/2017	12,000	11,913	11,700	2.(
ill Communications LLC							
ness Services	First lien(2)	10.75% (Base Rate + 7.50%)	3/10/2013	11,422	11,421	11,279	1.
south, Inc.							
a	First lien(3)	6.75% (Base Rate + 5.00%)	12/14/2016	11,136	11,018	11,025	1.
ucor, Inc.							
thcare Services	First lien(3)	5.75% (Base Rate + 4.50%)	8/19/2018	4,938	4,772	5,006	
	Subordinated(2)(7)	11.13%	8/15/2019	5,000	4,943	5,650	
				9,938	9,715	10,656	1.
al Radiologic Corporation							
thcare Information Technology	First lien(3)	7.75% (Base Rate + 4.50%)	12/22/2016	14,702	14,550	10,291	1.
ian Tank & Manufacturing, Inc.							
gy	First lien(3)	9.00% (Base Rate + 7.25%)	3/15/2017	10,072	9,852	10,072	1.
afore, Inc.							
ware	Second lien(2)	9.75% (Base Rate + 8.25%)	10/29/2017	10,000	9,924	10,050	1.
ge Healthcare Inc.**							
thcare Services	First lien(2)(7)	11.75%	5/1/2015	9,000	8,916	9,709	1.
sFirst Holdings, Inc.							
ness Services	Second lien(2)	11.00% (Base Rate + 9.75%)	6/27/2018	10,000	9,700	9,700	1.
ona Holdings, Inc.							
ware	First lien(3)	7.25% (Base Rate + 6.00%)	8/6/2018	8,479	8,398	8,511	1.

ie Seguros Holding II Co.							
umer Services	Second lien(2)	10.25% (Base Rate + 9.00%)	5/8/2019	8,000	7,842	8,040	1.
io-Control International, Inc.							
thcare Products	First lien(2)	9.88%	1/15/2019	7,000	7,000	7,717	1.
ery Center Holdings, Inc.							
thcare Services	First lien(3)	6.50% (Base Rate + 5.00%)	2/6/2017	6,834	6,809	6,800	1.
arch Pharmaceutical Services, Inc.							
thcare Services	First lien(3)	6.75% (Base Rate + 5.25%)	2/18/2017	7,125	7,046	6,662	1.
n Science and Technology Corporation							
ral Services	First lien(2)(7)	12.00% (10.00% + 2.00% PIK)*	11/1/2014	6,320	6,131	6,093	1.
Services Group, Inc.							
ness Services	Second lien(2)	9.25% (Base Rate + 8.00%)	11/1/2020	5,000	4,951	4,900	0.
ation Management LLC**							
ation	First lien(3)	8.25% (Base Rate + 7.00%)	3/30/2018	5,058	4,921	4,232	0.
kman Group Holdings, Inc.							
ness Services	Subordinated(2)	9.13%	11/1/2018	3,650	3,342	3,842	0.
rn-Hessey Holding Company LLC							
ibution & Logistics(10)	Second lien(2)	11.50% (Base Rate + 9.50%)	10/10/2016	4,000	3,947	3,680	0.
Holdings LLC(8) ntermediate Holdings Corp. / YP mediate Holdings II LLC							
a	Second lien(2)	15.00% (12.00% + 3.00% PIK)*	5/18/2017	3,559	3,326	3,586	0.
n Gen, LLC							
er Generation	Second lien(2)	7.82% PIK (Base Rate + 7.50%)*	2/22/2015	3,676	3,474	2,396	0.
Acquisition Company (fka Ability uisition, Inc.)							
ation	First lien(2)	12.25% (Base Rate + 5.00% + 4.00% PIK)(5)*	12/30/2014	4,432	4,306		
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(5)*	6/30/2012 Past Due	1,665	1,517	649	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(5)*	6/30/2012 Past Due	103	94	103	
				6,200	5,917	752	0.
ana Network Solutions Inc.							
vare	First lien(2)		3/25/2015	648	640	650	0.

		10.00% (Base Rate + 8.00%)				
l Funded Debt Investments	**United States**		**$942,670**	**$921,787**	**$925,287**	**162.**
l Funded Debt Investments			**$997,289**	**$975,117**	**$980,510**	**172.**

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2012
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Equity Bermuda							
Stratus Technologies Bermuda Holdings Ltd.(4)**							
Information Technology	Ordinary shares(2)			$144,270	$ 65	$ 65	
	Preferred shares(2)			32,830	15	15	
					80	80	0.01%
Total Shares Bermuda					**$ 80**	**$ 80**	**0.01%**
Equity United States							
Global Knowledge Training LLC							
Education	Ordinary shares(2)			2	$ 2	$ 2	
	Preferred shares(2)			2,423	1,195	2,423	
					1,197	2,425	0.43%
Total Shares United States					**$ 1,197**	**$ 2,425**	**0.43%**
Total Shares					**$ 1,277**	**$ 2,505**	**0.44%**
Warrants United States							
YP Holdings LLC(8)							
YP Equity Investors LLC							
Media	Warrants(2)			5	$ 466	$ 7,230	1.27%
Alion Science and Technology Corporation							
Federal Services	Warrants(2)			6,000	293	192	0.03%
PODS, Inc.(6)							
Storapod Holding Company, Inc.							
Consumer Services	Warrants(2)			360,129	156	156	0.03%
Learning Care Group (US), Inc.							
Education	Warrants(2)			844	194	14	0.00%

Total Warrants United States				$ 1,109	$ 7,592	1.33%
Total Funded Investments				$977,503	$990,607	173.81%
Unfunded Debt Investments United States						
Advantage Sales & Marketing Inc.						
Business Services	First lien(2)(9) Undrawn	12/17/2015	$ 10,500	$ (1,260)	$ (787)	(0.14)%
Total Unfunded Debt Investments			**$ 10,500**	**$ (1,260)**	**$ (787)**	**(0.14)%**
Total Investments				**$976,243**	**$989,820**	**173.67%**

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

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

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

(4) The Operating Company holds investments in two related entities of Stratus Technologies Bermuda Holdings, Ltd. ("Stratus Holdings"). The Operating Company directly holds ordinary and preferred equity in Stratus Holdings and has a credit investment in the joint issuers of Stratus Technologies Bermuda Ltd. ("Stratus Bermuda") and Stratus Technologies, Inc. ("Stratus U.S."), collectively, the "Stratus Notes". Stratus U.S. is a wholly-owned subsidiary of Stratus Bermuda, which in turn is a wholly-owned subsidiary of Stratus Holdings. Stratus Holdings is the parent guarantor of the credit investment of the Stratus Notes.

(5) Investment is on non-accrual status.

(6) The Operating Company holds investments in two related entities of PODS, Inc. The Operating Company directly holds warrants in Storapod Holding Company, Inc. ("Storapod") and has a credit investment in Storapod through Storapod WCF II Limited ("Storapod WCF II"). Storapod WCF II is a special purpose entity used to enter into a Shari'ah-compliant financing arrangement with Storapod. Additionally, the Operating Company has a credit investment in PODS Funding Corp. II ("PODS II"). PODS, Inc. is a wholly-owned subsidiary of PODS Holding, Inc., which in turn is a majority-owned subsidiary of Storapod. PODS II is a special purpose entity used to enter into a Shari'ah-compliant financing arrangement with PODS, Inc. and its subsidiary, PODS Enterprises, Inc.

(7)

Securities are registered under the Securities Act.

(8)

The Operating Company holds investments in two related entities of YP Holdings LLC. The Operating Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP Intermediate Holdings Corp. and YP Intermediate Holdings II LLC (together "YP Intermediate"), a subsidiary of YP Holdings LLC.

(9)

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

(10)

Industries were disclosed separately in previously issued financial statements.

*

All or a portion of interest contains payments-in-kind ("PIK").

**

Indicates assets that the Operating Company deems to be "non-qualifying assets" under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Operating Company's total assets at the time of acquisition of any additional non-qualifying assets.

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

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2012

Investment Type	December 31, 2012 Percent of Total Investments at Fair Value
First lien	49.86%
Second lien	44.56%
Subordinated	4.56%
Equity and other	1.02%
Total investments	100.00%

Industry Type	December 31, 2012 Percent of Total Investments at Fair Value
Software	24.92%
Education	15.17%
Healthcare Services	14.52%
Business Services	14.49%
Federal Services	9.64%
Distribution & Logistics(1)	5.23%
Consumer Services	4.21%
Media	3.44%
Healthcare Products	2.75%
Industrial Services	1.42%
Retail	1.23%
Healthcare Information Technology	1.04%
Energy	1.02%
Information Technology	0.68%
Power Generation	0.24%
Total investments	100.00%

(1) Industries were disclosed separately in previously issued financial statements.

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

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New Mountain Finance Corporation

Statements of Assets and Liabilities

(in thousands, except shares and per share data)

	September 30, 2013 (unaudited)	December 31, 2012
Assets		
Investment in New Mountain Finance Holdings, L.L.C., at fair value (cost of $534,040 and $335,730, respectively)	$ 547,722	$ 341,926
Distribution receivable from New Mountain Finance Holdings, L.L.C.		3,405
Total assets	$ 547,722	$ 345,331
Liabilities		
Dividends payable		3,405
Total liabilities		3,405
Net assets		
Preferred stock, par value $0.01 per share, 2,000,000 authorized, none issued		
Common stock, par value $0.01 per share, 100,000,000 shares authorized, and 38,259,921 and 24,326,251 shares issued and outstanding, respectively	383	243
Paid in capital in excess of par	533,657	335,487
Accumulated undistributed net realized gains	7,725	952
Net unrealized appreciation (depreciation)	5,957	5,244
Total net assets	$ 547,722	$ 341,926
Total liabilities and net assets	$ 547,722	$ 345,331
Number of shares outstanding	38,259,921	24,326,251
Net asset value per share	$ 14.32	$ 14.06

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

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New Mountain Finance Corporation

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

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net investment income allocated from New Mountain Finance Holdings, L.L.C.				
Interest income	$ 23,190	$ 9,563	$ 59,220	$ 22,961
Dividend income	(1,391)	96	3,334	96
Other income	213	83	1,539	289
Total expenses	(11,209)	(5,169)	(28,398)	(11,314)
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	10,803	4,573	35,695	12,032
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.				
Net realized gains on investments	4,403	700	7,567	5,189
Net change in unrealized appreciation (depreciation) of investments	2,269	4,725	753	4,800
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.	6,672	5,425	8,320	9,989
Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.	17,475	9,998	44,015	22,021
Net change in unrealized (depreciation) appreciation of investment in New Mountain Finance Holdings, L.L.C.	(8)	(43)	(40)	(43)
Net increase in net assets resulting from operations	$ 17,467	$ 9,955	$ 43,975	$ 21,978
Basic earnings per share	$ 0.46	$ 0.62	$ 1.38	$ 1.75
Weighted average shares of common stock outstanding basic (See Note 11)	38,159,320	16,177,442	31,952,623	12,537,607
Diluted earnings per share	$ 0.46	$ 0.62	$ 1.40	$ 1.74
Weighted average shares of common stock outstanding diluted (See Note 11)	44,731,258	36,138,511	42,847,638	32,671,954

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

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New Mountain Finance Corporation

Statements of Changes in Net Assets
(in thousands)
(unaudited)

	Nine months ended	
	September 30, 2013	**September 30, 2012**
Increase (decrease) in net assets resulting from operations:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	$ 35,695	$ 12,032
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C.	7,567	5,189
Net change in unrealized appreciation (depreciation) of investments allocated from New Mountain Finance Holdings, L.L.C.	753	4,800
Net change in unrealized (depreciation) appreciation of investment in New Mountain Finance Holdings, L.L.C.	(40)	(43)
Total net increase in net assets resulting from operations	43,975	21,978
Capital transactions		
Net proceeds from shares sold	57,020	82,300
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	(203)	(211)
Value of shares issued for exchanged units	137,384	56,314
Dividends declared	(36,489)	(15,173)
Reinvestment of dividends	4,109	980
Total net increase in net assets resulting from capital transactions	161,821	124,210
Net increase in net assets	205,796	146,188
Net assets at beginning of period	341,926	145,487
Net assets at end of period	$ 547,722	$ 291,675

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

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New Mountain Finance Corporation

Statements of Cash Flows
(in thousands)
(unaudited)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash flows from operating activities		
Net increase in net assets resulting from operations	$ 43,975	$ 21,978
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	(35,695)	(12,032)
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.	(8,320)	(9,989)
Net change in unrealized depreciation (appreciation) of investment in New Mountain Finance Holdings, L.L.C.	40	43
(Increase) decrease in operating assets:		
Purchase of investment	(57,020)	(82,300)
Distributions from New Mountain Finance Holdings, L.L.C.	35,785	15,173
Net cash flows used in operating activities	(21,235)	(67,127)
Cash flows from financing activities		
Net proceeds from shares sold	57,020	82,300
Dividends paid	(35,785)	(15,173)
Net cash flows provided by financing activities	21,235	67,127
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period		
Cash and cash equivalents at the end of the period	$	$
Non-cash financing activities:		
New Mountain Finance AIV Holdings Corporation exchange of New Mountain Finance Holdings, L.L.C. units for shares	$ 137,384	$ 56,314
Value of shares issued in connection with dividend reinvestment plan	4,109	980
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	(203)	(211)

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

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New Mountain Finance AIV Holdings Corporation

Statements of Assets and Liabilities
(in thousands, except shares)

	September 30, 2013 (unaudited)	December 31, 2012
Assets		
Investment in New Mountain Finance Holdings, L.L.C., at fair value (cost of $98,820 and $244,015, respectively)	$ 94,083	$ 228,013
Distributions receivable from New Mountain Finance Holdings, L.L.C.		7,786
Total assets	$ 94,083	$ 235,799
Liabilities		
Dividends payable		7,786
Total liabilities		7,786
Net assets		
Common stock, par value $0.01 per share 100 shares issued and outstanding	(1)	(1)
Paid in capital in excess of par	98,820	244,015
Distributions in excess of net realized gains	(4,982)	(6,676)
Net unrealized appreciation (depreciation)	245	(9,326)
Total net assets	94,083	228,013
Total liabilities and net assets	$ 94,083	$ 235,799

(1) As of September 30, 2013 and December 31, 2012, the par value of the total common stock was $1.

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

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New Mountain Finance AIV Holdings Corporation

Statements of Operations
(in thousands)
(unaudited)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net investment income allocated from New Mountain Finance Holdings, L.L.C.				
Interest income	$ 3,983	$ 11,799	$ 20,318	$ 37,126
Dividend income	(239)	119	1,468	119
Other income	36	91	387	480
Total expenses	(1,925)	(6,448)	(10,040)	(18,064)
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	1,855	5,561	12,133	19,661
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.				
Net realized gains on investments	757	916	1,949	9,402
Net change in unrealized appreciation (depreciation) of investments	390	5,769	1,765	5,911
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.	1,147	6,685	3,714	15,313
Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.	3,002	12,246	15,847	34,974
Net realized gains (losses) on investment in New Mountain Finance Holdings, L.L.C.		382	(10,451)	382
Net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C.	9	1,564	7,806	1,564
Net increase in net assets resulting from operations	$ 3,011	$ 14,192	$ 13,202	$ 36,920

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

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New Mountain Finance AIV Holdings Corporation

Statements of Changes in Net Assets
(in thousands)
(unaudited)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Increase (decrease) in net assets resulting from operations:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	$ 12,133	$ 19,661
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C.	1,949	9,402
Net change in unrealized appreciation (depreciation) of investments allocated from New Mountain Finance Holdings, L.L.C.	1,765	5,911
Net realized (losses) gains on investment in New Mountain Finance Holdings, L.L.C.	(10,451)	382
Net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C.	7,806	1,564
Total net increase in net assets resulting from operations	13,202	36,920
Capital transactions		
Distribution to New Mountain Guardian AIV, L.P.	(134,699)	(58,216)
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	(45)	(166)
Dividends declared	(12,388)	(24,873)
Total net decrease in net assets resulting from capital transactions	(147,132)	(83,255)
Net decrease in net assets	(133,930)	(46,335)
Net assets at beginning of period	228,013	275,015
Net assets at end of period	$ 94,083	$ 228,680

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

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New Mountain Finance AIV Holdings Corporation

Statements of Cash Flows
(in thousands)
(unaudited)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash flows from operating activities		
Net increase in net assets resulting from operations	$ 13,202	$ 36,920
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	(12,133)	(19,661)
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.	(3,714)	(15,313)
Net realized losses (gains) on investment in New Mountain Finance Holdings, L.L.C.	10,451	(382)
Net change in unrealized (appreciation) depreciation in New Mountain Finance Holdings, L.L.C.	(7,806)	(1,564)
(Increase) decrease in operating activities		
Distributions from New Mountain Finance Holdings, L.L.C.	20,174	24,873
Net cash flows provided by operating activities	20,174	24,873
Cash flows from financing activities		
Proceeds from shares sold	134,699	58,216
Distribution to New Mountain Guardian AIV, L.P.	(134,699)	(58,216)
Dividends paid	(20,174)	(24,873)
Net cash flows used in financing activities	(20,174)	(24,873)
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period		
Cash and cash equivalents at the end of the period	$	$
Non-cash financing activities:		
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	$ (45)	$ (166)

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

Combined Notes to the Consolidated Financial Statements of
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The information in these combined notes to the financial statements relates to each of the three separate registrants: New Mountain Finance Holdings, L.L.C., New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation (collectively, the "Companies"). Information that relates to an individual registrant will be specifically referenced by the respective company. None of the Companies makes any representation as to the information related solely to the other registrants other than itself.

Note 1. Formation and Business Purpose

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

The Operating Company is externally managed by New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser"). New Mountain Finance Administration, L.L.C. (the "Administrator") provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital (defined as New Mountain Capital Group, L.L.C. and its affiliates). New Mountain Capital is a firm with a track record of investing in the middle market and with assets under management (which includes amounts committed, not all of which have been drawn down and invested to date) totaling more than $9.0 billion as of September 30, 2013. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity, and credit investment vehicles. The Operating Company, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ("Guardian AIV") by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately $300.0 million of the $5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising $20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the "Predecessor Entities".

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

New Mountain Finance AIV Holdings Corporation ("AIV Holdings") is a Delaware corporation that was originally incorporated on March 11, 2011. Guardian AIV, a Delaware limited partnership, is

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Note 1. Formation and Business Purpose (Continued)

AIV Holdings' sole stockholder. AIV Holdings is a closed-end, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. As such, AIV Holdings is obligated to comply with certain regulatory requirements. AIV Holdings has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a RIC under the Code.

On May 19, 2011, NMFC priced its initial public offering (the "IPO") of 7,272,727 shares of common stock at a public offering price of $13.75 per share. Concurrently with the closing of the IPO and at the public offering price of $13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a concurrent private placement (the "Concurrent Private Placement"). Additionally, 1,252,964 shares were issued to the partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities. In connection with NMFC's IPO and through a series of transactions, the Operating Company owns all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

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

During the quarter ended September 30, 2013, NMFC issued an additional 111,373 shares in conjunction with its dividend reinvestment plan at a weighted average price of $14.48. Since NMFC's IPO, and through September 30, 2013, NMFC raised approximately $190,448 in net proceeds from additional offerings of common stock and issued shares of its common stock valued at approximately $193,698 on behalf of AIV Holdings for exchanged units. NMFC acquired from the Operating Company units of the Operating Company equal to the number of shares of NMFC's common stock sold in the additional offerings. As of September 30, 2013, NMFC and AIV Holdings owned approximately 85.3% and 14.7%, respectively, of the units of the Operating Company.

**Combined Notes to the Consolidated Financial Statements of
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Note 1. Formation and Business Purpose (Continued)

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

The diagram below depicts the Companies' organizational structure as of September 30, 2013.

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

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

*** New Mountain Finance SPV Funding, L.L.C. ("NMF SLF").

The Operating Company's investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital

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**Combined Notes to the Consolidated Financial Statements of
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Note 1. Formation and Business Purpose (Continued)

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

Note 2. Summary of Significant Accounting Policies

Basis of accounting The Companies' financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Operating Company consolidates its wholly-owned subsidiary, NMF SLF. NMFC and AIV Holdings do not consolidate the Operating Company. NMFC and AIV Holdings apply investment company master-feeder financial statement presentation, as described in Accounting Standards Codification 946, *Financial Services Investment Companies*, ("ASC 946") to their interest in the Operating Company. NMFC and AIV Holdings observe that it is industry practice to follow the presentation prescribed for a master fund-feeder fund structure in ASC 946 in instances in which a master fund is owned by more than one feeder fund and that such presentation provides stockholders of NMFC and AIV Holdings with a clearer depiction of their investment in the master fund.

The Companies' financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition for all periods presented. All intercompany transactions have been eliminated. Revenues are recognized when earned and expenses when incurred. The financial results of the Operating Company's portfolio investments are not consolidated in the financial statements. Prior to the IPO, an affiliate of the Predecessor Entities paid a majority of the management and incentive fees. Historical operating expenses do not reflect the allocation of certain professional fees, administrative and other expenses that have been incurred following the completion of the IPO. Accordingly, the Operating Company's historical operating expenses are not comparable to its operating expenses after the completion of the IPO.

The Companies' interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. Accordingly, the Companies' interim financial statements do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2013.

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Note 2. Summary of Significant Accounting Policies (Continued)

Investments The Operating Company applies fair value accounting in accordance with GAAP. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments are reflected on the Operating Company's Consolidated Statements of Assets, Liabilities and Members' Capital at fair value, with changes in unrealized gains and losses resulting from changes in fair value reflected in the Operating Company's Consolidated Statements of Operations as "Net change in unrealized appreciation (depreciation) of investments" and realizations on portfolio investments reflected in the Operating Company's Consolidated Statements of Operations as "Net realized gains (losses) on investments".

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

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

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

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

   b. For investments other than bonds, the Operating Company looks at the number of quotes readily available and performs the following:

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

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

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Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

b. Preliminary valuation conclusions will then be documented and discussed with the Operating Company's senior management;

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

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

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

NMFC and AIV Holdings are holding companies with no direct operations of their own, and their sole asset is their ownership in the Operating Company. NMFC's and AIV Holdings' investments in the Operating Company are carried at fair value and represent the respective pro-rata interest in the net assets of the Operating Company as of the applicable reporting date. NMFC and AIV Holdings value their ownership interest on a quarterly basis, or more frequently if required under the 1940 Act.

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

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Note 2. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents Cash and cash equivalents include cash and short-term, highly liquid investments. The Companies define cash equivalents as securities that are readily convertible into known amounts of cash and so near maturity that there is insignificant risk of changes in value. Generally, these securities have original maturities of three months or less.

Revenue recognition

The Operating Company's revenue recognition policies are as follows:

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

Interest income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. The Operating Company has loans in the portfolio that contain a payment-in-kind ("PIK") provision. PIK represents interest that is accrued and recorded as interest income at the contractual rates, added to the loan principal on the respective capitalization dates, and generally due at maturity.

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

Dividend income: Dividend income is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

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

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Note 2. Summary of Significant Accounting Policies (Continued)

NMFC's and AIV Holdings' revenue recognition policies are as follows:

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

All expenses, including those of NMFC and AIV Holdings, are paid and recorded by the Operating Company. Expenses are allocated to NMFC and AIV Holdings based on pro-rata ownership interest. In addition, the Operating Company paid all of the offering costs related to the IPO and subsequent offerings. NMFC and AIV Holdings have recorded their portion of the offering costs as a direct reduction to net assets and the cost of their investment in the Operating Company.

With respect to the expenses incident to any registration of shares of NMFC's common stock issued in exchange for AIV Holdings' units of the Operating Company, AIV Holdings is directly responsible for the expenses of any demand registration (including underwriters' discounts or commissions) and their pro-rata share of any "piggyback" registration expenses.

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

Deferred credit facility costs The deferred credit facility costs of the Operating Company consist of capitalized expenses related to the origination and amending of the Operating Company's existing credit facilities. The Operating Company amortizes these costs into expense using the straight-line method over the stated life of the related credit facility. See Note 7, *Borrowing Facilities*, for details.

Income taxes The Operating Company is treated as a partnership for federal income tax purposes and as such is generally not subject to federal or state and local income taxes except

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Note 2. Summary of Significant Accounting Policies (Continued)

with respect to state source income received from underlying flow-through investments. The partners are individually responsible for reporting income or loss based on their respective share of the revenues and expenses. The Operating Company files United States ("U.S.") federal, state, and local income tax returns.

NMFC and AIV Holdings have elected to be treated, and intend to comply with the requirements to qualify annually, as RICs under subchapter M of the Code. As RICs, NMFC and AIV Holdings are not subject to federal income tax on the portion of taxable income and gains timely distributed to stockholders; therefore, no provision for income taxes has been recorded.

To continue to qualify as RICs, NMFC and AIV Holdings are required to meet certain income and asset diversification tests in addition to distributing at least 90.0% of their respective investment company taxable income, as defined by the Code. Since federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes.

Differences between taxable income and the results of operations for financial reporting purposes may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

For federal income tax purposes, distributions paid to stockholders of NMFC and AIV Holdings are reported as ordinary income, return of capital, long term capital gains or a combination thereof.

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

The Companies have adopted the Income Taxes topic of the Codification ("ASC 740"). ASC 740 provides guidance for how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on their analyses, the Companies have determined that there were no material uncertain income tax positions through December 31, 2012. The 2011 and 2012 tax years remain subject to examination by U.S. federal, state, and local tax authorities.

Dividends Distributions to common unit holders of the Operating Company and common stockholders of NMFC and AIV Holdings are recorded on the record date as set by the respective board of directors. In order for NMFC and AIV Holdings to pay a dividend or other distribution to holders of their common stock, it must be accompanied by a prior distribution by the Operating Company to all of its unit holders. The Operating Company intends to make distributions to its unit holders that will be sufficient to enable NMFC and AIV Holdings to pay quarterly distributions to their stockholders and to maintain their status as RICs. NMFC and AIV Holdings intend to distribute approximately all of their portion of the Operating Company's adjusted net investment income (see

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Note 2. Summary of Significant Accounting Policies (Continued)

Note 5, *Agreements*) on a quarterly basis and substantially all of their portion of the Operating Company's taxable income on an annual basis, except that NMFC may retain certain net capital gains for reinvestment.

