

PART 2A OF FORM ADV: FIRM BROCHURE

NEW MOUNTAIN FINANCE CORPORATION

787 7th Avenue, 48th Floor New York, NY 10019
Tel. (212) 720-0300

September 30, 2014

<http://www.newmountainfinance.com>

This brochure provides information about the qualifications and business practices of New Mountain Finance Corporation (“NMFC”). If you have any questions about the contents of this brochure, please contact NMFC at the number and mailing address provided above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or any state securities authority.

Additional information about NMFC also is available on the SEC website at www.adviserinfo.sec.gov. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

ITEM 2. MATERIAL CHANGES

As this is the initial Form ADV Part 2A for NMFC, there are no material changes to report.

TABLE OF CONTENTS

ITEM 2.	MATERIAL CHANGES.....	i
ITEM 3.	TABLE OF CONTENTS	ii
ITEM 4.	ADVISORY BUSINESS.....	1
ITEM 5.	FEES AND COMPENSATION	2
ITEM 6.	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	2
ITEM 7.	TYPES OF CLIENTS.....	3
ITEM 8.	METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	3
ITEM 9.	DISCIPLINARY INFORMATION.....	9
ITEM 10.	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	9
ITEM 11.	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	9
ITEM 12.	BROKERAGE PRACTICES	11
ITEM 13.	REVIEW OF ACCOUNTS	12
ITEM 14.	CLIENT REFERRALS AND OTHER COMPENSATION	12
ITEM 15.	CUSTODY.....	12
ITEM 16.	INVESTMENT DISCRETION	13
ITEM 17.	VOTING CLIENT SECURITIES	13
ITEM 18.	FINANCIAL INFORMATION.....	14
ITEM 19.	REQUIREMENTS FOR STATE-REGISTERED ADVISERS	14

ITEM 4. ADVISORY BUSINESS

A. General Description of NMFC

New Mountain Finance Corporation (“NMFC”) intends to provide investment supervisory services to one or more funds (the “Clients”) for the purpose of making investments in a diversified portfolio of senior secured first lien loans or bonds on a leveraged basis. In accordance with a Client’s investment objectives, investments may be made in companies doing business in a wide range of industries and sectors. As of June 9, 2014, NMFC Senior Loan Program I LLC, a Delaware limited liability company (the “NMFC Fund”), is the only Client of NMFC.

NMFC is a publicly-held company. There are no holders of 25% or more of NMFC’s capital stock. NMFC was incorporated on June 29, 2010.

B. Description of Advisory Services, Investment Strategies & Types of Investments

NMFC intends to provide discretionary investment management services to the Clients. To service the Clients’ objectives and strategies, the members of NMFC’s investment team will utilize the extensive and varied relevant experience of NMFC’s investment professionals.

NMFC provides advisory services to each Client in accordance with a management agreement with such client or the limited liability company agreement or limited partnership agreement (or analogous organizational document) of such client (collectively, the “Governing Documents”). NMFC’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of clients, managing and monitoring the performance of such investments and disposing of such investments.

In addition to providing investment advisory services to its clients, NMFC also makes debt and equity investments in middle-market companies. Accordingly, NMFC may invest in companies in which its clients also invest. NMFC’s investment activities are managed New Mountain Finance Advisers BDC, L.L.C. (“NMFC Adviser”) and supervised by NMFC’s board of directors, a majority of whom are independent of NMFC Adviser and its affiliates.

C. Tailoring to Individual Needs and Investment Restrictions

Generally, with respect to the Clients, NMFC neither tailors its advisory services to the individual needs of investors in the Clients nor accepts investor-imposed investment restrictions. NMFC will provide investment advisory services to the Clients pursuant to investment advisory arrangements. Investment advice is provided by NMFC directly to the Clients.

D. Wrap Fee Programs

NMFC does not participate in wrap fee programs.

E. Assets Under Management

As of June 30, 2014, NMFC managed \$1,467,022,009 of client assets on a discretionary basis. Please note that the total assets under management set forth in the preceding sentence include the proprietary assets of NMFC, pursuant to the Instructions to Item 5 of Form ADV Part 1A. Of those assets, the assets attributable to the NMFC Fund equal \$108,911,156.

ITEM 5. FEES AND COMPENSATION

A. Fees and Compensation & Payment of Fees

The Clients pay a management fee to NMFC (the “Management Fee”). The Management Fee is payable in quarterly installments in arrears. The NMFC Fund was only offered to “qualified purchasers” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the “1940 Act”). Fees paid to NMFC by the Clients are deducted from the Clients’ assets. No fees are paid in advance and no supervised person receives compensation for the sale of securities.