Under certain circumstances, the distributions that the Operating Company makes to its members may not be sufficient for AIV Holdings to satisfy the annual distribution requirement necessary for AIV Holdings to continue to qualify as a RIC. In that case, it is expected that Guardian AIV would consent to be treated as if it received distributions from AIV Holdings sufficient to satisfy the annual distribution requirement. Guardian AIV would be required to include the consent dividend in its taxable income as a dividend from AIV Holdings, which would result in phantom (i.e., non-cash) taxable income to Guardian AIV. AIV Holdings intends to make quarterly distributions to Guardian AIV, its sole stockholder, out of assets legally available for distribution each quarter.

The Operating Company and NMFC are required to take certain actions in order to maintain, at all times, a one-to-one ratio between the number of units held by NMFC and the number of shares of NMFC's common stock outstanding. NMFC has adopted a dividend reinvestment plan that provides on behalf of its stockholders for reinvestment of any distributions declared, unless a stockholder elects to receive cash. Cash distributions reinvested in additional shares of NMFC's common stock will be automatically reinvested by NMFC into additional units of the Operating Company. In addition, AIV Holdings does not intend to reinvest any distributions received from the Operating Company in additional units of the Operating Company.

NMFC applies the following in implementing the dividend reinvestment plan. If the price at which newly issued shares are to be credited to stockholders' accounts is greater than 110.0% of the last determined net asset value of the shares, NMFC will use only newly issued shares to implement its dividend reinvestment plan. Under such circumstances, the number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of NMFC's common stock on the New York Stock Exchange ("NYSE") on the distribution payment date. Market price per share on that date will be the closing price for such shares on the NYSE or, if no sale is reported for such day, the average of their electronically reported bid and asked prices. If NMFC uses newly issued shares to implement the plan, NMFC will receive, on a one-for-one basis, additional units of the Operating Company in exchange for cash distributions that are reinvested in shares of NMFC's common stock under the dividend reinvestment plan.

If the price at which newly issued shares are to be credited to stockholders' accounts is less than 110.0% of the last determined net asset value of the shares, NMFC 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

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Note 2. Summary of Significant Accounting Policies (Continued)

number of shares of NMFC's common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of NMFC's stockholders have been tabulated.

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

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

Use of estimates The preparation of the Companies' financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Companies' financial statements and the reported amounts of revenues and expenses during the reporting periods. Changes in the economic environment, financial markets, and other metrics used in determining these estimates could cause actual results to differ from the estimates used, and the differences could be material.

Dividend income recorded related to distributions received from flow-through investments is an accounting estimate based on the most recent estimate of the tax treatment of the distribution. During the three months ended September 30, 2013, the Operating Company changed an accounting estimate related to the classification of dividend income for a distribution recorded in the prior quarter from one of the Operating Company's warrant investments. Based on tax projections received during the three months ended September 30, 2013, the Operating Company reduced the warrant cost basis by $466 and corresponding dividend income previously recorded by $1,799, and recorded a realized gain of $1,333 to agree to the tax treatment on the investment. This resulted in a reclass of $360 from incentive fee to capital gains incentive fee.

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Note 3. Investments

At September 30, 2013 the Operating Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 535,075	$ 533,259
Second lien	421,234	431,113
Subordinated	44,517	46,865
Equity and other	24,511	30,195
Total investments	$ 1,025,337	$ 1,041,432

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	$ 211,384	$ 216,241
Business Services	176,706	181,196
Education	168,797	173,008
Federal Services	105,626	105,392
Distribution & Logistics	76,755	78,428
Healthcare Services	72,406	73,602
Media	47,814	50,155
Consumer Services	47,109	48,100
Energy	44,770	44,010
Healthcare Products	40,254	41,696
Industrial Services	13,850	14,222
Healthcare Information Technology	13,481	8,838
Information Technology	6,385	6,544
Total investments	$ 1,025,337	$ 1,041,432

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Note 3. Investments (Continued)

At December 31, 2012 the Operating Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 496,931	$ 493,502
Second lien	433,829	441,073
Subordinated	43,097	45,148
Equity and other	2,386	10,097
Total investments	$ 976,243	$ 989,820

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	$ 241,742	$ 246,696
Education	155,047	150,151
Healthcare Services	139,370	143,724
Business Services	140,426	143,420
Federal Services	95,150	95,428
Distribution & Logistics(1)	51,320	51,834
Consumer Services	41,173	41,625
Media	26,582	34,001
Healthcare Products	25,659	27,220
Industrial Services	13,825	14,105
Retail	11,597	12,146
Healthcare Information Technology	14,550	10,291
Energy	9,852	10,072
Information Technology	6,476	6,711
Power Generation	3,474	2,396
Total investments	$ 976,243	$ 989,820

(1) Industries were disclosed separately in previously issued financial statements.

As of September 30, 2013, the Operating Company's first lien positions in ATI Acquisition Company remained on non-accrual status due to the inability of the portfolio company to service its interest payment for the quarter then ended and uncertainty about its ability to pay such amounts in the future. During the three months ended September 30, 2013, the Operating Company received preferred shares and warrants in Ancora Acquisition LLC, in relation to the two super priority first

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Note 3. Investments (Continued)

lien positions in ATI Acquisition Company. As of September 30, 2013, the Operating Company's investment had an aggregate cost basis of $5,917, an aggregate fair value of $419 and total unearned interest income of $241 and $709, respectively, for the three and nine months then ended. As of December 31, 2012, the Operating Company's original first lien position in ATI Acquisition Company was put on non-accrual status, with a cost basis of $4,306, a fair value of zero and total unearned interest income of $653 for the year then ended. The Operating Company's two super priority first lien debt investments in ATI Acquisition Company had a combined cost basis of $1,611 and a combined fair value of $752 as of December 31, 2012. During the third quarter of 2012, the Operating Company placed the super priority first lien positions on non-accrual status as well, resulting in total unearned interest income of $310 for the year ended December 31, 2012. As of December 31, 2012, the Operating Company's total investment in ATI Acquisition Company had an aggregate cost basis of $5,917 and an aggregate fair value of $752, putting the entire ATI Acquisition Company's investment on non-accrual status. As of September 30, 2013 and December 31, 2012, unrealized gains include a fee that the Operating Company would receive upon maturity of the two super priority first lien debt investments.

As of September 30, 2013, the Operating Company had unfunded commitments on revolving credit facilities and bridge facilities of $10,500 and $52,500, respectively. The Operating Company did not have any unfunded commitments in the form of a delayed draw or other future funding commitments as of September 30, 2013. The unfunded commitments on revolving credit facilities are disclosed on the Operating Company's Consolidated Schedule of Investments as of September 30, 2013.

As of December 31, 2012, the Operating Company had unfunded commitments on revolving credit facilities and bridge facilities of $10,500 and $0, respectively. The Operating Company did not have any unfunded commitments in the form of a delayed draw or other future funding commitments as of December 31, 2012. The unfunded commitments on revolving credit facilities are disclosed on the Operating Company's Consolidated Schedule of Investments as of December 31, 2012.

Investment Risk Factors First and second lien debt that the Operating Company invests in is entirely, or almost entirely, rated below investment grade or may be unrated. These loans are considered speculative because of the credit risk of the issuers. Such issuers are considered more likely than investment grade issuers to default on their payments of interest and principal and such defaults could reduce the net asset value and income distributions of the Operating Company. First and second lien debt may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these first and second lien loans. This illiquidity may make it more difficult to value the debt.

Subordinated debt is generally subject to similar risks as those associated with first and second lien debt, except that such debt is subordinated in payment and /or lower in lien priority. Subordinated debt is subject to the additional risk that the cash flow of the borrower and the

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Note 3. Investments (Continued)

property securing the debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured and unsecured obligations of the borrower.

Note 4. Fair Value

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

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

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

Quoted prices for similar assets or liabilities in active markets;

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

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

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

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

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

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Note 4. Fair Value (Continued)

the Level III table below may include changes in fair value that are attributable to both observable inputs (Levels II and III) and unobservable inputs (Level III).

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

The following table summarizes the levels in the fair value hierarchy that the Operating Company's portfolio investments fall into as of September 30, 2013:

	Total	Level I	Level II	Level III
First lien	$ 533,259	$	$ 519,089	$ 14,170
Second lien	431,113		392,470	38,643
Subordinated	46,865		22,019	24,846
Equity and other	30,195			30,195
Total investments	$ 1,041,432	$	$ 933,578	$ 107,854

The following table summarizes the levels in the fair value hierarchy that the Operating Company's portfolio investments fall into as of December 31, 2012:

	Total	Level I	Level II	Level III
First lien	$ 493,502	$	$ 450,617	$ 42,885
Second lien	441,073		397,818	43,255
Subordinated	45,148		22,257	22,891
Equity and other	10,097			10,097
Total investments	$ 989,820	$	$ 870,692	$ 119,128

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended September 30, 2013, as well as the portion of appreciation (depreciation)

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Note 4. Fair Value (Continued)

included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Operating Company at September 30, 2013:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, June 30, 2013	$ 113,201	$ 21,312	$ 38,527	$ 24,681	$ 28,681
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	1,398	66			1,332
Net change in unrealized appreciation (depreciation)	633	(41)	116	110	448
Purchases, including capitalized PIK and revolver fundings	1,503	(84)		55	1,532
Proceeds from sales and paydowns of investments	(8,881)	(7,083)			(1,798)
Fair value, September 30, 2013	$ 107,854	$ 14,170	$ 38,643	$ 24,846	$ 30,195
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	$ 697	$ 23	$ 116	$ 110	$ 448

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended September 30, 2012, as well as the portion of appreciation (depreciation)

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Note 4. Fair Value (Continued)

included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Operating Company at September 30, 2012:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, June 30, 2012	$ 106,374	$ 42,748	$ 53,275	$ 7,539	$ 2,812
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	106	106			
Net change in unrealized appreciation (depreciation)	3,161	51			3,110
Purchases, including capitalized PIK and revolver fundings	11,460	11,460			
Proceeds from sales and paydowns of investments	(10,385)	(10,385)			
Transfers into Level III(1)	7,047	6,581			466(2)
Transfers out of Level III(1)	(10,020)		(10,020)		
Fair value, September 30, 2012	$ 107,743	$ 50,561	$ 43,255	$ 7,539	$ 6,388
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	$ 3,161	$ 51	$	$	$ 3,110

(1) As of September 30, 2012, the portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the quarter in which the reclassifications occurred.

(2) This Level III transfer relates to the Operating Company's investment in warrants of YP Equity Investors LLC, which was valued with YP Holdings LLC's second lien debt as of June 30, 2012.

The following table summarizes the changes in fair value of Level III portfolio investments for the nine months ended September 30, 2013, as well as the portion of appreciation (depreciation)

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Note 4. Fair Value (Continued)

included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Operating Company at September 30, 2013:

	Total	First Lien	Second Lien	Subordinated	Equity and other(2)
Fair value, December 31, 2012	$ 119,128	$ 42,885	$ 43,255	$ 22,891	$ 10,097
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	1,975	263	380		1,332
Net change in unrealized (depreciation) appreciation	(150)	70	1,148	658	(2,026)
Purchases, including capitalized PIK and revolver fundings	37,761	11	13,860	1,297	22,593
Proceeds from sales and paydowns of investments	(57,434)	(35,633)	(20,000)		(1,801)
Transfers into Level III(1)	6,574	6,574			
Fair value, September 30, 2013	$ 107,854	$ 14,170	$ 38,643	$ 24,846	$ 30,195
Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	$ (945)	$ (605)	$ 1,027	$ 658	$ (2,025)

(1) As of September 30, 2013, the portfolio investments were transferred into Level III from Level II at fair value as of the beginning of the quarter in which the reclassifications occurred.

(2) During the nine months ended September 30, 2013, the Operating Company received dividends of $4,802 from its equity and other investments, which were recorded as dividend income. An estimate related to the tax characterization of this distribution was provided as of September 30, 2013.

The following table summarizes the changes in fair value of Level III portfolio investments for the nine months ended September 30, 2012, as well as the portion of appreciation (depreciation)

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Note 4. Fair Value (Continued)

included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Operating Company at September 30, 2012:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2011	$ 90,967	$ 33,141	$ 48,405	$ 6,571	$ 2,850
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	4,275	4,252	23		
Net change in unrealized (depreciation) appreciation	(1,001)	(3,851)	(173)	(22)	3,045
Purchases, including capitalized PIK and revolver fundings	57,089	46,052	10,020	990	27
Proceeds from sales and paydowns of investments	(29,502)	(24,502)	(5,000)		
Transfers into Level III(1)	7,047	6,581			466(2)
Transfers out of Level III(1)	(21,132)	(11,112)	(10,020)		
Fair value, September 30, 2012	$ 107,743	$ 50,561	$ 43,255	$ 7,539	$ 6,388
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	$ 2,612	$ (410)	$ (1)	$ (22)	$ 3,045

(1) As of September 30, 2012, the portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the quarter in which the reclassifications occurred.

(2) This Level III transfer relates to the Operating Company's investment in warrants of YP Equity Investors LLC, which was valued with YP Holdings LLC's second lien debt as of June 30, 2012.

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the three and nine months ended September 30, 2013 and September 30, 2012. Transfers into Level III occurred as quotations obtained through pricing services were not deemed representative of fair value as of the balance sheet date and such assets were internally valued. As quotations obtained through pricing services were substantiated through additional market sources, investments were transferred out of Level III. The Operating Company invests in revolving credit facilities. These investments are categorized as Level III investments as these assets are not actively traded and their fair values are often implied by the term loans of the respective portfolio companies.

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Note 4. Fair Value (Continued)

The Operating Company generally uses the following framework when determining the fair value of investments where there are little, if any, market activity or observable pricing inputs.

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

Market Based Approach: The Operating Company typically estimates the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies. The Operating Company considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, relevant risk factors, as well as size, profitability and growth expectations. The Operating Company generally applies an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate portfolio company enterprise value. In applying the market based approach as of September 30, 2013, the Operating Company used the relevant EBITDA ranges set forth in the table below to determine the enterprise value of investments in six of its portfolio companies. The Operating Company believes this was a reasonable range in light of current comparable company trading levels and the specific companies involved.

Income Based Approach: The Operating Company also typically uses 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

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Note 4. Fair Value (Continued)

and the valuation date. In applying the income based approach as of September 30, 2013, the Operating Company used the discount ranges set forth in the table below to value investments in eight of its portfolio companies.

			EBITDA Range			Discount Range		
Type	**Fair Value**	**Approach**	**Low**	**High**	**Weighted Average**	**Low**	**High**	**Weighted Average**
First lien	$ 14,170	Market and Income	4.0x	6.5x	5.3x	5.5%	22.8%	16.0%
Second lien	38,643	Market and Income	4.0x	7.5x	5.8x	10.1%	11.7%	11.0%
Subordinated	24,846	Market and Income	6.0x	9.5x	7.9x	12.2%	21.8%	15.1%
Equity	24,156	Market and Income	4.0x	8.0x	5.6x	8.0%	20.0%	16.3%

The Operating Company typically uses a Black Scholes analysis to fair value warrant investments. Input variables used in these analyses include, but are not limited to, stock price, exercise price, expiration date, valuation date, volatility, and discount rate. As of September 30, 2013, warrants had a fair value of $6,039, which have been excluded from the table above.

Based on a comparison to similar BDC credit facilities, the terms and conditions of the Holdings Credit Facility and the SLF Credit Facility (as defined in Note 7, *Borrowing Facilities*) are representative of market. The carrying values of the Holdings Credit Facility and SLF Credit Facility approximate fair value as of September 30, 2013, as both facilities are continually monitored and examined by both the borrower and the lender. Both facilities were amended and restated during the year ended December 31, 2012 to lower the applicable interest rate spread by 0.25% and to increase the maximum amount of revolving borrowings available under the respective facilities. Additionally for the nine months ended September 30, 2013, the Holdings Credit Facility was amended and restated to further increase the maximum amount of revolving borrowings available. See Note 7, *Borrowing Facilities*, for details. The fair value of other financial assets and liabilities approximates their carrying value based on the short term nature of these items. The fair value disclosures discussed in this paragraph are considered Level III.

Fair value risk factors The Operating Company seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the Operating Company's portfolio companies conduct their operations, as well as general economic and political conditions, may have a significant negative impact on the operations and profitability of the Operating Company's investments and/or on the fair value of the Operating Company's investments. The Operating Company's investments are subject to the risk of non-payment of scheduled interest or principal, resulting in a reduction in income to the Operating Company and thus the income of NMFC and AIV Holdings, and their corresponding fair valuations. Also, there may be risk associated with the concentration of investments in one geographic region or in certain industries. These events are beyond the control of the Operating Company and cannot be predicted. Furthermore, the ability to liquidate investments and realize value is subject to uncertainties.

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Note 5. Agreements

On May 19, 2011, NMFC entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of the Operating Company pursuant to which NMFC was admitted as a member of the Operating Company and agreed to acquire from the Operating Company a number of units of the Operating Company equal to the number of shares of common stock outstanding of NMFC. Additionally on May 19, 2011, in connection with the contribution by Guardian AIV of its units to AIV Holdings, AIV Holdings entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of the Operating Company pursuant to which AIV Holdings was also admitted as a member of the Operating Company.

The Operating Company entered into an investment advisory and management agreement, as amended and restated (the "Investment Management Agreement") with the Investment Adviser. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Operating Company. For providing these services, the Investment Adviser receives a fee from the Operating Company, consisting of two components a base management fee and an incentive fee.

The base management fee is calculated at an annual rate of 1.75% of the Operating Company's gross assets less (i) the borrowings under the SLF Credit Facility (as defined in Note 7, *Borrowing Facilities*) and (ii) cash and cash equivalents. The base management fee is payable quarterly in arrears, and is calculated based on the average value of the Operating Company's gross assets, borrowings under the SLF Credit Facility, and cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of the Operating Company's "Pre-Incentive Fee Adjusted Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature. "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that the Operating Company receives from portfolio companies) accrued during the calendar quarter, minus the Operating Company's operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement, as amended and restated, with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred membership units (of which there are none as of September 30, 2013), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Operating Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

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Note 5. Agreements (Continued)

Under GAAP, NMFC's IPO did not step-up the cost basis of the Operating Company's existing investments to fair market value at the IPO date. Since the total value of the Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, as well as different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold or mature in the future. The Operating Company tracks the transferred (or fair market) value of each of its investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts Pre-Incentive Fee Net Investment Income to reflect the amortization of purchase or original issue discount on the Operating Company's investments as if each investment was purchased at the date of the IPO, or stepped up to fair market value. This is defined as "Pre-Incentive Fee Adjusted Net Investment Income". The Operating Company also uses the transferred (or fair market) value of each of its investments as of the time of the IPO to adjust capital gains ("Adjusted Realized Capital Gains") or losses ("Adjusted Realized Capital Losses") and unrealized capital appreciation ("Adjusted Unrealized Capital Appreciation") and unrealized capital depreciation ("Adjusted Unrealized Capital Depreciation").

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

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

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

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

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Note 5. Agreements (Continued)

The second part will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement) and will equal 20.0% of the Operating Company's Adjusted Realized Capital Gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee.

In accordance with GAAP, the Operating Company accrues a hypothetical capital gains incentive fee based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of each period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value.

The Operating Company has revised its presentation of incentive fees on the Consolidated Statements of Assets, Liabilities and Members' Capital and the Consolidated Statements of Operations to disclose the two parts of the incentive fee incurred by the Operating Company for net investment income related incentive fees and capital gains related incentive fees.

The following table summarizes the management fees and incentive fees incurred by the Operating Company for the three and nine months ended September 30, 2013 and September 30, 2012.

	Three months ended		Nine months ended	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Management fee	$ 3,754	$ 2,768	$ 11,049	$ 7,887
Incentive fee, excluding accrued capital gains incentive fees	3,533	2,978	12,398	8,147
Accrued capital gains incentive fees(1)	1,587	2,583	2,568	3,547

(1) The accrued capital gains incentive fees would be paid by the Operating Company if the Operating Company ceased operations on September 30, 2013 and September 30, 2012, respectively, and liquidated its investments at the valuations as of the respective quarter ends. Approximately $939 of capital gains incentive fees would be owed under the Investment Management Agreement if the Operating Company had ceased operations as of September 30, 2013, as cumulative net Adjusted Realized Capital Gains exceeded cumulative

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Note 5. Agreements (Continued)

Adjusted Unrealized Capital Depreciation. As of September 30, 2012, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Capital Gains did not exceed cumulative Adjusted Unrealized Capital Depreciation.

The Operating Company's Consolidated Statements of Operations below are adjusted as if the step-up in cost basis to fair market value had occurred at the IPO date, May 19, 2011.

The following Statement of Operations for the three and nine months ended September 30, 2013 is adjusted to reflect this step-up to fair market value.

	Three months ended September 30, 2013	Adjustments	Adjusted three months ended September 30, 2013
Investment income			
Interest income(1)	$ 27,175	$ (111)	$ 27,064
Dividend income	(1,631)		(1,631)
Other income	249		249
Total investment income	25,793	(111)	25,682
Total net expenses pre-incentive fee(2)	8,014		8,014
Pre-Incentive Fee Net Investment Income	17,779	(111)	17,668
Incentive fee(3)	5,120		5,120
Post-Incentive Fee Net Investment Income	12,659	(111)	12,548
Net realized gains on investments(4)	5,160	(121)	5,039
Net change in unrealized appreciation (depreciation) of investments	2,659	232	2,891
Net increase in members' capital resulting from operations	$ 20,478		$ 20,478

(1) Includes $841 in payment-in-kind interest from investments.

(2) Includes expense waivers and reimbursements of $600.

Explanation of Responses:

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Note 5. Agreements (Continued)

(3) For the three months ended September 30, 2013, the Operating Company incurred total incentive fees of $5,120, of which $1,587 related to capital gains incentive fees on a hypothetical liquidation basis.

(4) Includes $1,722 of realized gains on investments resulting from the modification of terms on one debt investment that was accounted for as an extinguishment.

	Nine months ended September 30, 2013	Adjustments	Adjusted nine months ended September 30, 2013
Investment income			
Interest income(1)	$ 79,539	$ (804)	$ 78,735
Dividend income	4,802		4,802
Other income	1,926		1,926
Total investment income	86,267	(804)	85,463
Total net expenses pre-incentive fee(2)	23,472		23,472
Pre-Incentive Fee Net Investment Income	62,795	(804)	61,991
Incentive fee(3)	14,966		14,966
Post-Incentive Fee Net Investment Income	47,829	(804)	47,025
Net realized gains on investments(4)	9,516	(3,270)	6,246
Net change in unrealized appreciation (depreciation) of investments	2,518	4,074	6,592
Net increase in members' capital resulting from operations	$ 59,863		$ 59,863

(1) Includes $2,387 in payment-in-kind interest from investments.

(2) Includes expense waivers and reimbursements of $2,265.

(3) For the nine months ended September 30, 2013, the Operating Company incurred total incentive fees of $14,966, of which $2,568 related to capital gains incentive fees on a hypothetical liquidation basis.

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**Combined Notes to the Consolidated Financial Statements of
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Note 5. Agreements (Continued)

(4) Includes $1,722 of realized gains on investments resulting from the modification of terms on one debt investment that was accounted for as an extinguishment.

The following Statement of Operations for the three and nine months ended September 30, 2012 is adjusted to reflect the step-up to fair market value.

	Three months ended September 30, 2012	Adjustments	Adjusted three months ended September 30, 2012
Investment income			
Interest income	$ 21,362	$ (806)	$ 20,556
Dividend income	215		215
Other income	175		175
Total investment income	21,752	(806)	20,946
Total net expenses pre-incentive fee(1)	6,055		6,055
Pre-Incentive Fee Net Investment Income	15,697	(806)	14,891
Incentive fee(2)	5,561		5,561
Post-Incentive Fee Net Investment Income	10,136	(806)	9,330
Net realized gains on investments	1,615	(168)	1,447
Net change in unrealized appreciation (depreciation) of investments	10,494	974	11,468
Net increase in members' capital resulting from operations	$ 22,245		$ 22,245

(1) Includes expense waivers and reimbursements of $439.

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Note 5. Agreements (Continued)

(2)
For the three months ended September 30, 2012, the Operating Company incurred total incentive fees of $5,561, of which $2,583 related to capital gains incentive fees on a hypothetical liquidation basis.

	Nine months ended September 30, 2012	Adjustments	Adjusted nine months ended September 30, 2012
Investment income			
Interest income	$ 60,087	$ (2,654)	$ 57,433
Dividend income	215		215
Other income	771		771
Total investment income	61,073	(2,654)	58,419
Total net expenses pre-incentive fee(1)	17,684		17,684
Pre-Incentive Fee Net Investment Income	43,389	(2,654)	40,735
Incentive fee(2)	11,694		11,694
Post-Incentive Fee Net Investment Income	31,695	(2,654)	29,041
Net realized gains on investments	14,591	(5,386)	9,205
Net change in unrealized appreciation (depreciation) of investments	10,710	8,040	18,750
Net increase in members' capital resulting from operations	$ 56,996		$ 56,996

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(1)
Includes expense waivers and reimbursements of $1,387.

(2)
For the nine months ended September 30, 2012, the Operating Company incurred total incentive fees of $11,694, of which $3,547 related to capital gains incentive fees on a hypothetical liquidation basis.

The Companies have entered into an Administration Agreement, as amended and restated, with the Administrator under which the Administrator provides administrative services. The Administrator performs, or oversees the performance of, the Companies' financial records, prepares reports filed with the Securities and Exchange Commission, generally monitors the payment of the Companies' expenses, and watches the performance of administrative and professional services rendered by others. The Operating Company will reimburse the Administrator for the Companies'

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Note 5. Agreements (Continued)

allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Companies under the Administration Agreement, as amended and restated. Pursuant to the Administration Agreement, as amended and restated, and further restricted by the Operating Company, expenses payable to the Administrator by the Operating Company as well as other direct and indirect expenses (excluding interest, other credit facility expenses, trading expenses and management and incentive fees) have been capped at $3,500 for the time period from April 1, 2012 to March 31, 2013 and capped at $4,250 for the time period from April 1, 2013 to March 31, 2014.

The Operating Company has revised its presentation of expenses and expense waivers and reimbursements for the three and nine months ended September 30, 2012. Expenses were previously presented net of waivers and reimbursements, which had been included parenthetically. The revised presentation shows total gross expenses with a separate reduction for expense waivers and reimbursements.

The Operating Company incurred the following expenses in excess of the expense cap for the three and nine months ended September 30, 2013 and September 30, 2012:

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Professional fees	$ 317	$ 171	$ 1,345	$ 536
Administrative expenses	283	268	920	851
Other general and administrative expenses				
Total expense waivers and reimbursements	$ 600	$ 439	$ 2,265	$ 1,387

As of September 30, 2013, $317 of the expense waivers and reimbursements was receivable from an affiliate.

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

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Note 5. Agreements (Continued)

NMFC entered into a Registration Rights Agreement with AIV Holdings, Steven B. Klinsky (the Chairman of the Companies' board of directors), an entity related to Steven B. Klinsky and the Investment Adviser. Subject to several exceptions, AIV Holdings and the Investment Adviser have the right to require NMFC to register for public resale under the Securities Act of 1933, as amended (the "Securities Act of 1933"), all registerable securities that are held by any of them and that they request to be registered. Registerable securities subject to the Registration Rights Agreement are shares of NMFC's common stock issued or issuable in exchange for units and any other shares of NMFC's common stock held by AIV Holdings, the Investment Adviser and any of their transferees. The rights under the Registration Rights Agreement can be conditionally exercised by AIV Holdings or the Investment Adviser, meaning that prior to the effectiveness of the registration statement related to the shares, AIV Holdings or the Investment Adviser can withdraw their request to have the shares registered. AIV Holdings and the Investment Adviser may each assign their rights to any person that acquires registerable securities subject to the Registration Rights Agreement and who agrees to be bound by the terms of the Registration Rights Agreement. Steven B. Klinsky and a related entity will have the right to "piggyback", or include their own registerable securities in such a registration. Shares held by AIV Holdings and Steven B. Klinsky were registered on a shelf registration statement on Form N-2.

AIV Holdings and the Investment Adviser may require NMFC to use its reasonable best efforts to register under the Securities Act of 1933 all or any portion of these registerable securities upon a "demand request". The demand registration rights are subject to certain limitations.

The Registration Rights Agreement includes limited blackout and suspension periods. In addition, AIV Holdings and the Investment Adviser may also require NMFC to file a shelf registration statement on Form N-2 for the resale of their registerable securities if NMFC is eligible to use Form N-2 at that time.

Holders of registerable securities have "piggyback" registration rights, including AIV Holdings, which means that these holders may include their respective shares in any future registrations of NMFC's equity securities, whether or not that registration relates to a primary offering by NMFC or a secondary offering by or on behalf of any of NMFC's stockholders. AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) have priority over NMFC in any registration that is an underwritten offering.

AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) will be responsible for the expenses of any demand registration (including underwriters' discounts or commissions) and their pro-rata share of any "piggyback" registration. NMFC has agreed to indemnify AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) with respect to liabilities resulting from untrue statements or omissions in any registration statement filed pursuant to the Registration Rights Agreement, other than untrue statements or omissions resulting from information furnished to NMFC by such parties. AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) have also agreed to indemnify NMFC with respect to

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Note 5. Agreements (Continued)

liabilities resulting from untrue statements or omissions furnished by them to NMFC relating to them in any registration statement.

Note 6. Related Parties

The Companies have entered into a number of business relationships with affiliated or related parties. NMFC and AIV Holdings own all the outstanding units of the Operating Company. As of September 30, 2013, NMFC and AIV Holdings owned approximately 85.3% and 14.7%, respectively, of the units of the Operating Company.

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

The Companies have entered into an Administration Agreement, as amended and restated, with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the Companies and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement, as amended and restated. The Operating Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Companies under the Administration Agreement, as amended and restated, including rent, the fees and expenses associated with performing administrative, finance and compliance functions, and the compensation of the Companies' chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement, as amended and restated, and further restricted by the Operating Company, expenses payable to the Administrator by the Operating Company as well as other direct and indirect expenses (excluding interest, other credit facility expenses, trading expenses and management and incentive fees) have been capped at $3,500 for the time period from April 1, 2012 to March 31, 2013 and capped at $4,250 for the time period from April 1, 2013 to March 31, 2014.

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

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

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Note 6. Related Parties (Continued)

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with the Operating Company' investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Operating Company 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 the Operating Company should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the Securities and Exchange Commission and its staff, and consistent with the Investment Adviser's allocation procedures.

Concurrently with the IPO, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in the Concurrent Private Placement.

Note 7. Borrowing Facilities

Holdings Credit Facility The Loan and Security Agreement, as amended and restated, dated May 19, 2011 (the "Holdings Credit Facility") among the Operating Company as the Borrower and Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 27, 2016, as amended on May 8, 2012. The Operating Company became a party to the Holdings Credit Facility upon the IPO of NMFC. The Holdings Credit Facility amends and restates the credit facility of the Predecessor Entities (the "Predecessor Credit Facility").

The maximum amount of revolving borrowings available under the Holdings Credit Facility is $250,000, as amended on June 24, 2013. As of September 30, 2013, the Operating Company was permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien or non-first lien debt securities, and up to 70.0% and 45.0% of the purchase price of specified first lien debt securities and specified non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, National Association. The Holdings Credit Facility is collateralized by all of the investments of the Operating Company on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Operating Company's Consolidated Statement of Assets, Liabilities, and Members' Capital and charged against income as other credit facility expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. In addition, the Holdings Credit Facility requires the Operating Company to maintain a minimum asset coverage ratio. However, the covenants are generally not tied to mark to market fluctuations in the prices of the Operating Company's investments, but rather to the performance of the underlying portfolio companies.

The Holdings Credit Facility bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 2.75% per annum, as amended on May 8, 2012, and charges a non-usage fee,

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Note 7. Borrowing Facilities (Continued)

based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement).

The following table summarizes the interest expense and non-usage fees incurred by the Operating Company on the Holdings Credit Facility for the three and nine months ended September 30, 2013 and September 30, 2012.

	Three months ended		Nine months ended	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Interest expense	$ 1,430	$ 807	$ 4,307	$ 2,920
Non-usage fee	75	178	144	251
Weighted average interest rate	2.9%	3.0%	2.9%	3.1%
Average debt outstanding	$ 190,692	$ 105,795	$ 192,843	$ 122,887

As of September 30, 2013 and December 31, 2012, the outstanding balance on the Holdings Credit Facility was $159,091 and $206,938, respectively, and the Operating Company was not aware of any instances of non-compliance related to the Holdings Credit Facility on such dates.

SLF Credit Facility NMF SLF's Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the "SLF Credit Facility") among NMF SLF as the Borrower, the Operating Company as the Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 27, 2016, as amended on May 8, 2012. The maximum amount of revolving borrowings available under the SLF Credit Facility is $215,000, as amended on December 18, 2012. The loan is non-recourse to the Operating Company and secured by all assets owned by the borrower on an investment by investment basis. All fees associated with the origination or upsizing of the SLF Credit Facility are capitalized on the Consolidated Statement of Assets, Liabilities, and Members' Capital and charged against income as other credit facility expenses over the life of the SLF Credit Facility. The SLF Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. The covenants are generally not tied to mark to market fluctuations in the prices of our investments, but rather to the performance of the underlying portfolio companies. Due to an amendment to the SLF Credit Facility on October 27, 2011, NMF SLF is no longer restricted from the purchase or sale of loans with an affiliate. Therefore, specified loans can be moved as collateral between the Holdings Credit Facility and the SLF Credit Facility.

As of September 30, 2013, the SLF Credit Facility permits borrowings of up to 70.0% of the purchase price of pledged first lien debt securities and up to 25.0% of the purchase price of specified second lien loans, of which, up to 25.0% of the aggregate outstanding loan balance of all

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Note 7. Borrowing Facilities (Continued)

pledged debt securities in the SLF Credit Facility is allowed to be derived from second lien loans, subject to approval by Wells Fargo Bank, National Association, as amended on March 11, 2013.

The SLF Credit Facility bears interest at a rate of LIBOR plus 2.00% per annum for first lien loans and 2.75% for second lien loans, respectively, as amended on March 11, 2013. A non-usage fee is paid, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement).

The following table summarizes the interest expense and non-usage fees incurred by the Operating Company on the SLF Credit Facility for the three and nine months ended September 30, 2013 and September 30, 2012.

	Three months ended		Nine months ended	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Interest expense	$ 1,243	$ 1,051	$ 3,663	$ 3,138
Non-usage fee	(1)	8	2	20
Weighted average interest rate	2.3%	2.2%	2.3%	2.4%
Average debt outstanding	$ 214,828	$ 184,109	$ 214,547	$ 174,808

(1) For the three months ended September 30, 2013, the total non-usage fee was less than $1 thousand.

As of September 30, 2013 and December 31, 2012, the outstanding balance on the SLF Credit Facility was $215,000 and $214,262, respectively, and NMF SLF was not aware of any instances of non-compliance related to the SLF Credit Facility on such dates.

Leverage risk factors The Operating Company utilizes and may utilize leverage to the maximum extent permitted by the law for investment and other general business purposes. The Operating Company's lenders will have fixed dollar claims on certain assets that are superior to the claims of the Operating Company's unit holders, and therefore NMFC's common stockholders, and the Operating Company would expect such lenders to seek recovery against these assets in the event of a default. The use of leverage also magnifies the potential for gain or loss on amounts invested. Leverage may magnify interest rate risk (particularly on the Operating Company's fixed-rate investments), which is the risk that the prices of portfolio investments will fall or rise if market interest rates for those types of securities rise or fall. As a result, leverage may cause greater changes in the Operating Company's net asset value. Similarly, leverage may cause a sharper decline in the Operating Company's income than if the Operating Company had not borrowed. Such a decline could negatively affect the Operating Company's ability to make dividend payments to its unit holders. Leverage is generally considered a speculative investment technique.

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Note 7. Borrowing Facilities (Continued)

The Operating Company's ability to service any debt incurred will depend largely on financial performance and will be subject to prevailing economic conditions and competitive pressures.

Note 8. Regulation

NMFC and AIV Holdings have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as RICs under Subchapter M of the Code. In order to continue to qualify as RICs, among other things, NMFC and AIV Holdings are required to timely distribute to their stockholders at least 90.0% of investment company taxable income, as defined by the Code, for each year. NMFC and AIV Holdings, among other things, intend to make and continue to make the requisite distributions to their stockholders, which will generally relieve NMFC and AIV Holdings from U.S. federal, state, and local income taxes (excluding excise taxes which may be imposed under the Code). However, under certain circumstances, the distributions that the Operating Company makes to its members may not be sufficient for AIV Holdings to satisfy the annual distribution requirement necessary for AIV Holdings to continue to qualify as a RIC. In that case, it is expected that Guardian AIV would consent to be treated as if it received distributions from AIV Holdings sufficient to satisfy the annual distribution requirement. Guardian AIV would be required to include the consent dividend in its taxable income as dividend from AIV Holdings, which would result in phantom (i.e., non-cash) taxable income to Guardian AIV.

Additionally as BDCs, the Companies must not acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70.0% of its total assets are qualifying assets (with certain limited exceptions).

Note 9. Commitments and Contingencies

In the normal course of business, the Companies may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Operating Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments, or delayed draw commitments. As of September 30, 2013, the Operating Company had unfunded commitments on revolving credit facilities of $10,500, outstanding bridge financing commitments of $52,500 and no other future funding commitments. The unfunded commitments on revolving credit facilities are disclosed on the Operating Company's Consolidated Schedule of Investments. As of December 31, 2012, the Operating Company had unfunded commitments on revolving credit facilities of $10,500 and no outstanding bridge financing commitments or other future funding commitments, all of which are disclosed on the Operating Company's Consolidated Schedule of Investments.

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Note 9. Commitments and Contingencies (Continued)

The Operating Company also has revolving borrowings available under the Holdings Credit Facility and the SLF Credit Facility as of September 30, 2013. See Note 7, *Borrowing Facilities*, for details.

The Operating Company may from time to time enter into financing commitment letters. As of September 30, 2013 and December 31, 2012, the Operating Company did not enter into any commitment letters to purchase debt investments, which could require funding in the future.

Note 10. Stockholders' Equity

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

	Common Stock				Accumulated Undistributed		
	Shares	Par Amount	Paid in Capital in Excess of Par	Undistributed Net Investment Income	Net Realized Gains (Losses)	Net Unrealized Appreciation (Depreciation)	Total Stockholders' Equity
Balance at December 31, 2012	24,326,251	$ 243	$ 335,487	$	$ 952	$ 5,244	$ 341,926
Issuances of common stock	13,933,670	140	198,373				198,513
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.			(203)				(203)
Dividends declared				(35,695)	(794)		(36,489)
Net increase (decrease) in stockholders' equity resulting from operations				35,695	7,567	713	43,975
Balance at September 30, 2013	38,259,921	$ 383	$ 533,657	$	$ 7,725	$ 5,957	$ 547,722

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Note 10. Stockholders' Equity (Continued)

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

	Common Stock						
	Shares	**Par Amount**	**Paid in Capital in Excess of Par**	**Undistributed Net Investment Income**	**Distributions In Excess of Net Realized (Losses) Gains**	**Net Unrealized (Depreciation) Appreciation**	**Total Stockholders' Equity**
Balance at December 31, 2012	100	$ (1)	$ 244,015	$	$ (6,676)	$ (9,326)	$ 228,013
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.			(45)				(45)
Dividends declared				(12,133)	(255)		(12,388)
Distribution to New Mountain Guardian AIV, L.P.			(134,699)				(134,699)
Net increase (decrease) in stockholders' equity resulting from operations			(10,451)	12,133	1,949	9,571	13,202
Balance at September 30, 2013	100	$ (1)	$ 98,820	$	$ (4,982)	$ 245	$ 94,083

(1) As of September 30, 2013 and December 31, 2012, the par amount of the total common stock was $1.

Note 11. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase in NMFC's net assets per share resulting from operations for the three and nine months ended September 30, 2013 and September 30, 2012:

	Three months ended		Nine months ended	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Numerator for basic earnings per share:	$ 17,467	$ 9,955	$ 43,975	$ 21,978
Denominator for basic weighted average share:	38,159,320	16,177,442	31,952,623	12,537,607

Basic earnings per share:	$	0.46	$	0.62	$	1.38	$	1.75
Numerator for diluted earnings per share(a):	$	20,478	$	22,245	$	59,863	$	56,996
Denominator for diluted weighted average share(b):		44,731,258		36,138,511		42,847,638		32,671,954
Diluted earnings per share:	$	0.46	$	0.62	$	1.40	$	1.74

(a) Includes the full income at the Operating Company for the period.

(b) Assumes AIV Holdings exchanges its units in the Operating Company for public shares of NMFC as of September 30, 2013 and September 30, 2012, respectively (see Note 1, *Formation and Business Purpose*).

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Note 12. Financial Highlights

The following information sets forth the financial highlights for the Operating Company for the respective nine months ended September 30, 2013 and September 30, 2012.

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Total return based on net asset value(a)	10.20%	13.06%
Average net assets for the period	$ 612,181	$ 450,716
Ratio to average net assets(b):		
Net investment income	10.45%	9.39%
Total expenses, before waivers/reimbursements	8.89%	9.12%
Total expenses, net of waivers/reimbursements	8.39%	8.71%
Net assets, end of period	$ 641,805	$ 520,355
Average debt outstanding SLF Credit Facility	$ 214,547	$ 174,808
Average debt outstanding Holdings Credit Facility	$ 192,843	$ 122,887
Weighted average common membership units outstanding	42,847,638	32,671,954
Asset coverage ratio	271.56%	255.02%
Portfolio turnover	30.46%	34.77%

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

(b) Ratio to average net assets has been annualized.

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Note 12. Financial Highlights (Continued)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Per unit data for the Operating Company(a):		
Net asset value, January 1, 2013 and January 1, 2012, respectively	$ 14.06	$ 13.60
Net investment income	1.12	0.97
Net realized and unrealized gains (losses)	0.28	0.76
Dividends from net investment income	(1.14)	(1.23)
Net increase in net assets resulting from operations	0.26	0.50
Net asset value, September 30, 2013 and September 30, 2012, respectively	$ 14.32	$ 14.10

(a) Per unit data is based on weighted average common membership units outstanding.

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Note 12. Financial Highlights (Continued)

The following information sets forth the financial highlights for NMFC for the nine months ended September 30, 2013 and September 30, 2012. The ratios to average net assets have been annualized.

	Nine months ended September 30, 2013		Nine months ended September 30, 2012	
Per share data(a):				
Net asset value, January 1, 2013 and January 1, 2012, respectively	$	14.06	$	13.60
Net increase (decrease) in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.:				
Net investment income		1.12		0.97
Net realized and unrealized gains (losses)		0.28		0.76
Total net increase		1.40		1.73
Dividends declared		(1.14)		(1.23)
Net asset value, September 30, 2013 and September 30, 2012, respectively	$	14.32	$	14.10
Per share market value, September 30, 2013 and September 30, 2012, respectively	$	14.41	$	14.82
Total return based on market value(b)		4.58%		20.27%
Total return based on net asset value(c)		10.20%		13.06%
Shares outstanding at end of period		38,259,921		20,690,635
Average weighted shares outstanding for the period		31,952,623		12,537,607
Average net assets for the period	$	456,922	$	167,815
Ratio to average net assets(d):				
Total expenses allocated from New Mountain Finance Holdings, L.L.C.		8.39%		8.71%
Net investment income allocated from New Mountain Finance Holdings, L.L.C.		10.45%		9.39%

(a) Per share data is based on the summation of the per share results of operations items over the outstanding shares for the period in which the respective line items were realized or earned.

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

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Note 12. Financial Highlights (Continued)

(c) 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.

(d) Ratio to average net assets for the nine months ended September 30, 2013 is based on the summation of the results of operations items over the net assets for the period in which the respective line items were realized or earned.

The following information sets forth the financial highlights for AIV Holdings for the nine months ended September 30, 2013 and September 30, 2012. The ratios to average net assets have been annualized.

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Total return based on net asset value(a)	8.38%	14.45%
Average net assets for the period	$ 155,259	$ 279,835
Ratio to average net assets(b):		
Total expenses allocated from New Mountain Finance Holdings, L.L.C.	8.39%	8.71%
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	10.45%	9.39%

(a) 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 net asset value on the last day of the respective quarter.

(b) Ratio to average net assets for the nine months ended September 30, 2013 is based on the summation of the results of operations items over the net assets for the period in which the respective line items were realized or earned.

Note 13. Subsequent Events

On November 8, 2013, the Operating Company's board of directors, and subsequently NMFC's board of directors, declared a fourth quarter 2013 distribution of $0.34 per unit/share payable on December 31, 2013 to holders of record as of December 17, 2013. Subsequently, AIV Holdings' board of directors declared a dividend payable on December 31, 2013 to holders of record as of December 17, 2013 in an amount equal to $0.34 per unit multiplied by the total number of units owned by AIV Holdings of the Operating Company as of the record date.

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Note 13. Subsequent Events (Continued)

On October 17, 2013, NMFC completed a public offering of 3,000,000 shares of its common stock and an underwritten secondary public offering of 3,000,000 shares of its common stock on behalf of a selling stockholder, AIV Holdings, at a public offering price of $14.34 per share. In connection with the underwritten secondary public offering, the underwriters purchased an additional 900,000 shares of NMFC's common stock from AIV Holdings with the exercise of the overallotment option to purchase up to an additional 900,000 shares of common stock. The Operating Company received net proceeds of $43,020 in connection with the sale of 3,000,000 shares by NMFC of its common stock. NMFC did not receive any proceeds from the sale of shares of NMFC's common stock by AIV Holdings. The Operating Company and NMFC bore only their allocable portion of offering expenses related to the public offering of 3,000,000 shares, and did not bear any expenses in connection with the secondary public offering of the 3,900,000 shares of NMFC's common stock on behalf of AIV Holdings, which were borne by AIV Holdings.

On October 28, 2013, the Operating Company amended its Holdings Credit Facility to increase the maximum amount of revolving borrowings available under the Holdings Credit Facility from $250,000 to $280,000.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Boards of Directors of
New Mountain Finance Holdings, L.L.C.
New Mountain Finance Corporation and
New Mountain Finance AIV Holdings Corporation
New York, New York

We have reviewed the accompanying Consolidated Statement of Assets, Liabilities and Members' Capital of New Mountain Finance Holdings, L.L. C. as of September 30, 2013, including the Consolidated Schedule of Investments, and the related Consolidated Statements of Operations for the three and nine month periods ended September 30, 2013 and 2012, and the Consolidated Statements of Changes in Members' Capital, and Cash Flows for the nine month periods ended September 30, 2013 and 2012. Also, we have reviewed the Statements of Assets and Liabilities of New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation as of September 30, 2013, the related Statements of Operations for the three and nine month periods ended September 30, 2013 and 2012, and the Statements of Changes in Net Assets and Cash Flows for the nine month periods ended September 30, 2013 and 2012. These interim financial statements are the responsibility of the management of New Mountain Finance Holdings, L.L.C., New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Statement of Assets, Liabilities and Members' Capital of New Mountain Finance Holdings, L.L.C., including the Consolidated Schedule of Investments as of December 31, 2012 and the related Consolidated Statements of Operations, Changes in Members' Capital, and Cash Flows for the year then ended (not presented herein), and the Statements of Assets and Liabilities of New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation as of December 31, 2012, the related Statements of Operations, Changes in Net Assets, and Cash Flows for the year then ended (not presented herein); and in our report dated March 6, 2013, we expressed unqualified opinions on those financial statements. In our opinion, the information set forth in the accompanying Consolidated Statement of Assets, Liabilities and Members' Capital of New Mountain Finance Holdings, L.L.C., including the Consolidated Schedule of Investments, and the Statements of Assets and Liabilities of New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation as of December 31, 2012 is fairly stated, in all material respects, in relation to the Consolidated Statement of Assets, Liabilities, and Members' Capital of New Mountain Finance Holdings, L.L.C., including the Consolidated Schedules of Investments, and the Statements of Assets and Liabilities of New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation from which they have been derived.

/s/ DELOITTE & TOUCHE LLP

New York, New York
November 12, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Boards of Directors and Investors of
New Mountain Finance Holdings, L.L.C.,
New Mountain Finance Corporation and
New Mountain Finance AIV Holdings Corporation
New York, New York

We have audited the accompanying consolidated statement of assets, liabilities and members' capital of New Mountain Finance Holdings, L.L.C., including the consolidated schedule of investments as of December 31, 2012 and 2011, and the related consolidated statements of operations, consolidated statements of changes in members' capital, and cash flows for the three years in the period ended December 31, 2012 and the financial highlights for the period from October 29, 2008 (commencement of operations) to December 31, 2008 and each of the four years in the period ended December 31, 2012. Also, we have audited the statements of assets and liabilities of New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation as of December 31, 2012 and 2011, and the related statements of operations, changes in net assets, cash flows and the financial highlights for the period from May 19, 2011 (commencement of operations) to December 31, 2011 and for the year ended December 31, 2012. These financial statements are the responsibility of the management of New Mountain Finance Holdings, L.L.C., New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of investments as of December 31, 2012 and 2011, by correspondence with the custodian, loan agent or borrower; where replies were not received, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights referred to above present fairly, in all material respects, the consolidated financial position of New Mountain Finance Holdings, L.L.C. as of December 31, 2012 and 2011, and the consolidated results of its operations, its consolidated changes in members' capital, and its consolidated cash flows for each of the three years in the period ended December 31, 2012 and the financial highlights for the period from October 29, 2008 (commencement of operations) to December 31, 2008 and each of the four years in the period ended December 31,2012; and the financial positions of New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation as of December 31, 2012 and 2011 and the results of their operations, changes in their net assets, their cash flows, and the financial highlights for the period from May 19, 2011(commencement of operations) to December 31, 2011 and for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), New Mountain Finance Corporation's internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 6, 2013 expressed an unqualified opinion on New Mountain Finance Corporation's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

New York, New York
March 6, 2013

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New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Assets, Liabilities and Members' Capital

	December 31, 2012	December 31, 2011
Assets		
Investments at fair value (cost of $976,243,063 and $699,864,784, respectively)	$ 989,819,613	$ 703,513,560
Cash and cash equivalents	12,752,075	15,318,811
Receivable from unsettled securities sold	9,962,209	
Interest and dividend receivable	6,340,146	7,307,092
Deferred credit facility costs (net of accumulated amortization of $2,015,763 and $855,955, respectively)	5,490,266	3,713,739
Receivable from affiliate	533,407	369,017
Other assets	665,872	356,486
Total assets	$ 1,025,563,588	$ 730,578,705
Liabilities		
SLF Credit Facility	214,262,314	165,928,000
Holdings Credit Facility	206,938,049	129,037,813
Dividends payable	11,192,205	
Payable for unsettled securities purchased	9,700,000	7,604,931
Incentive fee payable	7,796,928	2,317,328
Management fee payable	3,221,547	2,200,354
Interest payable	712,093	1,747,095
Other liabilities	1,801,889	1,241,366
Total liabilities	455,625,025	310,076,887
Members' Capital	569,938,563	420,501,818
Total liabilities and members' capital	$ 1,025,563,588	$ 730,578,705
Outstanding common membership units	40,548,189	30,919,629
Capital per unit	$ 14.06	$ 13.60

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

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New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Operations

	Year ended December 31,		
	2012	**2011**	**2010**
Investment income			
Interest income	$ 83,645,911	$ 55,809,453	$ 40,485,158
Dividend income	811,800		
Other income	1,328,300	713,991	889,619
Total investment income	85,786,011	56,523,444	41,374,777
Expenses			
Incentive fee	15,943,910	3,522,330	
Management fee	11,109,053	4,938,004	70,999
Interest and other credit facility expenses	10,084,639	7,086,019	2,948,460
Administrative expenses (net of reimbursable expenses of $1,389,953, $870,032 and $0, respectively)	1,036,020	744,959	401,133
Professional fees (net of reimbursable expenses of $1,069,904, $1,315,733 and $0, respectively)	1,021,194	721,578	327,331
Other general and administrative expenses	1,373,715	985,283	162,593
Total expenses	40,568,531	17,998,173	3,910,516
Net investment income	45,217,480	38,525,271	37,464,261
Net realized gains on investments	18,851,239	16,252,062	66,287,267
Net change in unrealized appreciation (depreciation) of investments	9,927,774	(23,100,241)	(39,959,267)
Net increase in capital resulting from operations	$ 73,996,493	$ 31,677,092	$ 63,792,261

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

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New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Changes in Members' Capital

	Year ended December 31,		
	2012	**2011**	**2010**
Increase (decrease) in members' capital resulting from operations:			
Net investment income	$ 45,217,480	$ 38,525,271	$ 37,464,261
Net realized gains on investments	18,851,239	16,252,062	66,287,267
Net change in unrealized appreciation (depreciation) of investments	9,927,774	(23,100,241)	(39,959,267)
Net increase in members' capital resulting from operations	73,996,493	31,677,092	63,792,261
Distributions		(10,249,155)	(115,940,206)
Contributions	133,428,296	195,294,674	54,634,523
Dividends declared	(59,378,278)	(26,590,881)	
Offering costs	(564,736)		
Reinvestment of dividends	1,954,970	(11,557,173)	
Net increase in members' capital	149,436,745	178,574,557	2,486,578
Members' capital at the beginning of the period	420,501,818	241,927,261	239,440,683
Members' capital at the end of the period	$ 569,938,563	$ 420,501,818	$ 241,927,261

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

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New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Cash Flows

	Year ended December 31,		
	2012	**2011**	**2010**
Cash flows from operating activities			
Net increase in members' capital resulting from operations	$ 73,996,493	$ 31,677,092	$ 63,792,261
Adjustments to reconcile net (increase) decrease in members' capital resulting from operations to net cash (used in) provided by operating activities:			
Net realized gains on investments	(18,851,239)	(16,252,062)	(66,287,267)
Net change in unrealized (appreciation) depreciation of investments	(9,927,774)	23,100,241	39,959,267
Amortization of purchase discount	(5,995,901)	(5,861,691)	(16,326,857)
Amortization of deferred credit facility costs	1,159,808	786,046	69,909
Non-cash interest income	(2,187,027)	(1,538,462)	(3,374,086)
(Increase) decrease in operating assets:			
Purchase of investments	(673,354,807)	(494,693,776)	(332,708,278)
Proceeds from sales and paydowns of investments	423,874,005	231,962,469	260,039,529
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	136,691	1,363,154	
Cash paid for sale of undrawn portion of revolving credit or delayed draw facilities			(1,837,500)
Cash paid for drawn revolver	(12,705,000)	(535,593)	
Cash repayments on drawn revolvers	12,705,000		
Receivable from unsettled securities sold	(9,962,209)		5,124,622
Interest and dividend receivable	966,946	(4,299,305)	(2,209,025)
Receivable from affiliate	(164,390)	(369,017)	
Other assets	(50,113)	(350,644)	(4,435)
Increase (decrease) in operating liabilities:			
Payable for unsettled securities purchased	2,095,069	(86,857,569)	82,230,235
Incentive fee payable	5,479,600	2,317,328	
Management fee payable	1,021,193	2,200,354	
Interest payable	(1,035,002)	933,903	340,503
Payable to affiliate		(394,279)	(190,500)
Other liabilities	150,867	533,795	432,931
Net cash flows (used in) provided by operating activities	(212,647,790)	(316,278,016)	29,051,309
Cash flows from financing activities			
Contributions	133,428,296	195,294,674	54,634,523
Distributions		(10,249,155)	(115,940,206)
Dividends paid	(46,231,103)	(26,590,881)	
Offering costs paid	(267,917)	(11,557,173)	
Proceeds from Holdings Credit Facility	523,099,161	336,508,450	44,850,495
Repayment of Holdings Credit Facility	(445,198,925)	(267,167,575)	(62,898,232)
Proceeds from SLF Credit Facility	112,993,365	172,060,007	56,936,000
Repayment of SLF Credit Facility	(64,659,051)	(63,068,007)	
Deferred credit facility costs paid	(3,082,772)	(4,377,595)	
Net cash flows provided by (used in) financing activities	210,081,054	320,852,745	(22,417,420)
Net (decrease) increase in cash and cash equivalents	(2,566,736)	4,574,729	6,633,889
Cash and cash equivalents at the beginning of the period	15,318,811	10,744,082	4,110,193
Cash and cash equivalents at the end of the period	$ 12,752,075	$ 15,318,811	$ 10,744,082

Supplemental disclosure of cash flow information						
Interest paid	$	9,432,696	$	4,358,103	$	2,130,839
Non-cash financing activities:						
Dividends declared and payable	$	11,192,205	$		$	
Value of members' capital issued in connection with dividend reinvestment plan		1,954,970				
Accrual for offering costs		556,092				3,528,110
Accrual for deferred credit facility costs		45,663		192,099		1,950,029

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

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments

December 31, 2012

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Funded Debt Investments Bermuda							
Stratus Technologies Bermuda Holdings Ltd.(4)**							
Stratus Technologies Bermuda Ltd. /							
Stratus Technologies, Inc.							
Information Technology	First lien(2)(7)	12.00%	3/29/2015	$ 6,664,000	$ 6,396,040	$ 6,630,680	1.16%
Total Funded Debt Investments Bermuda				**$ 6,664,000**	**$ 6,396,040**	**$ 6,630,680**	**1.16%**
Funded Debt Investments Cayman Islands							
Pinnacle Holdco S.à r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	First lien(3)	6.50% (Base Rate + 5.25%)	7/30/2019	$ 2,992,500	$ 2,970,860	$ 2,999,233	
	Second lien(2)	10.50% (Base Rate + 9.25%)	7/30/2020	30,000,000	29,420,055	30,487,500	
				32,992,500	32,390,915	33,486,733	5.88%
Total Funded Debt Investments Cayman Islands				**$ 32,992,500**	**$32,390,915**	**$33,486,733**	**5.88%**
Funded Debt Investments United Kingdom							
Magic Newco, LLC**							
Software	First lien(3)	7.25% (Base Rate + 6.00%)	12/12/2018	$14,962,500	$14,543,380	$15,104,644	2.65%
Total Funded Debt Investments United Kingdom				**$ 14,962,500**	**$14,543,380**	**$15,104,644**	**2.65%**
Funded Debt Investments United							

States							
Edmentum, Inc.(fka Plato, Inc.)							
Education	First lien(3)	7.50% (Base Rate + 6.00%)	5/17/2018	$11,700,000	$11,377,495	$11,743,875	
	Second lien(2)	11.25% (Base Rate + 9.75%)	5/17/2019	29,150,000	28,604,019	28,567,000	
				40,850,000	39,981,514	40,310,875	7.07%
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)							
Software	First lien(3)	7.25% (Base Rate + 5.75%)	11/22/2017	7,700,000	7,559,911	7,785,247	
	Second lien(2)	11.00% (Base Rate + 9.50%)	11/22/2018	24,000,000	23,326,421	23,560,008	
				31,700,000	30,886,332	31,345,255	5.50%
Rocket Software, Inc.							
Software	Second lien(2)	10.25% (Base Rate + 8.75%)	2/8/2019	30,875,000	30,710,863	30,932,891	5.43%
Pharmaceutical Research Associates, Inc.							
Healthcare Services	Second lien(2)	10.50% (Base Rate + 9.25%)	6/10/2019	30,000,000	29,402,494	30,318,750	5.32%
Unitek Global Services, Inc.							
Business Services	First lien(2)	9.00% (Base Rate + 7.50%)	4/16/2018	19,650,000	19,201,741	19,330,688	
	First lien(2)	9.00% (Base Rate + 7.50%)	4/16/2018	5,970,000	5,797,909	5,872,988	
	First lien(2)	9.00% (Base Rate + 7.50%)	4/16/2018	4,962,500	4,780,616	4,881,859	
				30,582,500	29,780,266	30,085,535	5.28%
KeyPoint Government Solutions, Inc.							
Federal Services	First lien(3)	7.25% (Base Rate + 6.00%)	11/13/2017	20,000,000	19,607,744	19,900,000	
	First lien(2)	7.25% (Base Rate + 6.00%)	11/13/2017	10,000,000	9,702,987	9,950,000	
				30,000,000	29,310,731	29,850,000	5.24%
Global Knowledge Training LLC							
Education	First lien(3)	6.50% (Base Rate + 4.99%)	4/21/2017	4,776,379	4,717,845	4,704,733	
	First lien(3)	7.25% (Base Rate + 4.00%)	4/21/2017	1,173,760	1,159,106	1,156,154	
	Second lien(2)	11.50% (Base Rate + 9.75%)	10/21/2018	24,250,000	23,813,747	23,755,300	

				30,200,139	29,690,698	29,616,187	5.20%
Managed Health Care Associates, Inc. Healthcare Services	First lien(2)	3.47% (Base Rate + 3.25%)	8/1/2014	14,755,543	13,240,121	14,275,988	
	Second lien(2)	6.72% (Base Rate + 6.50%)	2/1/2015	15,000,000	12,790,120	14,475,000	
				29,755,543	26,030,241	28,750,988	5.05%

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2012

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members Capital
Transtar Holding Company Distribution	Second lien(2)	9.75% (Base Rate + 8.50%)	10/9/2019	$28,300,000	$27,786,609	$28,653,750	5.03%
Meritas Schools Holdings, LLC Education	First lien(3)	7.50% (Base Rate + 6.00%)	7/29/2017	8,150,286	8,084,328	8,170,661	
	Second lien(2)	11.50% (Base Rate + 10.00%)	1/29/2018	20,000,000	19,747,073	20,000,000	
				28,150,286	27,831,401	28,170,661	4.94%
Kronos Incorporated Software	Second lien(2)	9.75% (Base Rate + 8.50%)	4/30/2020	25,000,000	24,752,991	25,125,000	4.41%
St. George's University Scholastic Services LLC Education	First lien(2)	8.50% (Base Rate + 7.00%)	12/20/2017	25,000,000	24,501,319	24,500,000	4.30%
SRA International, Inc. Federal Services	First lien(3)	6.50% (Base Rate + 5.25%)	7/20/2018	20,436,329	19,740,789	19,542,239	
	First lien(2)	6.50% (Base Rate + 5.25%)	7/20/2018	4,315,000	4,225,409	4,126,219	
				24,751,329	23,966,198	23,668,458	4.15%
Aderant North America, Inc. Software	Second lien(2)	11.00% (Base Rate + 7.75%)	6/20/2019	22,500,000	22,162,978	23,062,500	4.05%
LM U.S. Member LLC (and LM U.S. Corp Acquisition Inc.) Business Services	Second lien(2)	9.50% (Base Rate + 8.25%)	10/26/2020	20,000,000	19,703,785	20,150,000	3.54%
Learning Care Group (US), Inc. Education	First lien(2)	12.00%	4/27/2016	17,368,421	17,173,863	16,695,606	
	Subordinated(2)	15.00% PIK*	6/30/2016	3,782,365	3,638,844	3,434,506	
				21,150,786	20,812,707	20,130,112	3.53%

Six3 Systems, Inc. Federal Services	First lien(2)	7.00% (Base Rate + 5.75%)	10/4/2019	20,000,000	19,805,458	20,025,000	3.51%
First American Payment Systems, L.P. Business Services	Second lien(2)	10.75% (Base Rate + 9.50%)	4/12/2019	20,000,000	19,608,588	19,900,000	3.49%
eResearchTechnology, Inc. Healthcare Services	First lien(3)	8.00% (Base Rate + 6.50%)	5/2/2018	19,950,000	19,201,799	19,850,250	3.48%
Insight Pharmaceuticals LLC Healthcare Products	Second lien(2)	13.25% (Base Rate + 11.75%)	8/25/2017	19,310,345	18,659,022	19,503,448	3.42%
Transplace Texas, L.P. Logistics	Second lien(2)	11.00% (Base Rate + 9.00%)	4/12/2017	20,000,000	19,585,791	19,500,000	3.42%
PODS, Inc.(6) Consumer Services PODS Funding Corp. II	First lien(3)	7.25% (Base Rate + 6.00%)	11/29/2016	14,007,369	13,668,092	13,972,351	
Storapod Holding Company, Inc.	Subordinated(2)	21.00% PIK*	11/29/2017	5,296,065	5,156,066	5,112,580	
				19,303,434	18,824,158	19,084,931	3.35%
Smile Brands Group Inc. Healthcare Services	First lien(3)	7.00% (Base Rate + 5.25%)	12/21/2017	19,859,299	19,597,841	18,767,038	3.29%
Ascensus, Inc. Business Services	First lien(2)	8.00% (Base Rate + 6.75%)	12/21/2018	8,500,000	8,330,000	8,330,000	
	First lien(3)	8.00% (Base Rate + 6.75%)	12/21/2018	8,500,000	8,330,122	8,330,000	
				17,000,000	16,660,122	16,660,000	2.92%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.) Federal Services	First lien(3)	7.50% (Base Rate + 6.00%)	4/21/2017	15,757,542	15,643,633	15,599,967	2.74%
IG Investments Holdings, LLC Business Services	Second lien(2)	10.25% (Base Rate + 9.00%)	10/31/2020	15,000,000	14,851,861	14,925,000	2.62%
OpenLink International, Inc. Software	First lien(3)	7.75% (Base Rate + 6.25%)	10/30/2017	14,850,000	14,600,033	14,850,000	2.61%
Landslide Holdings, Inc. (Crimson Acquisition Corp.) Software	First lien(3)	7.00% (Base Rate + 5.75%)	6/19/2018	14,625,000	14,353,255	14,670,528	2.57%

KPLT Holdings, Inc. (Centerplate, Inc., et al.) Consumer Services	Subordinated(2)	11.75% (10.25% + 1.50% PIK)*	4/16/2019	14,637,082	14,351,316	14,344,340	2.52%
Sabre Inc. Software	First lien(3)	7.25% (Base Rate + 6.00%)	12/29/2017	13,965,000	13,918,202	14,186,108	2.49%

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2012

ortfolio Company, Location and ndustry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percen of Member Capita
rock Holdings III, Inc. dustrial Services	Second lien(2)	10.00% (Base Rate + 8.25%)	3/16/2018	$14,000,000	$13,825,050	$14,105,000	2.48
riple Point Technology, Inc. oftware	First lien(3)	6.25% (Base Rate + 5.00%)	10/27/2017	12,967,500	12,548,898	13,021,536	2.28
onestar Intermediate Super oldings, LLC usiness Services	Subordinated(2)	11.00% (Base Rate + 9.50%)	9/2/2019	12,000,000	11,665,992	12,765,000	2.24
spen Dental Management, Inc ealthcare Services	First lien(3)	7.00% (Base Rate + 5.50%)	10/6/2016	12,870,000	12,651,541	12,210,413	2.14
an Wagner Communications, LLC edia	First lien(2)	8.25% (Base Rate + 7.00%)	8/3/2018	12,000,000	11,772,402	12,159,996	2.13
upervalu Inc.** etail	First lien(2)	8.00% (Base Rate + 6.75%)	8/30/2018	11,940,000	11,596,938	12,146,467	2.13
ision Solutions, Inc. oftware	Second lien(2)	9.50% (Base Rate + 8.00%)	7/23/2017	12,000,000	11,912,951	11,700,000	2.05
errill Communications LLC usiness Services	First lien(2)	10.75% (Base Rate + 7.50%)	3/10/2013	11,421,788	11,421,042	11,279,016	1.98
ailsouth, Inc. edia	First lien(3)	6.75% (Base Rate + 5.00%)	12/14/2016	11,136,318	11,017,701	11,024,955	1.94
nmucor, Inc. ealthcare Services	First lien(3)	5.75% (Base Rate + 4.50%)	8/19/2018	4,937,687	4,772,007	5,005,581	
	Subordinated(2)(7)	11.13%	8/15/2019	5,000,000	4,943,092	5,650,000	
				9,937,687	9,715,099	10,655,581	1.87
irtual Radiologic Corporation ealthcare Information Technology	First lien(3)	7.75% (Base Rate + 4.50%)	12/22/2016	14,702,456	14,550,421	10,291,719	1.81

ermian Tank & Ianufacturing, Inc. nergy	First lien(3)	9.00% (Base Rate + 7.25%)	3/15/2017	10,072,072	9,852,254	10,072,072	1.77
ertafore, Inc. oftware	Second lien(2)	9.75% (Base Rate + 8.25%)	10/29/2017	10,000,000	9,923,849	10,050,000	1.76
Ierge Healthcare Inc.** ealthcare Services	First lien(2)(7)	11.75%	5/1/2015	9,000,000	8,915,385	9,708,750	1.70
ransFirst Holdings, Inc. usiness Services	Second lien(2)	11.00% (Base Rate + 9.75%)	6/27/2018	10,000,000	9,700,000	9,700,000	1.70
onsona Holdings, Inc. oftware	First lien(3)	7.25% (Base Rate + 6.00%)	8/6/2018	8,478,750	8,398,140	8,510,545	1.49
onfie Seguros Holding II Co. onsumer Services	Second lien(2)	10.25% (Base Rate + 9.00%)	5/8/2019	8,000,000	7,842,169	8,040,000	1.41
hysio-Control International, Inc. ealthcare Products	First lien(2)	9.88%	1/15/2019	7,000,000	7,000,000	7,717,500	1.35
urgery Center Holdings, Inc. ealthcare Services	First lien(3)	6.50% (Base Rate + 5.00%)	2/6/2017	6,833,750	6,809,372	6,799,581	1.19
esearch Pharmaceutical ervices, Inc. ealthcare Services	First lien(3)	6.75% (Base Rate + 5.25%)	2/18/2017	7,125,000	7,046,359	6,661,875	1.17
lion Science and Technology orporation ederal Services	First lien(2)(7)	12.00% (10.00% + 2.00% PIK)*	11/1/2014	6,319,766	6,131,223	6,093,311	1.07
CA Services Group, Inc. usiness Services	Second lien(2)	9.25% (Base Rate + 8.00%)	11/1/2020	5,000,000	4,950,653	4,900,000	0.86
ducation Management LLC** ducation	First lien(3)	8.25% (Base Rate + 7.00%)	3/30/2018	5,058,577	4,920,421	4,232,345	0.74
rickman Group Holdings, Inc. usiness Services	Subordinated(2)	9.13%	11/1/2018	3,650,000	3,341,796	3,841,625	0.68
zburn-Hessey Holding ompany LLC ogistics	Second lien(2)	11.50% (Base Rate + 9.50%)	10/10/2016	4,000,000	3,946,984	3,680,000	0.65
P Holdings LLC(8)							
P Intermediate Holdings Corp. / P Intermediate Holdings II LLC Iedia	Second lien(2)	15.00% (12.00% + 3.00% PIK)*	5/18/2017	3,559,100	3,326,057	3,586,089	0.63
Iach Gen, LLC							

Explanation of Responses:

ower Generation	Second lien(2)	7.82% PIK (Base Rate + 7.50%)*	2/22/2015	3,675,587	3,474,314	2,395,743	0.42

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2012

olio Company, Location and stry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Perc of Memb Capi
Acquisition Company (fka y Acquisition, Inc.)							
ation	First lien(2)	12.25% (Base Rate + 5.00% + 4.00% PIK)(5)*	12/30/2014	$ 4,432,500	$ 4,306,437	$	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(5)*	6/30/2012 Past Due	1,665,103	1,516,666	649,390	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(5)*	6/30/2012 Past Due	102,861	93,691	102,861	
				6,200,464	5,916,794	752,251	0
na Network Solutions Inc.							
are	First lien(2)	10.00% (Base Rate + 8.00%)	3/25/2015	647,619	640,332	649,643	0
Funded Debt Investments d States				**$ 942,669,719**	**$ 921,786,343**	**$ 925,288,585**	**162**
Funded Debt Investments				**$ 997,288,719**	**$ 975,116,678**	**$ 980,510,642**	**172**
y Bermuda							
s Technologies Bermuda ngs Ltd.(4)**							
nation Technology	Ordinary shares(2)			144,270	$ 65,123	$ 65,150	
	Preferred shares(2)			32,830	14,819	14,826	
					79,942	79,976	0
Shares Bermuda					**$ 79,942**	**$ 79,976**	**0**
y United States							
l Knowledge Training LLC							
ation	Ordinary shares(2)			2	$ 2,109	$ 2,109	

	Preferred shares(2)		2,423	1,195,480	2,422,891	
				1,197,589	2,425,000	0
Shares United States				**$ 1,197,589**	**$ 2,425,000**	**0**
Shares				**$ 1,277,531**	**$ 2,504,976**	**0**
rants United States						
oldings LLC(8) quity Investors LLC a	Warrants(2)		5	$ 466,248	$ 7,229,468	1
Science and Technology oration al Services	Warrants(2)		6,000	292,851	191,750	0
S, Inc.(6) ood Holding Company, Inc. umer Services	Warrants(2)		360,129	155,905	155,906	0
ing Care Group (US), Inc. ation	Warrants(2)		844	193,850	14,371	0
Warrants United States				**$ 1,108,854**	**$ 7,591,495**	**1**
Funded Investments				**$977,503,063**	**$990,607,113**	**173**
nded Debt Investments d States						
ntage Sales & Marketing Inc. ess Services	First lien(2)(9) Undrawn	12/17/2015	$ 10,500,000	$ (1,260,000)	$ (787,500)	-0
Unfunded Debt Investments			**$ 10,500,000**	**$ (1,260,000)**	**$ (787,500)**	**-0**
Investments				**$976,243,063**	**$989,819,613**	**173**

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

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

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

(4)

The Operating Company holds investments in two related entities of Stratus Technologies Bermuda Holdings, Ltd. ("Stratus Holdings"). The Operating Company directly holds ordinary and preferred equity in Stratus Holdings and has a credit investment in the joint issuers of Stratus Technologies Bermuda Ltd. ("Stratus

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2012

Bermuda") and Stratus Technologies, Inc. ("Stratus U.S."), collectively, the "Stratus Notes". Stratus U.S. is a wholly-owned subsidiary of Stratus Bermuda, which in turn is a wholly-owned subsidiary of Stratus Holdings. Stratus Holdings is the parent guarantor of the credit investment of the Stratus Notes.

(5)

Investment is on non-accrual status.

(6)

The Operating Company holds investments in two related entities of PODS, Inc. The Operating Company directly holds warrants in Storapod Holding Company, Inc. ("Storapod") and has a credit investment in Storapod through Storapod WCF II Limited ("Storapod WCF II"). Storapod WCF II is a special purpose entity used to enter into a Shari'ah- compliant financing arrangement with Storapod. Additionally, the Operating Company has a credit investment in PODS Funding Corp. II ("PODS II"). PODS, Inc. is a wholly-owned subsidiary of PODS Holding, Inc., which in turn is a majority- owned subsidiary of Storapod. PODS II is a special purpose entity used to enter into a Shari'ah-compliant financing arrangement with PODS, Inc. and its subsidiary, PODS Enterprises, Inc.

(7)

Securities are registered under the Securities Act.

(8)

The Operating Company holds investments in two related entities of YP Holdings LLC. The Operating Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP Intermediate Holdings Corp. and YP Intermediate Holdings II LLC (together "YP Intermediate"), a subsidiary of YP Holdings LLC.

(9)

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

*

All or a portion of interest contains payments-in-kind ("PIK").

**

Indicates assets that the Operating Company deems to be "non- qualifying assets" under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Operating Company's total assets at the time of acquisition of any additional non- qualifying assets.

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

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Investment Type	December 31, 2012 Percent of Total Investments at Fair Value
First lien	49.86%
Second lien	44.56%
Subordinated	4.56%
Equity and other	1.02%
Total investments	100.00%

Industry Type	December 31, 2012 Percent of Total Investments at Fair Value
Software	24.92%
Education	15.17%
Healthcare Services	14.52%
Business Services	14.49%
Federal Services	9.64%
Consumer Services	4.21%
Media	3.44%
Distribution	2.89%
Healthcare Products	2.75%
Logistics	2.34%
Industrial Services	1.42%
Retail	1.23%
Healthcare Information Technology	1.04%
Energy	1.02%
Information Technology	0.68%
Power Generation	0.24%
Total investments	100.00%

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

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments

December 31, 2011

lio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Per Mer Ca
ed Debt Investments Bermuda							
s Technologies Bermuda gs Ltd.(4)**							
s Technologies Bermuda Ltd. / Stratus ologies, Inc.							
nation Technology	First lien(2)	12.00%	3/29/2015	$ 6,827,000	$ 6,490,139	$ 6,212,570	1
Funded Debt Investments Bermuda				**$ 6,827,000**	**$ 6,490,139**	**$ 6,212,570**	**1**
ed Debt Investments United States							
, Inc. (fka Attachmate Corporation, NetIQ ration)							
are	First lien(3)	6.50% (Base Rate + 5.00%)	4/27/2017	$13,825,000	$13,703,238	$13,583,062	
	Second lien(2)	9.50% (Base Rate + 8.00%)	10/27/2017	20,000,000	19,669,018	19,200,000	
				33,825,000	33,372,256	32,783,062	7
on Resources, LLC							
ess Services	First lien(3)	7.00% (Base Rate + 5.50%)	12/28/2016	17,820,000	17,588,508	17,196,300	
	Second lien(2)	9.50% (Base Rate + 8.00%)	5/7/2018	14,500,000	14,368,204	14,282,500	
				32,320,000	31,956,712	31,478,800	7
n Software, Inc. (fka SoftBrands, Inc.)							
are	First lien(3)	6.75% (Base Rate + 5.25%)	7/5/2017	18,703,125	18,001,977	18,305,684	
	Subordinated(2)	11.50%	7/15/2018	13,500,000	12,329,105	13,162,500	
				32,203,125	30,331,082	31,468,184	7
s Schools Holdings, LLC							
tion	First lien(3)	7.50% (Base Rate + 6.00%)	7/29/2017	9,500,000	9,409,890	9,357,500	

	Second lien(2)	11.50% (Base Rate + 10.00%)	1/29/2018	20,000,000	19,712,425	19,650,000	
				29,500,000	29,122,315	29,007,500	6
Knowledge Training LLC							
tion	First lien(3)	6.50% (Base Rate + 5.00%)	4/21/2017	4,867,647	4,796,665	4,794,632	
	Second lien(2)	11.50% (Base Rate + 9.75%)	10/21/2018	24,250,000	23,764,101	23,755,300	
				29,117,647	28,560,766	28,549,932	6
ged Health Care Associates, Inc.							
care Services	First lien(2)	3.55% (Base Rate + 3.25%)	8/1/2014	15,467,673	12,941,252	14,462,274	
	Second lien(2)	6.80% (Base Rate + 6.50%)	2/1/2015	15,000,000	11,950,542	13,950,000	
				30,467,673	24,891,794	28,412,274	6
t Pharmaceuticals LLC							
care Products	Second lien(2)	13.25% (Base Rate + 11.75%)	8/25/2017	25,000,000	24,037,614	24,875,000	5
ssance Learning, Inc.							
tion	Second lien(2)	12.00% (Base Rate + 10.50%)	10/19/2018	20,000,000	19,016,871	20,100,000	4
ng Care Group (US), Inc.							
tion	First lien(2)	12.00%	4/27/2016	17,368,421	17,115,609	16,695,606	
	Subordinated(2)	15.00% PIK*	6/30/2016	3,273,004	3,089,870	2,971,990	
				20,641,425	20,205,479	19,667,596	4
place Texas, L.P.							
ics	Second lien(2)	11.00% (Base Rate + 9.00%)	4/12/2017	20,000,000	19,514,617	19,500,000	4
Healthworks Holding Company, Inc.							
care Services	Second lien(2)	10.50% (Base Rate + 9.00%)	6/15/2017	20,000,000	19,719,547	19,500,000	4
Global Services, Inc.							
ess Services	First lien(2)	9.00% (Base Rate + 7.50%)	4/15/2018	19,850,000	19,312,984	19,440,594	4
Holdings LLC							
nation Services	First lien(3)	8.00% (Base Rate + 6.50%)	8/5/2017	18,703,125	18,308,298	18,282,305	4
oint Government Solutions, Inc.							
l Services	First lien(2)	10.00% (Base Rate + 8.00%)	12/31/2015	17,820,000	17,521,860	17,909,100	4
Defense Solutions, Inc. (Global Defense ology & Systems, Inc.)							
l Services	First lien(3)		4/21/2017	16,915,000	16,764,489	16,872,713	4

		7.00% (Base Rate + 5.50%)					
nternational, Inc.							
l Services	First lien(3)	6.50% (Base Rate + 5.25%)	7/20/2018	17,433,389	16,624,324	16,416,447	3

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2011

io Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	P M C
nk International, Inc.							
e	First lien(2)	7.75% (Base Rate + 6.25%)	10/30/2017	$15,000,000	$14,706,514	$15,056,250	
Services America, Inc. (Centerplate)							
ner Services	First lien(2)	10.50% (Base Rate + 8.50%)	9/16/2016	14,850,000	14,512,417	14,924,250	
ALL, Inc.							
e	First lien(3)	8.27% (Base Rate + 6.19%)	1/23/2016	4,822,985	4,831,869	4,847,099	
	Second lien(2)	12.00% (Base Rate + 10.00%)	1/23/2017	10,000,000	9,746,209	9,950,000	
				14,822,985	14,578,078	14,797,099	
Inc.(6)							
ner Services							
Funding Corp. II	First lien(2)	8.50% (Base Rate + 7.00%)	11/29/2016	11,561,538	11,218,525	11,214,692	
d Holding Company, Inc.	Subordinated(2)	21.00% PIK*	11/29/2017	3,728,642	3,600,214	3,599,461	
				15,290,180	14,818,739	14,814,153	
Point Technology, Inc.							
e	First lien(3)	8.00% (Base Rate + 6.50%)	10/27/2017	14,500,000	13,932,051	14,536,250	
Radiologic Corporation							
are Information Technology	First lien(3)	7.75% (Base Rate + 4.50%)	12/22/2016	14,889,987	14,704,271	14,108,263	
Holdings III, Inc.							
al Services	Second lien(2)	10.00% (Base Rate + 8.25%)	3/16/2018	15,000,000	14,746,132	13,818,750	
sk Group, Inc.							
e	First lien(3)	7.00% (Base Rate + 5.25%)	3/28/2016	14,062,500	13,828,336	13,798,828	
Architects and Engineers Incorporated							
Services	First lien(3)	7.50% (Base Rate + 6.00%)	4/4/2017	14,100,000	13,848,322	13,677,000	
rands Group Inc.							
are Services	First lien(3)		12/21/2017	12,337,594	12,173,547	12,329,883	

		7.00% (Base Rate + 5.25%)				
th, Inc.						
	First lien(3)	6.75% (Base Rate + 4.99%)	12/14/2016	11,910,000	11,756,172	11,731,350
Solutions, Inc.						
e	Second lien(2)	9.50% (Base Rate + 8.00%)	7/23/2017	12,000,000	11,893,985	11,640,000
CLICK, Inc. (fka TravelCLICK tion Co.)						
tion Services	First lien(3)	6.50% (Base Rate + 5.00%)	3/16/2016	11,401,313	11,208,577	11,344,306
Communications LLC						
s Services	First lien(2)	7.50% (Base Rate + 5.50%)	12/24/2012	11,421,788	10,284,637	11,002,985
an Group Holdings, Inc.						
s Services	First lien(3)	7.25% (Base Rate + 5.50%)	10/14/2016	7,957,406	8,005,917	7,982,272
	Subordinated(2)	9.13%	11/1/2018	3,000,000	2,716,216	2,715,000
				10,957,406	10,722,133	10,697,272
r, Inc.						
are Services	First lien(3)	7.25% (Base Rate + 5.75%)	8/19/2018	4,987,500	4,795,791	5,022,826
	Subordinated(2)(7)	11.13%	8/15/2019	5,000,000	4,937,575	5,200,000
				9,987,500	9,733,366	10,222,826
ompanies, Inc.						
are Services	Second lien(2)	11.25% (Base Rate + 9.50%)	4/7/2017	10,000,000	9,826,548	10,025,000
re, Inc.						
e	Second lien(2)	9.75% (Base Rate + 8.25%)	10/29/2017	10,000,000	9,912,104	9,725,000
Healthcare Inc.**						
are Services	First lien(2)(7)	11.75%	5/1/2015	9,000,000	8,879,303	9,585,000
Corporation						
y Chemicals and Materials	First lien(3)	6.75% (Base Rate + 5.25%)	3/31/2015	9,573,968	9,449,821	9,430,359
st Information Systems, Inc. (Misys l Systems, Inc.)						
are Services	Second lien(2)	9.75% (Base Rate + 8.50%)	6/16/2017	9,000,000	8,840,688	8,910,000
ren, LLC						
Generation	Second lien(2)	8.03% PIK (Base Rate + 7.50%)*	2/22/2015	12,063,894	9,966,951	8,609,943
h Pharmaceutical Services, Inc.						
are Services	First lien(3)	6.75% (Base Rate + 5.24%)	2/18/2017	7,453,125	7,354,306	7,192,266

Network Solutions Inc.						
e	First lien(2)	10.00% (Base Rate + 8.00%)	3/25/2015	7,009,524	6,895,616	7,044,571
Center Holdings, Inc.						
are Services	First lien(3)	6.50% (Base Rate + 5.00%)	2/6/2017	6,947,500	6,916,695	6,478,544
cience and Technology Corporation						
Services	First lien(2)(7)	10.00% + 2.00% PIK*	11/1/2014	6,195,238	5,613,308	5,555,066

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2011

mpany, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value
	Second lien(2)	8.75% (Base Rate + 7.25%)	2/19/2018	$ 5,000,000	$ 4,977,238	$ 5,150,00
ey Holding Company LLC						
	Second lien(2)	11.50% (Base Rate + 9.50%)	10/8/2016	6,000,000	5,892,802	5,110,00
C (fka Asurion Corporation)						
vices	Second lien(2)	9.00% (Base Rate + 7.50%)	5/24/2019	5,000,000	4,976,820	4,950,00
cal Product Development, Inc. ings, LLC)						
ervices	First lien(3)	6.25% (Base Rate + 5.00%)	12/5/2018	4,894,921	4,864,327	4,888,80
tworks, LLC (fka Firefox Merger						
ication	First lien(3)	6.75% (Base Rate + 5.00%)	11/30/2016	4,897,632	4,835,069	4,873,14
Inc.						
rvices	First lien(2)	9.25% (Base Rate + 7.50%)	3/31/2014	5,120,334	4,474,056	3,725,04
tion Company (fka Ability Inc.)						
	First lien(2)	12.25% (Base Rate + 5.00% + 4.00% PIK)(5)*	12/30/2014	4,477,810	4,351,747	783,61
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)*	6/30/2012	91,696	91,696	91,69
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)*	6/30/2012	1,484,370	1,484,370	1,484,37
				6,053,876	5,927,813	2,359,68
d Debt Investments United States				**$ 720,537,649**	**$ 696,311,750**	**$ 696,375,39**
d Debt Investments				**$ 727,364,649**	**$ 702,801,889**	**$ 702,587,96**
rmuda						

nologies Bermuda						
l.(4)**						
Technology	Ordinary shares(2)	144,270	$	65,123	$	29,88
	Preferred shares(2)	32,830		14,819		6,80
				79,942		36,68
s Bermuda			**$**	**79,942**	**$**	**36,68**
ited States						
vledge Training LLC						
	Ordinary shares(2)	2	$	2,109	$	2,10
	Preferred shares(2)	2,423		2,422,891		2,422,89
				2,425,000		2,425,00
s United States			**$**	**2,425,000**	**$**	**2,425,00**
s			**$**	**2,504,942**	**$**	**2,461,68**
United States						
e and Technology Corporation						
ices	Warrants(2)	6,000	$	292,851	$	244,23
5)						
lding Company, Inc.						
ervices	Warrants(2)	298,398		129,181		129,18
re Group (US), Inc.						
	Warrants(2)	844		193,850		14,37
ants			**$**	**615,882**	**$**	**387,79**
d Investments			**$**	**705,922,713**	**$**	**705,437,43**

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2011

Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	P Mo C
d Debt Investments United States							
nc.	Subordinated Bridge(2)(8)		12/13/2012	$ 20,000,000	$	$	
ontrol International, Inc. e Products	First lien Bridge(2)(8)			15,000,000			
isition Company (fka Ability on, Inc.)							
	First lien(2)(8) Undrawn		1/1/2012	39,947			
	First lien(2)(8) Undrawn		1/1/2012	865			
				40,812			
c.(6) Services							
nding Corp. II	First lien(2)(8) Undrawn		11/29/2016	3,438,462	(103,154)	(103,154)	
Holding Company, Inc.	Subordinated(2)(8) Undrawn		11/29/2017	771,358			
				4,209,820	(103,154)	(103,154)	
vices, LLC Services	First lien(2)(9) Undrawn		4/30/2013	5,000,000	(2,850,000)	(293,850)	
Management LLC**	First lien(2)(9) Undrawn		6/1/2012	3,000,000	(1,215,000)	(330,000)	
corporated	First lien(2)(9) Undrawn		6/11/2013	4,198,500	(629,775)	(356,872)	
e Sales & Marketing Inc. Services	First lien(2)(9) Undrawn		12/17/2015	10,500,000	(1,260,000)	(840,000)	
funded Debt Investments				**$ 61,949,132**	**$ (6,057,929)**	**$ (1,923,876)**	

Explanation of Responses:

estments	**$699,864,784**	**$703,513,560**

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

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

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

(4)
The Operating Company holds investments in two related entities of Stratus Technologies Bermuda Holdings, Ltd. ("Stratus Holdings"). The Operating Company directly holds ordinary and preferred equity in Stratus Holdings and has a credit investment in the joint issuers of Stratus Technologies Bermuda Ltd. ("Stratus Bermuda") and Stratus Technologies, Inc. ("Stratus U.S."), collectively, the "Stratus Notes". Stratus U.S. is a wholly-owned subsidiary of Stratus Bermuda, which in turn is a wholly-owned subsidiary of Stratus Holdings. Stratus Holdings is the parent guarantor of the credit investment of the Stratus Notes.

(5)
Investment is on non-accrual status.

(6)
New Mountain Finance Holdings, L.L.C. (the "Operating Company") holds investments in two related entities of PODS, Inc. The Operating Company directly holds warrants in Storapod Holding Company, Inc. ("Storapod") and has a credit investment in Storapod through Storapod WCF II Limited ("Storapod WCF II"). Storapod WCF II is a special purpose entity used to enter into a Shari'ah- compliant financing arrangement with Storapod. Additionally, the Operating Company has a credit investment in PODS Funding Corp. II ("PODS II"). PODS, Inc. is a wholly-owned subsidiary of PODS Holding, Inc., which in turn is a majority-owned subsidiary of Storapod. PODS II is a special purpose entity used to enter into a Shari'ah-compliant financing arrangement with PODS, Inc. and its subsidiary, PODS Enterprises, Inc.

(7)
Securities are registered under the Securities Act.

(8)
Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of the bridge facility, delayed draw or other future funding commitments.

(9)
Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities. Cost amounts represent the cash received at settlement date net the impact of paydowns and cash paid for drawn revolvers.

*

All or a portion of interest contains payments-in-kind ("PIK").

**

Indicates assets that the Operating Company deems to be "non- qualifying assets" under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Operating Company's total assets at the time of acquisition of any additional non- qualifying assets.

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

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Investment Type	December 31, 2011 Percent of Total Investments at Fair Value
First lien	58.32%
Second lien	37.34%
Subordinated	3.93%
Equity and other	0.41%
Total investments	100.00%

Industry Type	December 31, 2011 Percent of Total Investments at Fair Value
Software	22.12%
Healthcare Services	16.71%
Education	14.47%
Business Services	10.86%
Federal Services	10.05%
Consumer Services	4.23%
Information Services	4.21%
Healthcare Products	3.54%
Logistics	3.50%
Industrial Services	2.49%
Healthcare Information Technology	2.01%
Media	1.67%
Specialty Chemicals and Materials	1.34%
Power Generation	1.22%
Information Technology	0.89%
Telecommunication	0.69%
Total investments	100.00%

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

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New Mountain Finance Corporation

Statement of Assets and Liabilities

	December 31, 2012		December 31, 2011	
Assets				
Investment in New Mountain Finance Holdings, L.L.C., at fair value (cost of $335,729,511 and $144,355,856, respectively)	$	341,925,716	$	145,486,821
Distribution receivable from New Mountain Finance Holdings, L.L.C.		3,405,675		
Total assets	$	345,331,391	$	145,486,821
Liabilities				
Dividends payable		3,405,675		
Total liabilities		3,405,675		
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, and 24,326,251 and 10,697,691 shares issued and outstanding, respectively		243,263		106,977
Paid in capital in excess of par		335,486,248		144,248,879
Accumulated undistributed net realized gains		951,760		286,307
Net unrealized appreciation (depreciation)		5,244,445		844,658
Total net assets	$	341,925,716	$	145,486,821
Total liabilities and net assets	$	345,331,391	$	145,486,821
Number of shares outstanding		24,326,251		10,697,691
Net asset value per share	$	14.06	$	13.60

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

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New Mountain Finance Corporation

Statement of Operations

	Year ended December 31, 2012	From May 19, 2011 (commencement of operations) to December 31, 2011
Net investment income allocated from New Mountain Finance Holdings, L.L.C.		
Interest income	$ 36,439,454	$ 13,436,693
Dividend income	454,635	
Other income	616,465	231,919
Total expenses	(17,718,744)	(5,323,309)
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	19,791,810	8,345,303
Net realized and unrealized gain (loss) allocated from New Mountain Finance Holdings, L.L.C.		
Net realized gains on investments	7,592,407	1,141,018
Net change in unrealized appreciation (depreciation) of investments	4,495,125	(5,375,862)
Net realized and unrealized gain (loss) allocated from New Mountain Finance Holdings, L.L.C.	12,087,532	(4,234,844)
Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.	31,879,342	4,110,459
Net change in unrealized (depreciation) appreciation of investment in New Mountain Finance Holdings, L.L.C.	(95,338)	6,220,520
Net increase in net assets resulting from operations	$ 31,784,004	$ 10,330,979
Basic earnings per share	$ 2.14	$ 0.97
Weighted average shares of common stock outstanding basic (See Note 12)	14,860,838	10,697,691
Diluted earnings per share	$ 2.18	$ 0.38
Weighted average shares of common stock outstanding diluted (See Note 12)	34,011,738	30,919,629

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

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New Mountain Finance Corporation

Statement of Changes in Net Assets

	Year ended December 31, 2012	From May 19, 2011 (commencement of operations) to December 31, 2011
Increase (decrease) in net assets resulting from operations:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	$ 19,791,810	$ 8,345,303
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C.	7,592,407	1,141,018
Net change in unrealized appreciation (depreciation) of investments allocated from New Mountain Finance Holdings, L.L.C.	4,495,125	(5,375,862)
Net change in unrealized (depreciation) appreciation of investment in New Mountain Finance Holdings, L.L.C.	(95,338)	6,220,520
Net increase in net assets resulting from operations	31,784,004	10,330,979
Capital transactions		
Net proceeds from shares sold	133,428,296	129,864,996
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	(323,966)	(3,998,597)
Value of shares issued for exchanged units	56,314,355	18,489,457
Dividends declared	(26,718,764)	(9,200,014)
Reinvestment of dividends	1,954,970	
Total net increase in net assets resulting from capital transactions	164,654,891	135,155,842
Net increase in net assets	196,438,895	145,486,821
Net assets at the beginning of the period	145,486,821	
Net assets at the end of the period	341,925,716	$ 145,486,821

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

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New Mountain Finance Corporation

Statement of Cash Flows

	Year ended December 31, 2012	From May 19, 2011 (commencement of operations) to December 31, 2011
Cash flows from operating activities:		
Net increase in net assets resulting from operations	$ 31,784,004	$ 10,330,979
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash used in operating activities:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	(19,791,810)	(8,345,303)
Net realized and unrealized (gains) losses allocated from New Mountain Finance Holdings, L.L.C.	(12,087,532)	4,234,844
Net change in unrealized depreciation (appreciation) of investment in New Mountain Finance Holdings, L.L.C.	95,338	(6,220,520)
(Increase) decrease in operating assets:		
Purchase of investment	(133,428,296)	(129,864,996)
Distributions from New Mountain Finance Holdings, L.L.C.	23,313,089	9,200,014
Net cash flows (used in) provided by operating activities	(110,115,207)	(120,664,982)
Cash flows from financing activities:		
Net proceeds from shares sold	133,428,296	129,864,996
Dividends paid	(23,313,089)	(9,200,014)
Net cash flows provided by financing activities	110,115,207	120,664,982
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period		
Cash and cash equivalents at the end of the period	$	$
Non-cash operating activities:		
Distribution receivable from New Mountain Finance Holdings, L.L.C.	$ 3,405,675	$
Non-cash financing activities:		
Dividends declared and payable	$ (3,405,675)	$
New Mountain Guardian Partners, L.P. exchange of New Mountain Finance Holdings, L.L.C. units for shares		18,489,457
New Mountain Finance AIV Holdings Corporation exchange of New Mountain Finance Holdings, L.L.C. units for shares	56,314,355	
Value of shares issued in connection with dividend reinvestment plan	1,954,970	
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	(323,966)	(3,998,597)

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

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New Mountain Finance AIV Holdings Corporation

Statement of Assets and Liabilities

	December 31, 2012	December 31, 2011
Assets		
Investment in New Mountain Finance Holdings, L.L.C., at fair value (cost of $244,014,729 and $290,847,952, respectively)	$ 228,012,847	$ 275,014,997
Distribution receivable from New Mountain Finance Holdings, L.L.C.	7,786,530	
Total assets	$ 235,799,377	$ 275,014,997
Liabilities		
Dividends payable	7,786,530	
Total liabilities	7,786,530	
Net assets		
Common stock, par value $0.01 per share 100 shares issued and outstanding	1	1
Paid in capital in excess of par	244,014,728	292,383,201
Distributions in excess of net realized gains	(6,676,197)	(994,034)
Net unrealized depreciation	(9,325,685)	(16,374,171)
Total net assets	$ 228,012,847	$ 275,014,997
Total liabilities and net assets	$ 235,799,377	$ 275,014,997

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

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New Mountain Finance AIV Holdings Corporation

Statement of Operations

	Year ended December 31, 2012	From May 19, 2011 (commencement of operations) to December 31, 2011
Net investment income allocated from New Mountain Finance Holdings, L.L.C.		
Interest income	$ 47,206,457	$ 25,399,498
Dividend income	357,165	
Other income	711,835	438,399
Total expenses	(22,849,787)	(10,062,692)
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	25,425,670	15,775,205
Net realized and unrealized gain (loss) allocated from New Mountain Finance Holdings, L.L.C.		
Net realized gains on investments	11,258,832	2,156,878
Net change in unrealized appreciation (depreciation) of investments	5,432,649	(10,162,038)
Net realized and unrealized gain (loss) allocated from New Mountain Finance Holdings, L.L.C.	16,691,481	(8,005,160)
Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.	42,117,151	7,770,045
Net realized gains on investment in New Mountain Finance Holdings, L.L.C.	381,614	
Net change in unrealized appreciation (depreciation) on investment in New Mountain Finance Holdings, L.L.C.	1,615,837	(6,212,133)
Net increase in net assets resulting from operations	$ 44,114,602	$ 1,557,912

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

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New Mountain Finance AIV Holdings Corporation

Statement of Changes in Net Assets

	Year ended December 31, 2012	From May 19, 2011 (commencement of operations) to December 31, 2011
Increase (decrease) in net assets resulting from operations:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	$ 25,425,670	$ 15,775,205
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C.	11,258,832	2,156,878
Net change in unrealized appreciation (depreciation) of investments allocated from New Mountain Finance Holdings, L.L.C.	5,432,649	(10,162,038)
Net realized gains on investment in New Mountain Finance Holdings, L.L.C.	381,614	
Net change in unrealized appreciation (depreciation) on investment in New Mountain Finance Holdings, L.L.C.	1,615,837	(6,212,133)
Net increase in net assets resulting from operations	44,114,602	1,557,912
Capital transactions		
Distribution to New Mountain Guardian AIV, L.P.	(58,216,467)	
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	(240,771)	(7,558,581)
Contributions from exchanged shares		298,406,533
Dividends declared	(32,659,514)	(17,390,867)
Total net (decrease) increase in net assets resulting from capital transactions	(91,116,752)	273,457,085
Net (decrease) increase in net assets	(47,002,150)	275,014,997
Net assets at the beginning of the period	275,014,997	
Net assets at the end of the period	$ 228,012,847	$ 275,014,997

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

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New Mountain Finance AIV Holdings Corporation

Statement of Cash Flows

	Year ended December 31, 2012	From May 19, 2011 (commencement of operations) to December 31, 2011
Cash flows from operating activities:		
Net increase in net assets resulting from operations	$ 44,114,602	$ 1,557,912
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash used in operating activities:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	(25,425,670)	(15,775,205)
Net realized and unrealized (gains) losses allocated from New Mountain Finance Holdings, L.L.C.	(16,691,481)	8,005,160
Net realized gains on investment in New Mountain Finance Holdings, L.L.C.	(381,614)	
Net change in unrealized (appreciation) depreciation on investment in New Mountain Finance Holdings, L.L.C.	(1,615,837)	6,212,133
(Increase) decrease in operating assets:		
Distributions from New Mountain Finance Holdings, L.L.C.	24,872,984	17,390,867
Net cash flows used in operating activities	24,872,984	17,390,867
Cash flows from financing activities:		
Net proceeds from shares sold	58,216,467	
Distribution to New Mountain Guardian AIV, L.P.	(58,216,467)	
Dividends paid	(24,872,984)	(17,390,867)
Net cash flows (used in) provided by financing activities	(24,872,984)	(17,390,867)
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period		
Cash and cash equivalents at the end of the period	$	$
Non-cash operating activities:		
Distribution receivable from New Mountain Finance Holdings, L.L.C.	$ 7,786,530	$
Non-cash financing activities:		
Dividends declared and payable	$ (7,786,530)	$
New Mountain Guardian AIV, L.P. contribution of New Mountain Finance Holdings, L.L.C units for shares of New Mountain Finance AIV Holdings, L.L.C.		298,406,533
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	(240,771)	(7,558,581)

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

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Combined Notes to the Consolidated Financial Statements of New Mountain Finance Holdings, L.L.C., the Financial Statements of New Mountain Finance Corporation, and the Financial Statements of New Mountain Finance AIV Holdings Corporation

December 31, 2012

The information in these combined notes to the financial statements relates to each of the three separate registrants: New Mountain Finance Holdings, L.L.C., New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation (collectively, "we", "us", "our" or the "Companies"). Information that relates to an individual registrant will be specifically referenced by the respective company. None of the Companies makes any representation as to the information related solely to the other registrants other than itself.

Note 1. Formation and Business Purpose

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

The Operating Company is externally managed by New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser"). New Mountain Finance Administration, L.L.C. (the "Administrator") provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital (defined as New Mountain Capital Group, L.L.C. and its affiliates). New Mountain Capital is a firm with a track record of investing in the middle market and with assets under management (which includes amounts committed, not all of which have been drawn down and invested to date) totaling approximately $9.0 billion as of December 31, 2012. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity, and credit investment vehicles. The Operating Company, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ("Guardian AIV") by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately $300.0 million of the $5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising $20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the "Predecessor Entities".

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

New Mountain Finance AIV Holdings Corporation ("AIV Holdings") is a Delaware corporation that was originally incorporated on March 11, 2011. Guardian AIV, a Delaware limited partnership, is AIV Holdings' sole stockholder. AIV Holdings is a closed-end, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. As such, AIV

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**Combined Notes to the Consolidated Financial Statements of
New Mountain Finance Holdings, L.L.C.,
the Financial Statements of New Mountain Finance Corporation, and the Financial Statements
of New Mountain Finance AIV Holdings Corporation (Continued)**

December 31, 2012

Note 1. Formation and Business Purpose (Continued)

Holdings is obligated to comply with certain regulatory requirements. AIV Holdings has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a RIC under the Code.

On May 19, 2011, NMFC priced its initial public offering (the "IPO") of 7,272,727 shares of common stock at a public offering price of $13.75 per share. Concurrently with the closing of the IPO and at the public offering price of $13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a concurrent private placement (the "Concurrent Private Placement"). Additionally, 1,252,964 shares were issued to the limited partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities. In connection with NMFC's IPO and through a series of transactions, the Operating Company owns all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

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

Since NMFC's IPO, and through December 31, 2012, NMFC raised $133,428,296 in net proceeds from additional offerings of common stock and issued shares valued at $56,314,355 to AIV Holdings for exchanged units. NMFC acquired from the Operating Company units of the Operating Company equal to the number of shares of NMFC's common stock sold in the additional offerings.

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

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**Combined Notes to the Consolidated Financial Statements of
New Mountain Finance Holdings, L.L.C.,
the Financial Statements of New Mountain Finance Corporation, and the Financial Statements
of New Mountain Finance AIV Holdings Corporation (Continued)**

December 31, 2012

Note 1. Formation and Business Purpose (Continued)

The diagram below depicts the Companies' organizational structure as of December 31, 2012.

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

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

The Operating Company's investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, the Operating Company's investments may also include equity interests. The primary focus

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Combined Notes to the Consolidated Financial Statements of New Mountain Finance Holdings, L.L.C., the Financial Statements of New Mountain Finance Corporation, and the Financial Statements of New Mountain Finance AIV Holdings Corporation (Continued)

December 31, 2012

Note 1. Formation and Business Purpose (Continued)

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.

Note 2. Summary of Significant Accounting Policies

Basis of accounting The Companies' financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Operating Company consolidates its wholly-owned subsidiary, New Mountain Finance SPV Funding, L.L.C. ("NMF SLF"). NMFC and AIV Holdings do not consolidate the Operating Company. NMFC and AIV Holdings apply investment company master-feeder financial statement presentation, as described in Accounting Standards Codification 946, *Financial Services Investment Companies*, ("ASC 946") to their interest in the Operating Company. NMFC and AIV Holdings observe that it is industry practice to follow the presentation prescribed for a master fund-feeder fund structure in ASC 946 in instances in which a master fund is owned by more than one feeder fund and that such presentation provides stockholders of NMFC and AIV Holdings with a clearer depiction of their investment in the Master Fund.

The Companies' financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition for all periods presented. All intercompany transactions have been eliminated. Revenues are recognized when earned and expenses when incurred. The financial results of the Operating Company's portfolio investments are not consolidated in the financial statements. Prior to the IPO, an affiliate of the Predecessor Entities paid a majority of the management and incentive fees. Historical operating expenses do not reflect the allocation of certain professional fees, administrative and other expenses that have been incurred following the completion of the IPO. Accordingly, the Operating Company's historical operating expenses are not comparable to its operating expenses after the completion of the IPO.

The Companies' financial statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-K and Articles 6 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements have been included.

Investments The Operating Company applies fair value accounting in accordance with GAAP. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments are reflected on the Operating Company's Consolidated Statements of Assets, Liabilities and Members' Capital at fair value, with changes in unrealized gains and losses resulting from changes in fair value reflected in the Operating Company's Consolidated Statements of Operations as "Net change in unrealized appreciation (depreciation) of investments" and realizations on portfolio investments reflected in the Operating Company's Consolidated Statements of Operations as "Net realized gains (losses) on investments".

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**Combined Notes to the Consolidated Financial Statements of
New Mountain Finance Holdings, L.L.C.,
the Financial Statements of New Mountain Finance Corporation, and the Financial Statements
of New Mountain Finance AIV Holdings Corporation (Continued)**

December 31, 2012

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

b. For investments other than bonds, the Operating Company looks at the number of quotes readily available and performs the following:

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

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

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

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

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Combined Notes to the Consolidated Financial Statements of New Mountain Finance Holdings, L.L.C., the Financial Statements of New Mountain Finance Corporation, and the Financial Statements of New Mountain Finance AIV Holdings Corporation (Continued)

December 31, 2012

Note 2. Summary of Significant Accounting Policies (Continued)

b. Preliminary valuation conclusions will then be documented and discussed with the Operating Company's senior management;

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

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

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

NMFC and AIV Holdings are holding companies with no direct operations of their own, and their sole asset is their ownership in the Operating Company. NMFC's and AIV Holdings' investments in the Operating Company are carried at fair value and represent the respective pro-rata interest in the net assets of the Operating Company as of the applicable reporting date. NMFC and AIV Holdings value their ownership interest on a quarterly basis, or more frequently if required under the 1940 Act.

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

Cash and cash equivalents Cash and cash equivalents include cash and short-term, highly liquid investments. The Companies define cash equivalents as securities that are readily convertible into known amounts of cash and so near maturity that there is insignificant risk of changes in value. Generally, these securities have original maturities of three months or less.

Revenue recognition

The Operating Company's revenue recognition policies are as follows:

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

Interest income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for

**Combined Notes to the Consolidated Financial Statements of
New Mountain Finance Holdings, L.L.C.,
the Financial Statements of New Mountain Finance Corporation, and the Financial Statements
of New Mountain Finance AIV Holdings Corporation (Continued)**

December 31, 2012

Note 2. Summary of Significant Accounting Policies (Continued)

collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. The Operating Company has loans in the portfolio that contain a payment-in-kind ("PIK") provision. PIK represents interest that is accrued and recorded as interest income at the contractual rates, added to the loan principal on the respective capitalization dates, and generally due at maturity.

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

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

NMFC's and AIV Holdings' revenue recognition policies are as follows:

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

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Note 2. Summary of Significant Accounting Policies (Continued)

to the difference between NMFC's IPO price of $13.75 per unit and the actual net asset value per unit.

All expenses, including those of NMFC and AIV Holdings, are paid and recorded by the Operating Company. Expenses are allocated to NMFC and AIV Holdings based on pro-rata ownership interest. In addition, the Operating Company paid all of the offering costs related to the IPO and subsequent offerings. NMFC and AIV Holdings have recorded their portion of the offering costs as a direct reduction to net assets and the cost of their investment in the Operating Company.

With respect to the expenses incident to any registration of shares of NMFC's common stock issued in exchange for AIV Holdings' units of the Operating Company, AIV Holdings is directly responsible for the expenses of any demand registration (including underwriters' discounts or commissions) and their pro-rata share of any "piggyback" registration expenses.

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

Deferred credit facility costs The deferred credit facility costs of the Operating Company consist of capitalized expenses related to the origination and amending of the Operating Company's existing credit facilities. The Operating Company amortizes these costs into expense using the straight-line method over the stated life of the related credit facility. See Note 7, *Borrowing Facilities*, for details.

Income taxes The Operating Company is treated as a partnership for federal income tax purposes. Accordingly, no provision for income taxes has been made in the accompanying financial statements, as the partners are individually responsible for reporting income or loss based on their respective share of the revenues and expenses. The Operating Company files United States ("U.S.") federal, state, and local income tax returns.

NMFC and AIV Holdings have elected to be treated, and intend to comply with the requirements to qualify annually, as RICs under subchapter M of the Code. As RICs, NMFC and AIV Holdings are not subject to federal income tax on the portion of taxable income and gains timely distributed to stockholders; therefore, no provision for income taxes has been recorded.

To continue to qualify as RICs, NMFC and AIV Holdings are required to meet certain income and asset diversification tests in addition to distributing at least 90.0% of their respective investment company taxable income, as defined by the Code. Since federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes.

Differences between taxable income and the results of operations for financial reporting purposes may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

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Note 2. Summary of Significant Accounting Policies (Continued)

For federal income tax purposes, distributions paid to stockholders of NMFC and AIV Holdings are reported as ordinary income, return of capital, long term capital gains or a combination thereof.

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

The Companies have adopted the Income Taxes topic of the Codification ("ASC 740"). ASC 740 provides guidance for how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on their analyses, the Companies have determined that there were no material uncertain income tax positions through December 31, 2012. The 2011 and 2012 tax years remain subject to examination by the U.S. federal, state, and local tax authorities.

Dividends Distributions to common unit holders of the Operating Company and common stockholders of NMFC and AIV Holdings are recorded on the record date as set by the respective board of directors. In order for NMFC and AIV Holdings to pay a dividend or other distribution to holders of their common stock, it must be accompanied by a prior distribution by the Operating Company to all of its unit holders. The Operating Company intends to make distributions to its unit holders that will be sufficient to enable NMFC and AIV Holdings to pay quarterly distributions to their stockholders and to obtain and maintain their status as RICs. NMFC and AIV Holdings intend to distribute approximately all of their portion of the Operating Company's adjusted net investment income (see Note 5, *Agreements*) on a quarterly basis and substantially all of their portion of the Operating Company's taxable income on an annual basis, except that NMFC may retain certain net capital gains for reinvestment.

Under certain circumstances, the distributions that the Operating Company makes to its members may not be sufficient for AIV Holdings to satisfy the annual distribution requirement necessary for AIV Holdings to continue to qualify as a RIC. In that case, it is expected that Guardian AIV would consent to be treated as if it received distributions from AIV Holdings sufficient to satisfy the annual distribution requirement. Guardian AIV would be required to include the consent dividend in its taxable income as a dividend from AIV Holdings, which would result in phantom (i.e., non-cash) taxable income to Guardian AIV. AIV Holdings intends to make quarterly distributions to Guardian AIV, its sole stockholder, out of assets legally available for distribution each quarter.

The Operating Company and NMFC are required to take certain actions in order to maintain, at all times, a one-to-one ratio between the number of units held by NMFC and the number of shares of NMFC's common stock outstanding. NMFC has adopted a dividend reinvestment plan that provides on behalf of its stockholders for reinvestment of any distributions declared, unless a stockholder elects to receive cash. Cash distributions reinvested in additional shares of NMFC's common stock will be automatically reinvested by NMFC into additional units of the Operating

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Note 2. Summary of Significant Accounting Policies (Continued)

Company. In addition, AIV Holdings does not intend to reinvest any distributions received from the Operating Company in additional units of the Operating Company.

NMFC applies the following in implementing the dividend reinvestment plan. If the price at which newly issued shares are to be credited to stockholders' accounts is greater than 110.0% of the last determined net asset value of the shares, NMFC will use only newly issued shares to implement its dividend reinvestment plan. Under such circumstances, the number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of NMFC's common stock on the New York Stock Exchange ("NYSE") on the distribution payment date. Market price per share on that date will be the closing price for such shares on the NYSE or, if no sale is reported for such day, the average of their electronically reported bid and asked prices. If NMFC uses newly issued shares to implement the plan, NMFC will receive, on a one-for-one basis, additional units of the Operating Company in exchange for cash distributions that are reinvested in shares of NMFC's common stock under the dividend reinvestment plan.

If the price at which newly issued shares are to be credited to stockholders' accounts is less than 110.0% of the last determined net asset value of the shares, NMFC 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 NMFC's common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of NMFC's stockholders have been tabulated.

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

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

Use of estimates The preparation of the Companies' financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Companies' financial statements and the reported

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Note 2. Summary of Significant Accounting Policies (Continued)

amounts of revenues and expenses during the reporting periods. Changes in the economic environment, financial markets, and other metrics used in determining these estimates could cause actual results to differ from the estimates used, and the differences could be material.

Note 3. Investments

At December 31, 2012 the Operating Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 496,931,128	$ 493,502,112
Second lien	433,828,444	441,072,979
Subordinated	43,097,106	45,148,051
Equity and other	2,386,385	10,096,471
Total investments	$ 976,243,063	$ 989,819,613

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	$ 241,743,119	$ 246,695,383
Education	155,046,293	150,151,802
Healthcare Services	139,370,131	143,723,226
Business Services	140,424,105	143,418,676
Federal Services	95,150,094	95,428,486
Consumer Services	41,173,548	41,625,177
Media	26,582,408	34,000,508
Distribution	27,786,609	28,653,750
Healthcare Products	25,659,022	27,220,948
Logistics	23,532,775	23,180,000
Industrial Services	13,825,050	14,105,000
Retail	11,596,938	12,146,467
Healthcare Information Technology	14,550,421	10,291,719
Energy	9,852,254	10,072,072
Information Technology	6,475,982	6,710,656
Power Generation	3,474,314	2,395,743
Total investments	$ 976,243,063	$ 989,819,613

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December 31, 2012

Note 3. Investments (Continued)

At December 31, 2011 the Operating Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 407,538,564	$ 410,313,643
Second lien	262,532,416	262,701,495
Subordinated	26,672,980	27,648,951
Equity and other	3,120,824	2,849,471
Total investments	$ 699,864,784	$ 703,513,560

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	$ 153,797,485	$ 155,642,372
Healthcare Services	113,200,121	117,544,595
Education	104,237,094	101,794,083
Business Services	73,143,286	76,435,801
Federal Services	70,665,154	70,674,563
Consumer Services	29,357,183	29,764,430
Information Services	29,516,875	29,626,611
Healthcare Products	24,037,614	24,875,000
Logistics	25,407,419	24,610,002
Industrial Services	19,220,188	17,543,793
Healthcare Information Technology	14,704,271	14,108,263
Media	11,756,172	11,731,350
Specialty Chemicals and Materials	9,449,821	9,430,359
Power Generation	9,966,951	8,609,943
Information Technology	6,570,081	6,249,251
Telecommunication	4,835,069	4,873,144
Total investments	$ 699,864,784	$ 703,513,560

As of December 31, 2012, the Operating Company's original first lien position in ATI Acquisition Company remained on non-accrual status due to the inability of the portfolio company to service its interest payments for the quarter then ended and uncertainty about its ability to pay such amounts in the future. As of December 31, 2012, this first lien debt investment had a cost basis of $4,306,437, a fair value of zero and total unearned interest income of $653,414 for the year then ended. Additionally, the Operating Company's two super priority first lien debt investments in ATI Acquisition Company had a combined cost basis of $1,610,357 and a combined fair value of $752,251 as of December 31, 2012. Unrealized gains include a fee that the Operating Company

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Note 3. Investments (Continued)

would receive upon maturity of the two super priority first lien debt investments. During the third quarter of 2012, the Operating Company placed the super priority first lien positions on non-accrual status as well, resulting in total unearned interest income of $309,578 for the year ended December 31, 2012. As of December 31, 2012, the Operating Company's total investment in ATI Acquisition Company had an aggregate cost basis of $5,916,794 and an aggregate fair value of $752,251, putting the entire ATI Acquisition Company's positions on non-accrual status.

As of December 31, 2011, the Operating Company's original first lien position in ATI Acquisition Company was put on non-accrual status due to the inability of the portfolio company to service its interest payment for the quarter then ended. As of December 31, 2011, this first lien debt investment had a cost basis of $4,351,747 and a fair value of $783,617 and total unearned interest income of $139,793 for the quarter and year then ended. Additionally, the Operating Company has two super priority first lien debt investments in ATI Acquisition Company with a combined cost basis and fair value of $1,576,066 as of December 31, 2011. Neither super priority first lien positions were on non-accrual status as of December 31, 2011. As of December 31, 2011, the Operating Company's total investment in ATI Acquisition Company had an aggregate cost basis of $5,927,813 and an aggregate fair value of $2,359,683.

As of December 31, 2012, the Operating Company had unfunded commitments on revolving credit facilities and bridge facilities of $10,500,000 and $0, respectively. The Operating Company did not have any unfunded commitments in the form of a delayed draw or other future funding commitments as of December 31, 2012. Any unfunded commitments are disclosed on the Operating Company's Consolidated Schedules of Investments as of December 31, 2012.

As of December 31, 2011, the Operating Company had unfunded commitments on revolving credit facilities and bridge facilities of $22,698,500 and $35,000,000, respectively. Additionally, the Operating Company had unfunded commitments in the form of a delayed draw or other future funding commitments of $4,250,632 as of December 31, 2011. These unfunded commitments are disclosed on the Operating Company's Consolidated Schedules of Investments as of December 31, 2011.

Investment Risk Factor First and second lien debt that the Operating Company invests in is entirely, or almost entirely, rated below investment grade or may be unrated. These loans are considered speculative because of the credit risk of the issuers. Such issuers are considered more likely than investment grade issuers to default on their payments of interest and principal and such defaults could reduce the net asset value and income distributions of the Operating Company. First and second lien debt may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these first and second lien loans. This illiquidity may make it more difficult to value the debt.

Subordinated debt is generally subject to similar risks as those associated with first and second lien debt, except that such debt is subordinated in payment and /or lower in lien priority. Subordinated debt is subject to the additional risk that the cash flow of the borrower and the

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December 31, 2012

Note 3. Investments (Continued)

property securing the debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured and unsecured obligations of the borrower.

Note 4. Fair Value

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

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

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

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non- active markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including foreign exchange forward contracts); and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

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

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

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December 31, 2012

Note 4. Fair Value (Continued)

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

The following table summarizes the levels in the fair value hierarchy that the Operating Company's portfolio investments fall into as of December 31, 2012:

	Total	Level I	Level II	Level III
First lien	$ 493,502,112	$	$ 450,617,077	$ 42,885,035
Second lien	441,072,979		397,817,679	43,255,300
Subordinated	45,148,051		22,256,625	22,891,426
Equity and other	10,096,471			10,096,471
Total investments	$ 989,819,613	$	$ 870,691,381	$ 119,128,232

The following table summarizes the levels in the fair value hierarchy that the Operating Company's portfolio investments fall into as of December 31, 2011:

	Total	Level I	Level II	Level III
First lien	$ 410,313,643	$	$ 377,172,906	$ 33,140,737
Second lien	262,701,495		214,296,195	48,405,300
Subordinated	27,648,951		21,077,500	6,571,451
Equity and other	2,849,471			2,849,471
Total investments	$ 703,513,560	$	$ 612,546,601	$ 90,966,959

The following table summarizes the changes in fair value of Level III portfolio investments for the year ended December 31, 2012, as well as the portion of appreciation (depreciation) included in

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December 31, 2012

Note 4. Fair Value (Continued)

income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Operating Company at December 31, 2012:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2011	$ 90,966,959	$ 33,140,737	$ 48,405,300	$ 6,571,451	$ 2,849,471
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	4,949,671	4,927,055	22,616		
Net change in unrealized (depreciation) appreciation	(184,889)	(7,917,926)	(173,235)	(75,167)	7,981,439
Purchases, including capitalized PIK and revolver fundings	75,648,054	49,205,569	10,020,619	16,395,142	26,724
Proceeds from sales and paydowns of investments	(36,555,370)	(30,327,959)	(5,000,000)		(1,227,411)
Transfers into Level III(1)	20,347,220	19,880,972			466,248
Transfers out of Level III(1)	(36,043,413)	(26,023,413)	(10,020,000)		
Fair value, December 31, 2012	$ 119,128,232	$ 42,885,035	$ 43,255,300	$ 22,891,426	$ 10,096,471
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	$ 3,689,725	$ (4,215,928)	$ (619)	$ (75,167)	$ 7,981,439

(1) As of December 31, 2012, the portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the quarter in which the reclassifications occurred.

The following table summarizes the changes in fair value of Level III portfolio investments for the year ended December 31, 2011, as well as the portion of appreciation (depreciation) included in

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December 31, 2012

Note 4. Fair Value (Continued)

income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Operating Company at December 31, 2011:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2010	$ 30,255,961	$ 16,975,334	$	$ 12,747,764	$ 532,863
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	1,353,118			1,353,118	
Net change in unrealized (depreciation) appreciation	(951,089)	(910,688)	125,000	94,341	(259,742)
Purchases, including capitalized PIK and revolver fundings	105,375,018	31,503,140	67,255,300	4,040,228	2,576,350
Proceeds from sales and paydowns of investments	(12,199,593)	(535,593)		(11,664,000)	
Transfers into Level III(1)	5,833,544	808,544	5,025,000		
Transfers out of Level III(1)	(38,700,000)	(14,700,000)	(24,000,000)		
Fair value, December 31, 2011	$ 90,966,959	$ 33,140,737	$ 48,405,300	$ 6,571,451	$ 2,849,471
Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	$ (1,144,620)	$ (910,688)	$ 125,000	$ (99,190)	$ (259,742)

(1) As of December 31, 2011, the portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the quarter in which the reclassifications occurred.

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the years ended December 31, 2012 and December 31, 2011. Transfers into Level III occurred as quotations obtained through pricing services were not deemed representative of fair value as of the balance sheet date and such assets were internally valued. As quotations obtained through pricing services were substantiated through additional market sources, investments were transferred out of Level III. The Operating Company invests in revolving credit facilities. These investments are categorized as Level III investments as these assets are not actively traded and their fair values are often implied by the term loans of the respective portfolio companies.

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Note 4. Fair Value (Continued)

The Operating Company generally uses the following framework when determining the fair value of investments where there are little, if any, market activity or observable pricing inputs.

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

Market Based Approach: The Operating Company typically estimates the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies. The Operating Company considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, relevant risk factors, as well as size, profitability and growth expectations. The Operating Company generally applies an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate portfolio company enterprise value. In applying the market based approach as of December 31, 2012, the Operating Company used a relevant EBITDA range of 4.00x to 12.90x for first lien debt investments, 4.50x to 8.00x for second lien debt investments and 5.50x and 8.50x for subordinated debt investments to determine the enterprise value of seven of its portfolio companies. The Operating Company believes this was a reasonable range in light of current comparable company trading levels and the specific companies involved.

Income Based Approach: The Operating Company also typically uses 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. In applying the income based approach as of December 31, 2012, the

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December 31, 2012

Note 4. Fair Value (Continued)

Operating Company used a discount range of 6.0% to 18.0% for first lien debt investments, 11.3% to 12.5% for second lien debt investments and 12.8% to 22.3% for subordinated debt investments to value seven of its portfolio companies.

Based on a comparison to similar BDC credit facilities, the terms and conditions of the Holdings Credit Facility and the SLF Credit Facility are representative of market. The carrying values of the Holdings Credit Facility and SLF Credit Facility approximate fair value as of December 31, 2012, as both facilities are continually monitored and examined by both the borrower and the lender. For the year ended December 31, 2012, both facilities were amended and restated to lower the applicable interest rate spread by 0.25% and to increase the maximum amount of revolving borrowings available under the respective facilities. The fair value of other financial assets and liabilities approximates their carrying value based on the short term nature of these items. The fair value disclosures discussed in this paragraph are considered Level III.

Fair value risk factors The Operating Company seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the Operating Company's portfolio companies conduct their operations, as well as general economic and political conditions, may have a significant negative impact on the operations and profitability of the Operating Company's investments and/or on the fair value of the Operating Company's investments. The Operating Company's investments are subject to the risk of non-payment of scheduled interest or principal, resulting in a reduction in income to the Operating Company and thus the income of NMFC and AIV Holdings, and their corresponding fair valuations. Also, there may be risk associated with the concentration of investments in one geographic region or in certain industries. These events are beyond the control of the Operating Company and cannot be predicted. Furthermore, the ability to liquidate investments and realize value is subject to uncertainties.

Note 5. Agreements

On May 19, 2011, NMFC entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of the Operating Company pursuant to which NMFC was admitted as a member of the Operating Company and agreed to acquire from the Operating Company a number of units of the Operating Company equal to the number of shares of common stock outstanding of NMFC. Additionally on May 19, 2011, in connection with the contribution by Guardian AIV of its units to AIV Holdings, AIV Holdings entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of the Operating Company pursuant to which AIV Holdings was also admitted as a member of the Operating Company.

The Operating Company entered into an investment advisory and management agreement, as amended and restated (the "Investment Management Agreement") with the Investment Adviser. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Operating Company. For providing these services, the Investment Adviser receives a fee from the Operating Company, consisting of two components a base management fee and an incentive fee.

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Note 5. Agreements (Continued)

The base management fee is calculated at an annual rate of 1.75% of the Operating Company's gross assets less (i) the borrowings under the SLF Credit Facility (as defined in Note 7, *Borrowing Facilities*) and (ii) cash and cash equivalents. The base management fee is payable quarterly in arrears, and is calculated based on the average value of the Operating Company's gross assets, borrowings under the SLF Credit Facility, and cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of the Operating Company's "Pre- Incentive Fee Adjusted Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature. "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that the Operating Company receives from portfolio companies) accrued during the calendar quarter, minus the Operating Company's operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement, as amended and restated, with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred membership units (of which there are none as of December 31, 2012), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Operating Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

Under GAAP, NMFC's IPO did not step-up the cost basis of the Operating Company's existing investments to fair market value at the IPO date. Since the total value of the Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, as well as different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold or mature in the future. The Operating Company tracks the transferred (or fair market) value of each of its investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts Pre- Incentive Fee Net Investment Income to reflect the amortization of purchase or original issue discount on the Operating Company's investments as if each investment was purchased at the date of the IPO, or stepped up to fair market value. This is defined as "Pre-Incentive Fee Adjusted Net Investment Income". The Operating Company also uses the transferred (or fair market) value of each of its investments as of the time of the IPO to adjust capital gains ("Adjusted Realized Capital Gains") or losses ("Adjusted Realized Capital Losses") and unrealized capital appreciation ("Adjusted Unrealized Capital Appreciation") and unrealized capital depreciation ("Adjusted Unrealized Capital Depreciation").

Pre-Incentive Fee Adjusted Net Investment Income, expressed as a rate of return on the value of the Operating Company's net assets at the end of the immediately preceding calendar quarter,

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Note 5. Agreements (Continued)

will be compared to a "hurdle rate" of 2.0% per quarter (8.0% annualized), subject to a "catch-up" provision measured as of the end of each calendar quarter. The hurdle rate is appropriately pro- rated for any partial periods. The calculation of the Operating Company's incentive fee with respect to the Pre-Incentive Fee Adjusted Net Investment Income for each quarter is as follows:

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

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

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

The second part will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement) and will equal 20.0% of the Operating Company's Adjusted Realized Capital Gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee.

In accordance with GAAP, the Operating Company accrues a hypothetical capital gains incentive fee based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of each period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value.

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Note 5. Agreements (Continued)

The following table summarizes the management fees and incentive fees incurred by the Operating Company for the years ended December 31, 2012, December 31, 2011 and December 31, 2010.

	Years ended December 31,		
	2012	**2011(1)**	**2010**
Management fee	$ 11,109,053	$ 4,938,004	70,999(3)
Incentive fee, excluding accrued capital gains incentive fees	11,537,066	3,522,330	(3)
Accrued capital gains incentive fees(2)	4,406,844		(3)

(1) For the period from May 19, 2011 (effective date of the Investment Management Agreement) to December 31, 2011.

(2) The accrued capital gains incentive fees would be paid by the Operating Company if the Operating Company ceased operations on December 31, 2012 and December 31, 2011, respectively, and liquidated its investments at the valuations as of the respective year ends. As of December 31, 2012 and December 31, 2011, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Capital Gains did not exceed cumulative Adjusted Unrealized Capital Depreciation.

(3) The Investment Management Agreement was not in effect for the year ended December 31, 2010. As a result of the IPO on May 19, 2011, the Operating Company pays management fees and incentive fees under its Investment Management Agreement, which provides a different basis for the calculation of these fees as compared to amounts previously paid prior to the completion of the IPO. Prior to the IPO, an affiliate of the Predecessor Entities paid a majority of the management and incentive fees.

The Operating Company's Consolidated Statements of Operations below are adjusted as if step-up in cost basis to fair market value had occurred at the IPO date, May 19, 2011.

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Note 5. Agreements (Continued)

The following Statement of Operations for the year ended December 31, 2012 is adjusted to reflect this step-up to fair market value.

	Year ended December 31, 2012	Adjustments	Adjusted year ended December 31, 2012
Investment income			
Interest income	$ 83,645,911	$ (3,476,058)	$ 80,169,853
Dividend income	811,800		811,800
Other income	1,328,300		1,328,300
Total investment income	85,786,011	(3,476,058)	82,309,953
Total expenses pre-incentive fee	24,624,621		24,624,621
Pre-Incentive Fee Net Investment Income	61,161,390	(3,476,058)	57,685,332
Incentive fee(1)	15,943,910		15,943,910
Post-Incentive Fee Net Investment Income	45,217,480	(3,476,058)	41,741,422
Net realized gains (losses) on investments	18,851,239	(6,957,948)	11,893,291
Net change in unrealized appreciation of investments	9,927,774	10,434,006	20,361,780
Net increase in capital resulting from operations	$ 73,996,493		$ 73,996,493

(1) For the year ended December 31, 2012, the Operating Company incurred total incentive fees of $15,943,910, of which $4,406,844 related to capital gains incentive fees on a hypothetical liquidation basis.

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Note 5. Agreements (Continued)

The following Statement of Operations for the Operating Company for the period May 19, 2011 (effective date of the Investment Management Agreement) to December 31, 2011 is adjusted to reflect this step-up to fair market value.

	Period from May 19, 2011 to December 31, 2011	Adjustments	Adjusted Period from May 19, 2011 to December 31, 2011
Investment income			
Interest income	$ 38,836,191	$ (2,019,153)	$ 36,817,038
Other income	670,318		670,318
Total investment income	39,506,509	(2,019,153)	37,487,356
Total expenses pre-incentive fee	11,863,671		11,863,671
Pre-Incentive Fee Net Investment Income	27,642,838	(2,019,153)	25,623,685
Incentive fee(1)	3,522,330		3,522,330
Post-Incentive Fee Net Investment Income	24,120,508	(2,019,153)	22,101,355
Net realized gain (loss) on investments	3,297,896	(2,421,518)	876,378
Net change in unrealized (depreciation) appreciation of investments	(15,537,900)	4,440,671	(11,097,229)
Net increase in capital resulting from operations	$ 11,880,504		$ 11,880,504

(1) For the year ended December 31, 2011, the Operating Company had no incentive fees related to capital gains incentive fees on a hypothetical liquidation basis.

The Statement of Operations for the Operating Company for the year ended December 31, 2010 did not require adjustments to reflect a step-up to fair market value as no adjustments were required prior to the IPO date, May 19, 2011.

The Companies have entered into an Administration Agreement, as amended and restated, with the Administrator under which the Administrator provides administrative services. The Administrator performs, or oversees the performance of, the Companies' financial records, prepares reports filed with the Securities and Exchange Commission, generally monitors the payment of the Companies' expenses, and watches the performance of administrative and professional services rendered by others. The Operating Company will reimburse the Administrator for the Companies' allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Companies under the Administration Agreement, as amended and restated. Pursuant to the Administration Agreement, as amended and restated, and further restricted by the Operating Company, expenses payable to the Administrator by the Operating Company as well as

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Note 5. Agreements (Continued)

other direct and indirect expenses (excluding interest, other credit facility expenses, trading expenses and management and incentive fees) have been capped at $3,500,000 for the time period from April 1, 2012 to March 31, 2013.

The Operating Company incurred $2,459,857 in expenses in excess of the expense cap for the year ended December 31, 2012, of which $534,133 was receivable from an affiliate as of December 31, 2012. The Operating Company incurred $2,185,765 in expenses in excess of the expense cap for the year ended December 31, 2011, of which $369,017 was receivable from affiliate as of December 31, 2011.

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

NMFC entered into a Registration Rights Agreement with AIV Holdings, Steven B. Klinsky (the Chairman of our board of directors), an entity related to Steven B. Klinsky and the Investment Adviser. Subject to several exceptions, AIV Holdings and the Investment Adviser have the right to require NMFC to register for public resale under the Securities Act of 1933, as amended (the "Securities Act of 1933"), all registerable securities that are held by any of them and that they request to be registered. Registerable securities subject to the Registration Rights Agreement are shares of NMFC's common stock issued or issuable in exchange for units and any other shares of NMFC's common stock held by AIV Holdings, the Investment Adviser and any of their transferees. The rights under the Registration Rights Agreement can be conditionally exercised by AIV Holdings or the Investment Adviser, meaning that prior to the effectiveness of the registration statement related to the shares, AIV Holdings or the Investment Adviser can withdraw their request to have the shares registered. AIV Holdings and the Investment Adviser may each assign their rights to any person that acquires registerable securities subject to the Registration Rights Agreement and who agrees to be bound by the terms of the Registration Rights Agreement. Steven B. Klinsky and a related entity have the right to "piggyback", or include their own registerable securities in such a registration. During the year ended December 31, 2012, shares held by AIV Holdings and Steven B. Klinsky were registered on a shelf registration statement on Form N-2.

AIV Holdings and the Investment Adviser may require NMFC to use its reasonable best efforts to register under the Securities Act of 1933 all or any portion of these registerable securities upon a "demand request". The demand registration rights are subject to certain limitations.

The Registration Rights Agreement includes limited blackout and suspension periods. In addition, AIV Holdings and the Investment Adviser may also require NMFC to file a shelf registration

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Note 5. Agreements (Continued)

statement on Form N-2 for the resale of their registerable securities if NMFC is eligible to use Form N-2 at that time.

Holders of registerable securities have "piggyback" registration rights, including AIV Holdings, which means that these holders may include their respective shares in any future registrations of NMFC's equity securities, whether or not that registration relates to a primary offering by NMFC or a secondary offering by or on behalf of any of NMFC's stockholders. AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) have priority over NMFC in any registration that is an underwritten offering.

AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) will be responsible for the expenses of any demand registration (including underwriters' discounts or commissions) and their pro-rata share of any "piggyback" registration. NMFC has agreed to indemnify AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) with respect to liabilities resulting from untrue statements or omissions in any registration statement filed pursuant to the Registration Rights Agreement, other than untrue statements or omissions resulting from information furnished to NMFC by such parties. AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) have also agreed to indemnify NMFC with respect to liabilities resulting from untrue statements or omissions furnished by them to NMFC relating to them in any registration statement.

Note 6. Related Parties

The Companies have entered into a number of business relationships with affiliated or related parties. NMFC and AIV Holdings own all the outstanding units of the Operating Company. As of December 31, 2012, NMFC and AIV Holdings own approximately 60.0% and 40.0%, respectively, of the units of the Operating Company.

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

The Companies have entered into an Administration Agreement, as amended and restated, with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the Companies and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement, as amended and restated. The Operating Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Companies under the Administration Agreement, as amended and restated, including rent, the fees and expenses associated with performing administrative, finance and compliance functions, and the compensation of the Companies' chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement, as amended and restated, and

Combined Notes to the Consolidated Financial Statements of New Mountain Finance Holdings, L.L.C., the Financial Statements of New Mountain Finance Corporation, and the Financial Statements of New Mountain Finance AIV Holdings Corporation (Continued)

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Note 6. Related Parties (Continued)

further restricted by the Operating Company, expenses payable to the Administrator by the Operating Company as well as other direct and indirect expenses (excluding interest, other credit facility expenses, trading expenses and management and incentive fees) have been capped at $3,500,000 for the time period from April 1, 2012 to March 31, 2013.

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

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

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with the Operating Company's investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Operating Company 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 the Operating Company should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the Securities and Exchange Commission and its staff, and consistent with the Investment Adviser's allocation procedures.

Concurrently with the IPO, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in the Concurrent Private Placement.

Note 7. Borrowing Facilities

Holdings Credit Facility The Loan and Security Agreement, as amended and restated, dated May 19, 2011 (the "Holdings Credit Facility") among the Operating Company as the Borrower and Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 27, 2016, as amended on May 8, 2012. The Operating Company became a party to the Holdings Credit Facility upon the IPO of NMFC. The Holdings Credit Facility amends and restates the credit facility of the Predecessor Entities (the "Predecessor Credit Facility").

The maximum amount of revolving borrowings available under the Holdings Credit Facility is $210,000,000, as amended on December 18, 2012. As of December 31, 2012, the Operating Company was permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien or non-first lien debt securities, and up to 70.0% and 45.0% of the purchase price of specified first

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Note 7. Borrowing Facilities (Continued)

lien debt securities and specified non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, National Association. The credit facility is collateralized by all of the investments of the Operating Company on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Operating Company's Consolidated Statement of Assets, Liabilities, and Members' Capital and charged against income as other credit facility expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. In addition, the Holdings Credit Facility requires the Operating Company to maintain a minimum asset coverage ratio. However, the covenants are generally not tied to mark to market fluctuations in the prices of the Operating Company's investments, but rather to the performance of the underlying portfolio companies.

The Holdings Credit Facility (as well as the Predecessor Credit Facility) bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 2.75% per annum, as amended on May 8, 2012, and charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement).

The following table summarizes the interest expense and non-usage fees incurred by the Operating Company on the Holdings Credit Facility for the years ended December 31, 2012, December 31, 2011 and December 31, 2010.

	Years ended December 31,		
	2012	**2011**	**2010**
Interest expense	$ 4,172,124	$ 2,043,267	$ 2,248,078
Non-usage fee	$ 281,234	$ 607,972	$ 320,848
Weighted average interest rate	3.1%	3.2%	3.3%
Average debt outstanding	$ 133,599,578	$ 61,560,781	$ 68,343,217

The outstanding balance of Holdings Credit Facility as of December 31, 2012, December 31, 2011 and December 31, 2010 was $206,938,049, $129,037,813 and $59,696,938, respectively. As of December 31, 2012, December 31, 2011 and December 31, 2010, the Operating Company is not aware of any instances of non- compliance related to the Holdings Credit Facility on such dates.

SLF Credit Facility The Operating Company's senior loan fund's Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the "SLF Credit Facility") among NMF SLF as the Borrower, the Operating Company as the Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 27, 2016, as amended on May 8, 2012. The maximum amount of revolving borrowings available under the SLF Credit Facility is $215,000,000, as amended on December 18, 2012. The loan is non-recourse to the Operating Company and secured by all assets owned by the borrower on an investment by investment basis. All fees associated with the origination or upsizing of the SLF Credit Facility are capitalized on the Consolidated Statement of Assets, Liabilities, and Members' Capital and charged

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Note 7. Borrowing Facilities (Continued)

against income as other credit facility expenses over the life of the SLF Credit Facility. The SLF Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. The covenants are generally not tied to mark to market fluctuations in the prices of our investments, but rather to the performance of the underlying portfolio companies.

As of December 31, 2012, the SLF Credit Facility permitted borrowings of up to 70.0% of the purchase price of pledged debt securities subject to approval by Wells Fargo Bank, National Association. Due to a fifth amendment to the SLF Credit Facility on October 27, 2011, NMF SLF is no longer restricted from the purchase or sale of loans with an affiliate. Therefore, specified first lien loans can be moved as collateral between the Holdings Credit Facility and the SLF Credit Facility.

The SLF Credit Facility bears interest at a rate of LIBOR plus 2.00% per annum, as amended on May 8, 2012. A non-usage fee is paid, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement).

	Years ended December 31,		From October 7, 2010 (commencement of NMF SLF operations) to December 31,
	2012	2011	2010
Interest expense	$ 4,274,293	$ 3,368,867	$ 127,325
Non-usage fee	$ 21,451	$ 94,500	$ 66,301
Weighted average interest rate	2.3%	2.5%	2.5%
Average debt outstanding	$ 181,394,898	$ 133,824,553	$ 27,672,121

The outstanding balance as of December 31, 2012, December 31, 2011 and December 31, 2010 was $214,262,314, $165,928,000 and $56,936,000, respectively. As of December 31, 2012, December 31, 2011 and December 31, 2010, NMF SLF is not aware of any instances of non-compliance related to the SLF Credit Facility on such dates.

Leverage risk factors The Operating Company utilizes and may utilize leverage to the maximum extent permitted by the law for investment and other general business purposes. The Operating Company's lenders will have fixed dollar claims on certain assets that are superior to the claims of the Operating Company's unit holders, and therefore NMFC's common stockholders, and the Operating Company would expect such lenders to seek recovery against these assets in the event of a default. The use of leverage also magnifies the potential for gain or loss on amounts invested. Leverage may magnify interest rate risk (particularly on the Operating Company's fixed-rate investments), which is the risk that the prices of portfolio investments will fall or rise if market interest rates for those types of securities rise or fall. As a result, leverage may cause greater changes in the Operating Company's net asset value. Similarly, leverage may cause a sharper decline in the Operating Company's income than if the Operating Company had not borrowed. Such a decline could negatively affect the Operating Company's ability to make dividend payments to its unit holders. Leverage is generally considered a speculative investment technique. The

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Note 7. Borrowing Facilities (Continued)

Operating Company's ability to service any debt incurred will depend largely on financial performance and will be subject to prevailing economic conditions and competitive pressures.

Note 8. Regulation

NMFC and AIV Holdings have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as RICs under Subchapter M of the Code. In order to continue to qualify as RICs, among other things, NMFC and AIV Holdings are required to timely distribute to their stockholders at least 90.0% of investment company taxable income, as defined by the Code, for each year. NMFC and AIV Holdings, among other things, intend to make and continue to make the requisite distributions to their stockholders, which will generally relieve NMFC and AIV Holdings from U.S. federal, state, and local income taxes (excluding excise taxes which may be imposed under the Code). However, under certain circumstances, the distributions that the Operating Company makes to its members may not be sufficient for AIV Holdings to satisfy the annual distribution requirement necessary for AIV Holdings to continue to qualify as a RIC. In that case, it is expected that Guardian AIV would consent to be treated as if it received distributions from AIV Holdings sufficient to satisfy the annual distribution requirement. Guardian AIV would be required to include the consent dividend in its taxable income as dividend from AIV Holdings, which would result in phantom (i.e., non-cash) taxable income to Guardian AIV.

Additionally as BDCs, the Companies must not acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70.0% of its total assets are qualifying assets (with certain limited exceptions).

Note 9. Commitments and Contingencies

In the normal course of business, the Companies may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Operating Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments, or delayed draw commitments. As of December 31, 2012, the Operating Company had unfunded commitments on revolving credit facilities of $10,500,000, no outstanding bridge financing commitments or other future funding commitments, all of which are disclosed on the Operating Company's Consolidated Schedule of Investments. As of December 31, 2011, the Operating Company had unfunded commitments on revolving credit facilities of $22,698,500, outstanding bridge financing commitments of $35,000,000 and other future funding commitments of $4,250,632, all of which are disclosed on the Operating Company's Consolidated Schedule of Investments.

The Operating Company also has revolving borrowings available under the Holdings Credit Facility and the SLF Credit Facility as of December 31, 2012 and December 31, 2011. See Note 7, *Borrowing Facilities*, for details.

The Operating Company may from time to time enter into financing commitment letters. As of December 31, 2012 and December 31, 2011, the Operating Company did not enter into any commitment letters to purchase debt investments, which could require funding in the future.

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Note 10. Distributions

Differences between taxable income and the results of operations for financial reporting purposes may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. During the years ended December 31, 2012 and December 31, 2011, NMFC did not have any reclassifications of amounts for book purposes arising from permanent book/tax differences. During the years ended December 31, 2012 and December 31, 2011, AIV Holdings had reclassifications of amounts for book purposes arising from permanent book/tax differences related to return of capital distributions and consent dividends, respectively.

	December 31, 2012		December 31, 2011	
	NMFC	AIV Holdings	NMFC	AIV Holdings
Undistributed net investment income	$	$	$	$
Distributions in excess of net realized gains		(9,707,151)		(1,535,250)
Additional paid-in-capital		9,707,151		1,535,250

For federal income tax purposes, distributions paid to stockholders of NMFC and AIV Holdings are reported as ordinary income, return of capital, long term capital gains or a combination thereof. The tax character of distributions paid by NMFC and AIV Holdings for the years ended December 31, 2012 and December 31, 2011 were estimated to be as follows:

	Years ended December 31,			
	2012		2011	
	NMFC	AIV Holdings	NMFC	AIV Holdings
Ordinary income(a)	$ 26,217,758	$ 40,692,087	$ 8,944,135	$ 14,694,056
Capital gains	501,006	2,056,192	255,879	2,696,811
Return of capital		48,127,702		
Total	$ 26,718,764	$ 90,875,981	$ 9,200,014	$ 17,390,867

(a) Ordinary income is reported on Form 1099-DIV as non- qualified.

As of December 31, 2012, the costs of investments for NMFC and AIV Holdings for tax purposes were $343,248,443 and $245,659,380, respectively. As of December 31, 2011, the costs of investments for NMFC and AIV Holdings for tax purposes were $144,377,789 and $275,360,096, respectively.

At December 31, 2012 and December 31, 2011, the components of distributable earnings on a tax basis differ from the amounts reflected per NMFC's and AIV Holdings' respective Statements of Assets and Liabilities by temporary book/tax differences primarily arising from differences between the tax and book basis of NMFC's and AIV Holdings' respective investment in the Operating Company and undistributed income.

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Note 10. Distributions (Continued)

As of December 31, 2012 and December 31, 2011, the components of accumulated earnings / (deficit) on a tax basis were as follows:

	December 31, 2012		December 31, 2011	
	NMFC	**AIV Holdings**	**NMFC**	**AIV Holdings**
Accumulated capital gains / (losses)	$	$	$	$
Other temporary differences	7,942,568	(5,031,546)		
Undistributed ordinary income	528,124		65,789	1,778,113
Unrealized (appreciation) / depreciation	(2,274,487)	(10,970,336)	822,725	(886,315)
Components of distributable earnings	$ 6,196,205	$ (16,001,882)	$ 888,514	$ 891,798

NMFC and AIV Holdings are subject to a 4.0% nondeductible federal excise tax on certain undistributed income unless NMFC and AIV Holdings distribute, in a timely manner as required by the Code, an amount at least equal to the sum of (1) 98.0% of their respective net ordinary income earned for the calendar year and (2) 98.2% of their respective capital gain net income for the one-year period ending October 31 in the calendar year. For the years ended December 31, 2012 and December 31, 2011, both NMFC and AIV Holdings had no accrued estimated excise taxes.

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Note 11. Stockholders' Equity

The table below illustrates changes in the capital accounts of NMFC:

	Common Stock				Accumulated		
	Shares	Par Amount	Paid in Capital in Excess of Par	Undistributed Net Investment Income	Undistributed Net Realized Gains	Net Unrealized Appreciation (Depreciation)	Total Stockholders' Equity
Balance at December 31, 2010		$	$	$	$	$	$
Issuances of common stock in the IPO(1)	7,272,727	72,727	99,927,269				99,999,996
Issuances of common stock in private placement(2)	2,172,000	21,720	29,843,280				29,865,000
Issuances of common stock to New Mountain Guardian Partners, L.P.(3)	1,252,964	12,530	18,476,927				18,489,457
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.			(3,998,597)				(3,998,597)
Dividends declared				(8,345,303)	(854,711)		(9,200,014))
Net increase in stockholders' equity resulting from operations				8,345,303	1,141,018	844,658	10,330,979
Balance at December 31, 2011	10,697,691	$106,977	$144,248,879	$	$ 286,307	$ 844,658	$145,486,821
Issuances of common stock	13,628,560	136,286	191,561,335				191,697,621
Deferred offering costs allocated from New Mountain			(323,966)				(323,966)

Finance Holdings, L.L.C.							
Dividends declared				(19,791,810)	(6,926,954)		(26,718,764)
Net increase in stockholders' equity resulting from operations				19,791,810	7,592,407	4,399,787	31,784,004
Balance at December 31, 2012	24,326,251	$243,263	$335,486,248	$	$ 951,760	$5,244,445	$341,925,716

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(1) On May 19, 2011, NMFC priced its IPO of 7,272,727 shares of common stock at a public offering price of $13.75 per share.

(2) Concurrently with the closing of the IPO and at the public offering price of $13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in the Concurrent Private Placement.

(3) On May 19, 2011, NMFC issued 1,252,964 shares of common stock to New Mountain Guardian Partners, L.P. for their respective ownership interest in the Predecessor Entities.

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Note 11. Stockholders' Equity (Continued)

The table below changes in the capital accounts of AIV Holdings:

	Common Stock Shares	Common Stock Par Amount	Paid in Capital in Excess of Par	Undistributed Net Investment Income	Distributions in Excess of Net Realized Gains	Net Unrealized (Depreciation) Appreciation	Total Stockholder's Equity
Balance at December 31, 2010		$	$	$	$	$	$
Issuances of common stock to New Mountain Guardian AIV, L.P.(1)	100	1	298,406,532				298,406,533
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.			(7,558,581)				(7,558,581)
Dividends declared				(15,775,205)	(1,615,662)		(17,390,867)
Net increase in stockholder's equity resulting from operations				15,775,205	2,156,878	(16,374,171)	1,557,912
Tax reclassifications related to consent dividends (See Note 10)			1,535,250		(1,535,250)		
Balance at December 31, 2011	100	$ 1	$ 292,383,201	$	$ (994,034)	$ (16,374,171)	$ 275,014,997
Dividends declared				(25,425,670)	(7,233,844)		(32,659,514)
Distribution to New Mountain Guardian AIV, L.P.			(57,834,853)		(381,614)		(58,216,467)
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.			(240,771)				(240,771)
Net increase in stockholder's equity resulting from operations				25,425,670	11,640,446	7,048,486	44,114,602
Tax reclassifications related			9,707,151		(9,707,151)		

to return of capital distributions (See Note 10)								
Balance at December 31, 2012	100	$ 1	$ 244,014,728	$	$	(6,676,197)	$ (9,325,685)	$ 228,012,847

(1) On May 19, 2011, AIV Holdings issued 100 shares of common stock to New Mountain Guardian AIV, L.P. for their respective ownership interest in the Predecessor Entities.

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Note 12. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase in NMFC's net assets per share resulting from operations for the year ended December 31, 2012 and the period from May 19, 2011 (commencement of operations) to December 31, 2011:

	Year ended December 31, 2012	May 19, 2011 (commencement of operations) to December 31, 2011
Numerator for basic earnings per share:	$ 31,784,004	$ 10,330,979
Denominator for basic weighted average share:	14,860,838	10,697,691
Basic earnings per share:	$ 2.14	$ 0.97
Numerator for diluted earnings per share(a):	$ 73,996,493	$ 11,880,504
Denominator for diluted weighted average share(b):	34,011,738	30,919,629
Diluted earnings per share:	$ 2.18	$ 0.38

(a) Includes the full income at the Operating Company for the period. For the period May 19, 2011 (commencement of operations) to December 31, 2011, NMFC's unrealized appreciation in the Operating Company resulting from the IPO is netted against AIV Holdings' unrealized depreciation in the Operating Company resulting from the IPO.

(b) Assumes AIV Holdings exchanges its units in the Operating Company for public shares of NMFC as of December 31, 2012 and December 31, 2011, respectively (see Note 1, *Formation and Business Purpose*).

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Note 13. Financial Highlights

The following information sets forth the financial highlights for the Operating Company for the respective years ended December 31st.

	Year ended December 31,				Period from October 29, 2008 (commencement of operations) to December 31, 2008
	2012	**2011**	**2010**	**2009**	**2008**
Total return based on net asset value(a)	16.61%	10.09%	26.54%	76.38%	NM
Average net assets for the period	$ 474,560,874	$ 361,030,642	$ 245,951,174	$ 195,467,257	$ 7,249,648
Ratio to average net assets:					
Net investment income	9.53%	10.67%	15.23%	10.44%	9.44%(b)
Total expenses (gross)	9.07%	5.59%	1.59%	0.72%	%
Total expenses (net of reimbursable expenses)	8.55%	4.99%	1.59%	0.72%	%
Net assets, end of year	$ 569,938,563	$ 420,501,818	$ 241,927,261	$ 239,440,683	$ 30,353,903
Average debt outstanding Holdings Credit Facility	$ 133,599,578	$ 61,560,781	$ 68,343,217	$ 65,014,057	N/A
Average debt outstanding SLF Credit Facility	$ 181,394,898	$ 133,824,553	$ 27,672,121	N/A	N/A
Weighted average shares outstanding	34,011,738	30,919,629(c)	N/A	N/A	N/A
Asset coverage ratio	235.31%	242.56%	307.43%	407.98%	N/A
Portfolio turnover	52.02%	42.13%	76.69%	57.50%	0.22%

NM Total return from commencement of operations through December 31, 2008 was deemed not meaningful due to the scaling of operations during this short time period.

N/A Not applicable.

(a) For the year ended December 31, 2012, 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 year. 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. For the year ended December 31, 2011, total return is calculated in two parts: (1) from the opening of the first day of the year to NMFC's IPO date, total return is calculated based on net income over weighted average net assets and (2) from NMFC's IPO date to December 31, 2011, total return is calculated assuming a purchase at net asset value on NMFC's IPO date 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. For the years ended December 31, 2010 and December 31, 2009, total return is the ratio of net income compared to capital, adjusted for capital contributions and distributions.

(b) Ratio to average net assets has been annualized.

(c) Weighted average common membership units outstanding presented from May 19, 2011 to December 31, 2011, as the fund became unitized on May 19, 2011, the IPO date.

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Note 13. Financial Highlights (Continued)

	Year ended December 31, 2012	May 19, 2011 (commencement of operations) to December 31, 2011
Per unit data for the Operating Company(a):		
Net asset value, January 1, 2012 and May 19, 2011(b), respectively	$ 13.60	$ 14.08
Net investment income	1.33	0.78
Net realized and unrealized gains (losses)	0.84	(0.40)
Dividends from net investment income	(1.71)	(0.86)
Net increase (decrease) in net assets resulting from operations	0.46	(0.48)
Net asset value, December 31, 2012 and December 31, 2011, respectively	$ 14.06	$ 13.60

(a) Per unit data is based on weighted average common membership units outstanding.

(b) Data presented from May 19, 2011 to December 31, 2011 as the fund became unitized on May 19, 2011, the IPO date.

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Note 13. Financial Highlights (Continued)

The following information sets forth the financial highlights for NMFC for the year ended December 31, 2012 and the period May 19, 2011 to December 31, 2011. The ratios to average net assets have been annualized for the period May 19, 2011 to December 31, 2011.

	Year ended December 31, 2012	May 19, 2011 (commencement of operations) to December 31, 2011
Per share data(a):		
Net asset value, January 1, 2012 and May 19, 2011(b), respectively	$ 13.60	$ 13.50
Net increase (decrease) in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.:		
Net investment income	1.33	0.78
Net realized and unrealized gains (losses)	0.84	(0.40)
Total net increase	2.17	0.38
Net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C.		0.58
Dividends declared	(1.71)	(0.86)
Net asset value, December 31, 2012 and December 31, 2011, respectively	$ 14.06	$ 13.60
Per share market value, December 31, 2012 and December 31, 2011, respectively	$ 14.90	$ 13.41
Total return based on market value(c)	24.84%	4.16%
Total return based on net asset value(d)	16.61%	2.82%
Shares outstanding at end of period	24,326,251	10,697,691
Average weighted shares outstanding for the period	14,860,838	10,697,691
Average net assets for the period	$ 196,312,136	$ 147,765,945
Ratio to average net assets(e):		
Total expenses allocated from New Mountain Finance Holdings, L.L.C.	8.55%	5.79%
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	9.53%	9.08%

(a) Per share data is based on the summation of the per share results of operations items over the outstanding shares for the period in which the respective line items were realized or earned.

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

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Note 13. Financial Highlights (Continued)

(c)

For the year ended December 31, 2012 and for the period May 19, 2011 to December 31, 2011, total return is calculated assuming a purchase of common stock at the opening of the first day of the year and assuming a purchase of common stock at IPO, respectively, and a sale on the closing of the last business day of the respective periods. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under NMFC's dividend reinvestment plan.

(d)

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.

(e)

Average net assets for the year ended December 31, 2012 is based on the summation of the results of operations items over the net assets for the period in which the respective line items were realized or earned.

The following information sets forth the financial highlights for AIV Holdings for the year ended December 31, 2012 and the period May 19, 2011 to December 31, 2011. The ratios to average net assets have been annualized for the period May 19, 2011 to December 31, 2011.

	Year ended December 31, 2012	May 19, 2011 (commencement of operations) to December 31, 2011
Total return based on net asset value(a)	18.04%	(5.44)%
Average net assets for the period	$ 270,080,730	$ 279,323,246
Ratio to average net assets(b):		
Total expenses allocated from New Mountain Finance Holdings, L.L.C.	8.55%	5.79%
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	9.53%	9.08%

(a)

For the year ended December 31, 2012 and for the period May 19, 2011 to December 31, 2011, 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 business 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.

(b)

Average net assets for the year ended December 31, 2012 is based on the summation of the results of operations items over the net assets for the period in which the respective line items were realized or earned.

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Note 14. Selected Quarterly Financial Data (unaudited)

The below selected quarterly financial data is for the Operating Company.

Quarter Ended	Investment Income Total	Investment Income Per Unit	Net Investment Income Total	Net Investment Income Per Unit	Total Net Realized Gains and Net Changes in Unrealized Appreciation (Depreciation) of Investments Total	Total Net Realized Gains and Net Changes in Unrealized Appreciation (Depreciation) of Investments Per Unit	Net Increase (Decrease) in Capital Resulting from Operations Total	Net Increase (Decrease) in Capital Resulting from Operations Per Unit
	(in thousands except for per unit data)							
December 31, 2012	$ 24,713	$ 0.65	$ 13,522	$ 0.36	$ 3,478	$ 0.09	$ 17,000	$ 0.45
September 30, 2012	21,752	0.60	10,136	0.28	12,109	0.34	22,245	0.62
June 30, 2012	20,299	0.66	11,646	0.38	(561)	(0.02)	11,085	0.36
March 31, 2012	19,022	0.62	9,913	0.32	13,754	0.45	23,667	0.77
December 31, 2011	$ 17,127	$ 0.55	$ 9,540	$ 0.31	$ 8,317	$ 0.27	$ 17,857	$ 0.58
September 30, 2011	15,069	0.49	10,002	0.32	(21,255)	(0.68)	(11,253)	(0.36)
June 30, 2011	13,116	0.42	9,554	0.31	(899)	(0.03)	8,655	0.28
March 31, 2011	11,212	N/A	9,429	N/A	6,990	N/A	16,419	N/A
December 31, 2010	$ 9,820	N/A	$ 8,335	N/A	$ 7,978	N/A	$ 16,313	N/A
September 30, 2010	13,881	N/A	13,145	N/A	5,560	N/A	18,705	N/A
June 30, 2010	8,597	N/A	7,777	N/A	(5,349)	N/A	2,428	N/A
March 31, 2010	9,077	N/A	8,208	N/A	18,138	N/A	26,346	N/A
December 31, 2009	$ 7,617	N/A	$ 6,617	N/A	$ 1,617	N/A	$ 8,234	N/A
September 30, 2009	6,148	N/A	6,030	N/A	33,709	N/A	39,739	N/A
June 30, 2009	5,092	N/A	4,877	N/A	42,562	N/A	47,439	N/A
March 31, 2009	2,910	N/A	2,883	N/A	27,385	N/A	30,268	N/A

N/A Not applicable, as the Operating Company was not unitized until May 19, 2011.

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Note 14. Selected Quarterly Financial Data (unaudited) (Continued)

The below selected quarterly financial data is for NMFC.

	Net Investment Income allocated from the Operating Company		Total Net Realized and Unrealized Gains (Losses)		Net Increase (Decrease) in Net Assets Resulting from Operations	
Quarter Ended	**Total**	**Per Share**	**Total**	**Per Share**	**Total**	**Per Share**
	(in thousands except for per share data)					
December 31, 2012	$ 7,759	$ 0.36	$ 2,047	$ 0.09	$ 9,806	$ 0.45
September 30, 2012	4,574	0.28	5,381	0.34	9,955	0.62
June 30, 2012	4,029	0.38	(194)	(0.02)	3,835	0.36
March 31, 2012	3,430	0.32	4,758	0.45	8,188	0.77
December 31, 2011	$ 3,301	$ 0.31	$ 2,877	$ 0.27	$ 6,178	$ 0.58
September 30, 2011	3,460	0.32	(7,353)	(0.68)	(3,893)	(0.36)
June 30, 2011	1,584	0.15	6,462	0.60	8,046	0.75
March 31, 2011	N/A	N/A	N/A	N/A	N/A	N/A

N/A Not applicable, as NMFC did not commence operations until May 19, 2011.

The below selected quarterly financial data is for AIV Holdings.

Quarter Ended	**Net Investment Income allocated from the Operating Company**	**Total Net Realized and Unrealized Gains (Losses)**	**Net Increase (Decrease) in Net Assets Resulting from Operations**
		(in thousands)	
December 31, 2012	$ 5,764	$ 1,431	$ 7,195
September 30, 2012	5,562	8,630	14,192
June 30, 2012	7,617	(367)	7,250
March 31, 2012	6,483	8,995	15,478
December 31, 2011	$ 6,240	$ 5,439	$ 11,679
September 30, 2011	6,542	(13,902)	(7,360)
June 30, 2011	2,994	(5,755)	(2,761)
March 31, 2011	N/A	N/A	N/A

N/A Not applicable, as AIV Holdings did not commence operations until May 19, 2011.

Note 15. Recent Accounting Standards Updates

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"), which provides clarification about how to measure fair value and improves comparability of fair value measurements presented

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December 31, 2012

Note 15. Recent Accounting Standards Updates (Continued)

and disclosed in accordance with GAAP and International Financial Reporting Standards. The amendments included in ASU 2011-04 clarify the FASB's intent about the application of existing fair value measurement and disclosure requirements outlined in ASC 820, as well as include some instances of changes to particular principles or requirements. ASU 2011-04 clarifies that (i) the concept of the highest and best use valuation premise applies only to nonfinancial assets, (ii) instruments classified in stockholders' equity should be valued from the perspective of a market participant that holds that instrument as an asset, and (iii) quantitative information should be disclosed about unobservable inputs used in a fair value measurement that is categorized within Level III of the fair value hierarchy. ASU 2011-04 changes the guidance in (i) permitting an exception to ASC 820 by allowing an entity to measure the fair value of a group of financial assets and financial liabilities exposed to market and credit risks to be consistent with the entity's net risk exposures, instead of gross risk, (ii) applying premiums and discounts in a fair value measurement lacking a Level I inputs to be consistent with the ASC 820 requirements of fair value measurement but that applying premiums and discounts in a fair value measurement related to size as a characteristic of the holding rather than as a characteristic of the asset or liability is not permitted, and (iii) requiring additional disclosures about fair value measurements categorized within Level III of the fair value hierarchy, including the valuation processes used and the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. ASU 2011-04 is effective for the interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a significant impact on the Companies' financial statements. Additional disclosure was added where applicable.

Note 16. Subsequent Events

On March 6, 2013, the Operating Company's board of directors, and subsequently NMFC's board of directors, declared a first quarter 2013 distribution of $0.34 per unit/share payable on March 28, 2013 to holders of record as of March 15, 2013. Subsequently, AIV Holdings' board of directors declared a dividend payable on March 28, 2013 to holders of record as of March 15, 2013 in an amount equal to $0.34 per unit multiplied by the total number of units owned by AIV Holdings of the Operating Company as of the record date.

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$250,000,000

New Mountain Finance Corporation

Common Stock
Preferred Stock
Subscription Rights
Warrants
Debt Securities

PRELIMINARY PROSPECTUS

, 2013

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PART C
Other Information

Item 25. Financial Statements And Exhibits

(1)

Financial Statements

The following financial statements of New Mountain Finance Holdings, L.L.C., formerly known as New Mountain Guardian (Leveraged), L.L.C. (the "Operating Company"), New Mountain Finance Corporation ("NMFC") and New Mountain Finance AIV Holdings Corporation ("AIV Holdings") are included in Part C of this Registration Statement. The Operating Company is the sole investment of NMFC and of AIV Holdings.

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(2)

Exhibits

(a)(1) Certificate of Incorporation of New Mountain Guardian Corporation(2)

(a)(2) Certificate of Amendment to Certificate of Incorporation of New Mountain Guardian Corporation changing its name to New Mountain Finance Corporation(1)

(a)(3) Amended and Restated Certificate of Incorporation of New Mountain Finance Corporation(3)

(a)(4) Certificate of Formation of New Mountain Guardian (Leveraged), L.L.C.(1)

(a)(5) Certificate of Amendment to Certificate of Formation of New Mountain Guardian (Leveraged), L.L.C. changing its name to New Mountain Finance Holdings, L.L.C.(4)

(a)(6) Certificate of Change of Registered Agent and/or Registered Office of New Mountain Finance Corporation(5)

(b)(1) Bylaws of New Mountain Finance Corporation(2)

(b)(2) Amended and Restated Bylaws of New Mountain Finance Corporation(3)

(b)(3) Amended and Restated Limited Liability Company Agreement of New Mountain Finance Holdings, L.L.C.(4)

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(b)(4)	First Joinder Agreement with Respect to the Amended and Restated Limited Liability Company Agreement of New Mountain Finance Holdings, L.L.C.(4)
(b)(5)	Second Joinder Agreement with Respect to the Amended and Restated Limited Liability Company Agreement of New Mountain Finance Holdings, L.L.C.(4)
(b)(6)	Amendment No. 1 to the Amended and Restated Limited Liability Company Agreement of New Mountain Finance Holdings, L.L.C.(6)
(b)(7)	Form of Second Amended and Restated Limited Liability Company Agreement of New Mountain Finance SPV Funding, L.L.C.(1)
(d)(1)	Form of Stock Certificate of New Mountain Finance Corporation(1)
(d)(2)	Form of Indenture
(e)	Dividend Reinvestment Plan(3)
(f)(1)	Letter Agreement relating to entry into Amended and Restated Loan and Security Agreement by and among New Mountain Finance Holdings, L.L.C., as Borrower and Collateral Administrator, each of the lenders thereto, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, National Association, as Collateral Custodian.(1)
(f)(2)	Form of Variable Funding Note of New Mountain Finance Holdings, L.L.C., as the Borrower(1)
(f)(3)	Form of Amended and Restated Account Control Agreement, among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as Securities Intermediary(1)
(f)(4)	First Amendment to Amended and Restated Loan and Security Agreement between New Mountain Finance Holdings, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender(6)
(f)(5)	Second Amendment to Amended and Restated Loan and Security Agreement between New Mountain Finance Holdings, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender(6)
(f)(6)	Third Amendment to Amended and Restated Loan and Security Agreement between New Mountain Finance Holdings, L.L.C., as Borrower, Wells Fargo Securities LLC, As Administrative Agent, and Wells Fargo Bank, N.A., as Lender(6)
(f)(7)	Sixth Amendment to Amended and Restated Loan and Security Agreement between New Mountain Finance Holdings, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender(9)
(f)(8)	Seventh Amendment to Amended and Restated Loan and Security Agreement between New Mountain Finance Holdings, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, National Association, as Collateral Custodian(10)
(f)(9)	Eighth Amendment to Amended and Restated Loan and Security Agreement between New Mountain Finance Holdings, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, National Association, as Collateral Custodian(11)

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(f)(10) Ninth Amendment to Amended and Restated Loan and Security Agreement between New Mountain Finance Holdings, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, National Association, as Collateral Custodian(12)

(f)(11) Tenth Amendment to Amended and Restated Loan and Security Agreement between New Mountain Finance Holdings, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, National Association, as Collateral Custodian(14)

(f)(12) Eleventh Amendment to Amended and Restated Loan and Security Agreement between New Mountain Finance Holdings, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, National Association, as Collateral Custodian(15)

(f)(13) Loan and Security Agreement, by and among New Mountain Guardian (Leveraged), L.L.C., as Collateral Administrator, New Mountain Guardian SPV Funding, L.L.C., as Borrower, each of the lenders party thereto, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Collateral Custodian(1)

(f)(14) First Amendment to Loan and Security Agreement between New Mountain Guardian SPV Funding, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender(1)

(f)(15) Second Amendment to Loan and Security Agreement between New Mountain Guardian SPV Funding, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender(1)

(f)(16) Third Amendment to Loan and Security Agreement between New Mountain Guardian SPV Funding, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender(6)

(f)(17) Fourth Amendment to Loan and Security Agreement between New Mountain Finance SPV Funding, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender(6)

(f)(18) Fifth Amendment to Loan and Security Agreement between New Mountain Finance SPV Funding, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender(6)

(f)(19) Ninth Amendment to Loan and Security Agreement between New Mountain Finance SPV Funding, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, N.A., as Lender(9)

(f)(20) Tenth Amendment to Amended and Restated Loan and Security Agreement between New Mountain Finance SPV Funding, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, National Association, as Lender(10)

(f)(21) Eleventh Amendment to Amended and Restated Loan and Security Agreement between New Mountain Finance SPV Funding, L.L.C., as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, National Association, as Lender(11)

(f)(22) Twelfth Amendment to Amended and Restated Loan and Security Agreement between New Mountain Finance SPV Funding, L.L.C. , as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, and Wells Fargo Bank, National Association, as Lender(13)

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(f)(23)	Account Control Agreement, by and between New Mountain Guardian SPV Funding, L.L.C., as Pledgor, Wells Fargo Securities, LLC, as Administrative Agent on behalf of the Secured Parties, and Wells Fargo Bank, N.A., as Securities Intermediary.(1)
(f)(24)	Variable Funding Note of New Mountain Guardian SPV Funding, L.L.C., as the Borrower.(1)
(g)	Form of Amended and Restated Investment Advisory and Management Agreement(7)
(h)	Form of Underwriting Agreement(8)
(j)	Form of Safekeeping Agreement among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as Safekeeping Agent(1)
(k)(1)	Amended and Restated Administration Agreement(6)
(k)(2)	Form of Trademark License Agreement(1)
(k)(3)	Amendment No. 1 to Trademark License Agreement(6)
(k)(4)	Form of Registration Rights Agreement(1)
(k)(5)	Form of Indemnification Agreement by and between New Mountain Finance Corporation and each director(1)
(k)(6)	Form of Indemnification Agreement by and between New Mountain Finance Holdings, L.L.C. and each director(1)
(k)(7)	Form of Letter Agreement relating to Lock-Up Period by and among New Mountain Finance Holdings, L.L.C. and New Mountain Finance Advisers BDC, L.L.C.(1)
(l)(1)	Opinion of Sutherland Asbill & Brennan LLP
(n)(1)	Consent of Sutherland Asbill & Brennan LLP (incorporated by reference to exhibit (l)(1) hereto)
(n)(2)	Consent of Deloitte & Touche LLP
(n)(3)	Report of Deloitte & Touche LLP
(n)(4)	Awareness Letter of Deloitte & Touche LLP
(r)	Code of Ethics(1)
99.1	Form of Prospectus Supplement for Common Stock Offerings(8)
99.2	Form of Prospectus Supplement for Preferred Stock Offerings
99.3	Form of Prospectus Supplement for Rights Offerings
99.4	Form of Prospectus Supplement for Warrants Offerings
99.5	Form of Prospectus Supplement for Debt Securities Offerings

(1)
Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Pre-Effective Amendment No. 3 (File Nos. 333-168280 and 333-172503) filed on May 9, 2011.

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

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(3) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on August 11, 2011.

(4) Previously filed in connection with New Mountain Finance Holdings, L.L.C.'s quarterly report on Form 10-Q filed on August 11, 2011.

(5) Previously filed in connection with New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation report on Form 8-K filed on August 25, 2011.

(6) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on November 14, 2011.

(7) Previously filed as Annex A to New Mountain Finance Corporation's definitive proxy statement on Schedule 14A filed on March 28, 2012.

(8) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Pre-Effective Amendment No. 1 (File Nos. 333-180689 and 333-180690) filed on July 10, 2012.

(9) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on May 8, 2012.

(10) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on August 8, 2012.

(11) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on December 21, 2012.

(12) Previously filed in connection with New Mountain Finance Holdings, L.L.C.'s report on Form 8-K filed on April 1, 2013.

(13) Previously filed in connection with New Mountain Finance Holdings, L.L.C.'s report on Form 8-K filed on March 13, 2013.

(14) Previously filed in connection with New Mountain Finance Holdings, L.L.C.'s report on Form 8-K filed on June 26, 2013.

(15) Previously filed in connection with New Mountain Finance Holdings, L.L.C.'s report on Form 8-K filed on October 29, 2013.

Item 26. Marketing Arrangements

The information contained under the heading "Plan of Distribution" in this Registration Statement is incorporated herein by reference.

Item 27. Other Expenses Of Issuance And Distribution

SEC registration fee	$	32,638.52*
FINRA filing fee	$	38,000.00**
New York Stock Exchange listing fee	$	60,220.23
Accounting fees and expenses	$	170,000.00
Legal fees and expenses	$	355,000.00
Printing and engraving	$	200,000.00
Miscellaneous fees and expenses	$	5,000.00
Total	$	860,858.75

Note: All listed amounts, except the SEC registration fee and the FINRA filing fee, are estimates.

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*

$20,361.79 of this amount has been offset against filing fees associated with unsold securities registered under previous registration statements.

**

$22,392.00 of this amount has been offset against filing fees associated with unsold securities registered under previous registration statements.

Item 28. Persons Controlled By Or Under Common Control

The Operating Company may be deemed to control certain portfolio companies. See "Portfolio Companies" in the prospectus. As of September 30, 2013, NMFC owned approximately 85.3% of the common membership units of the Operating Company and New Mountain Finance AIV Holdings Corporation owned approximately 14.7% of the common membership units of the Operating Company.

Item 29. Number Of Holders Of Securities

The following table sets forth the number of record holders of NMFC's common stock as of November 18, 2013.

Title of Class	Number of Record Holders
Common stock, $0.01 par value	12

Item 30. Indemnification

Section 145 of the Delaware General Corporation Law empowers a Delaware corporation to indemnify its officers and directors and specific other persons to the extent and under the circumstances set forth therein.

Section 102(b)(7) of the Delaware General Corporation Law allows a Delaware corporation to eliminate the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liabilities arising (a) from any breach of the director's duty of loyalty to the corporation or its stockholders; (b) from acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (c) under Section 174 of the Delaware General Corporation Law; or (d) from any transaction from which the director derived an improper personal benefit.

Subject to the 1940 Act or any valid rule, regulation or order of the SEC thereunder, NMFC's amended and restated bylaws provide that it will indemnify any person who was or is a party or is threatened to be made a party to any threatened action, suit or proceeding whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of NMFC, or is or was serving at the request of NMFC as a director or officer of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, in accordance with provisions corresponding to Section 145 of the Delaware General Corporation Law. The 1940 Act provides that a company may not indemnify any director or officer against liability to it or its security holders to which he or she might otherwise be subject by reason of his or her willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office unless a determination is made by final decision of a court, by vote of a majority of a quorum of directors who are disinterested, non-party directors or by independent legal counsel that the liability for which indemnification is sought did not arise out of the foregoing conduct. In addition, NMFC's amended and restated bylaws provide that the indemnification described therein is not exclusive and shall not exclude any other rights to which the person seeking to be indemnified may be entitled under statute, any bylaw, agreement, vote of stockholders or directors

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who are not interested persons, or otherwise, both as to action in his or her official capacity and to his or her action in another capacity while holding such office.

The above discussion of Section 145 of the Delaware General Corporation Law and NMFC's amended and restated bylaws is not intended to be exhaustive and is respectively qualified in its entirety by such statute and NMFC's amended and restated bylaws.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers and controlling persons of the Registrants pursuant to the foregoing provisions, or otherwise, the Registrants has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrants of expenses incurred or paid by a director, officer or controlling person of the Registrants in the successful defense of any action suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrants will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is again public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrants have obtained primary and excess insurance policies insuring our directors and officers against some liabilities they may incur in their capacity as directors and officers. Under such policies, the insurer, on the Registrants' behalf, may also pay amounts for which the Registrants have granted indemnification to the directors or officers.

The Investment Management Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, New Mountain Finance Advisers BDC, L.L.C., or the Investment Adviser, and its officers, managers, agents, employees, controlling persons, members (or their owners) and any other person or entity affiliated with it are entitled to indemnification from the Operating Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Investment Adviser's services under the Investment Management Agreement or otherwise as an investment adviser of the Operating Company.

The Administration Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of their respective duties or by reason of the reckless disregard of their respective duties and obligations, New Mountain Finance Administration, L.L.C. and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Registrants for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of services under the Administration Agreement or otherwise as administrator for the Registrants.

Item 31. Business And Other Connections Of Investment Adviser

A description of any other business, profession, vocation, or employment of a substantial nature in which the Investment Adviser, and each director or executive officer of the Investment Adviser, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the sections entitled "Management Biographical Information Directors", "Portfolio Management Investment Personnel", "Management Biographical Information Executive Officers Who Are Not Directors" and "Investment Management Agreement". Additional information regarding the Investment Adviser and its officers and directors is set forth in its Form

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ADV, as filed with the Securities and Exchange Commission (SEC File No. 801-71948), and is incorporated herein by reference.

Item 32. Location Of Accounts And Records

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940, and the rules thereunder are maintained at the offices of:

(1) the Registrants, New Mountain Finance Corporation, 787 Seventh Avenue, 48th Floor, New York, New York 10019;

(2) the Transfer Agent, 6201 15th Avenue, Brooklyn, New York 11219;

(3) the Safekeeping Agent, 9062 Old Annapolis Road, Columbia, Maryland 21045;

(4) the Investment Adviser, New Mountain Finance Advisers BDC, L.L.C., 787 Seventh Avenue, 48th Floor, New York, New York 10019; and

(5) the Administrator, New Mountain Finance Administration, L.L.C., 787 Seventh Avenue, 48th Floor, New York, New York 10019.

Item 33. Management Services

Not Applicable.

Item 34. Undertakings

(1) Registrants undertake to suspend the offering of the shares of common stock covered hereby until it amends its prospectus contained herein if (a) subsequent to the effective date of this Registration Statement, its net asset value per share of common stock declines more than 10.0% from its net asset value per share of common stock as of the effective date of this Registration Statement, or (b) its net asset value per share of common stock increases to an amount greater than its net proceeds as stated in the prospectus contained herein.

(2) Not applicable.

(3) Registrants undertake in the event that the securities being registered are to be offered to existing stockholders pursuant to warrants or rights, and any securities not taken by shareholders are to be reoffered to the public, to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by underwriters, and the terms of any subsequent underwriting thereof. Registrants further undertake that if any public offering by the underwriters of the securities being registered is to be made on terms differing from those set forth on the cover page of the prospectus, the Registrants shall file a post-effective amendment to set forth the terms of such offering.

(4) The Registrants hereby undertake:

(a) To file, during any period in which offers or sales are being made, a post-effective amendment to the registration statement:

(i)

to include any prospectus required by Section 10(a)(3) of the 1933 Act;

(ii) to reflect in the prospectus any facts or events after the effective date of the registration statement (or the most recent post-effective amendment thereof)

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which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(b) That, for the purpose of determining any liability under the 1933 Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of those securities at that time shall be deemed to be the initial bona fide offering thereof; and

(c) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and

(d) That, for the purpose of determining liability under the 1933 Act to any purchaser, if the Registrants are subject to Rule 430C: Each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the 1933 Act as part of a registration statement relating to an offering, other than prospectuses filed in reliance on Rule 430A under the 1933 Act, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness; Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(e) That, for the purpose of determining liability of the Registrants under the 1933 Act to any purchaser in the initial distribution of securities, the undersigned Registrants undertake that in a primary offering of securities of the undersigned Registrants pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrants will be sellers to the purchaser and will be considered to offer or sell such securities to the purchaser:

(i) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the 1933 Act;

(ii) the portion of any advertisement pursuant to Rule 482 under the 1933 Act relating to the offering containing material information about the undersigned Registrants or their securities provided by or on behalf of the undersigned Registrants; and

(iii) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(f) To file a post-effective amendment to the registration statement, and to suspend any offers or sales pursuant the registration statement until such post-effective amendment has been declared effective under the 1933 Act, in the event the shares of Registrants are trading below its net asset value and either (i) Registrant receives,

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or has been advised by its independent registered accounting firm that it will receive, an audit report reflecting substantial doubt regarding the Registrants' ability to continue as a going concern or (ii) Registrant has concluded that a material adverse change has occurred in its financial position or results of operations that has caused the financial statements and other disclosures on the basis of which the offering would be made to be materially misleading.

(5)

(a) For the purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrants under Rule 497 (h) under the Securities Act of 1933 shall be deemed to be part of the Registration Statement as of the time it was declared effective.

(b)

For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

(6)

The Registrants undertake to send by first class mail or other means designed to ensure equally prompt delivery within two business days of receipt of a written or oral request, any Statement of Additional Information.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrants have duly caused this Pre-Effective Amendment No. 1 Registration Statement on Form N-2 to be signed on their behalf by the undersigned, thereunto duly authorized, in the City of New York, in the State of New York, on the 20th day of November, 2013.

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

By: /s/ ROBERT A. HAMWEE

Robert A. Hamwee
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Pre-Effective Amendment No. 1 Registration Statement on Form N-2 has been signed by the following persons on behalf of the Registrants, and in the capacities indicated, on the 20th day of November, 2013.

Signature	Title
/s/ ROBERT A. HAMWEE Robert A. Hamwee	Chief Executive Officer (Principal Executive Officer) and Director
/s/ DAVID M. CORDOVA David M. Cordova	Chief Financial Officer (Principal Financial Officer) and Treasurer
* Steven B. Klinsky	Chairman of the Board of Directors
* Adam Weinstein	Chief Administrative Officer, Executive Vice President and Director
* Alfred F. Hurley Jr.	Director
* David R. Malpass	Director

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Signature	Title
* ______________________ David Ogens	Director
* ______________________ Kurt J. Wolfgruber	Director

* Signed by Robert A. Hamwee pursuant to a power of attorney signed by each individual and filed with this registration statement on June 28, 2013.

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