B. Additional Fees and Expenses

All investment professionals and administrative support staff, when and to the extent engaged in providing investment advisory and management services to the Clients, and the compensation and routine overhead expenses of such personnel allocable to such services, are provided by NMFC. The Clients bear all other costs and expenses of its operations and transactions, including overhead, legal, accounting and due diligence related expenses. NMFC may also enter into arrangements on the Clients’ behalf with third-party service providers to provide book-keeping, compliance and other administrative support services to the Clients. To the extent the Clients enter into brokerage arrangements, the Clients bear associated expenses.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As noted above in Item 5, both NMFC and its clients make debt and equity investments in middle-market companies. Accordingly, NMFC is subject to side-by-side management conflicts of interest. NMFC and its affiliates have adopted compliance policies and procedures, including an allocation policy to address potential conflicts, which is discussed more fully in Item 10 below.

ITEM 7. TYPES OF CLIENTS

NMFC intends to provide investment supervisory services to the Clients. Investment advice is provided directly to the Clients and not individually to investors in the Clients. As of September 30, 2014, the NMFC Fund is NMFC's sole Client.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis, Investment Strategies and Risk of Loss

NMFC'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, our investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Our portfolio may be concentrated in a limited number of industries.

Notwithstanding the above, NMFC may pursue a wide variety of investment strategies and may modify or depart from the investment strategy and investment process described above if it identifies investment opportunities that it believes are sufficiently attractive for the Clients.

Investing in the Clients involves material risks, including the risk of loss. The following is a list of certain material risks that are generally applicable to investments in the Clients. However, investors should also review the offering documents of the applicable Client to understand the risks and potential conflicts of interest associated with an investment in such Client.

No Assurance of Investment Return

Investment in the Clients entails a high degree of risk. There can be no assurance that any Client will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of investments in which such Client participates. Partial or complete sales, transfers or other dispositions of investments which may result in a return of capital or the realization of gains, if any, are generally not expected to occur for a number of years after an investment is made. Accordingly, an investment in a Client should only be considered by persons for whom a speculative, illiquid and long-term investment is an appropriate component of a larger investment program and who can afford a loss of their entire investment. There can be no assurance that projected or targeted returns for any Client will be achieved. Past performance of NMFC or investment entities associated with NMFC and/or its affiliates is not

necessarily indicative of future results. There can be no assurance that any Client will achieve comparable results or that performance objectives of any be achieved.

General Economic and Market Conditions

The success of a Client's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, industry conditions, competition, technological developments, domestic and international economic uncertainty, changes in laws, trade barriers, currency exchange controls, and national and international political circumstances. These factors may affect the level and volatility of financial instruments' prices and the liquidity of such Client's investments. A Client's financial condition and profitability may be adversely affected by a significant general economic downturn.

Portfolio Company Management

Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although NMFC will be responsible for monitoring the performance of each portfolio investment there can be no assurance that the existing management team, or any successor, will be able to successfully operate the portfolio company in accordance with the Client's plans. The success of each portfolio company depends in substantial part upon the skill and expertise of each portfolio company's management team. Additionally, portfolio companies will need to attract, retain and develop executives and members of their management teams. The market for executive talent is, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, the Clients may be adversely affected thereby.

Operating and Financial Risks of Portfolio Companies

Companies in which a Client invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn. As a result, companies which a Client expects to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress. In some cases, the success of a Client's investment strategy will depend, in part, on the ability of a Client to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Client will be able to successfully identify and implement such restructuring programs and improvements.

Although NMFC's investment strategy includes a focus on tight control of risk, there can be no assurance that the various risks of an investment will be successfully controlled or that losses can be avoided.

Use of Leverage

While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. A Client's portfolio investments may involve varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Moreover, any rise in interest rates may significantly increase portfolio company interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, a Client may suffer a partial or total loss of capital invested in the portfolio company. Although there is currently ample availability of financing for leveraged transactions by historical standards, a decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders) would impair a Client's ability to consummate these transactions.

Unspecified Investments

A Client may begin operations following closing, and may not have identified any particular portfolio investment. An investor must rely upon the ability of NMFC to identify, structure and implement portfolio investments consistent with a Client's investment objectives and policies. A Client may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. The success of a Client will depend on the ability of NMFC to identify suitable portfolio investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of portfolio investments.

Risk of Limited Number of Investments; Dependence on Performance of Certain Investments

A Client may participate in a limited number of portfolio investments and, as a consequence, the aggregate return of a Client may be substantially adversely affected by the unfavorable performance of even a single portfolio investment. Moreover, there are no assurances that all of a Client's portfolio investments will perform well or even return capital. Therefore, if certain portfolio investments perform unfavorably, for a Client to achieve above-average returns, that one or a few of its portfolio investments must perform well. There can be no assurance that this will be the case. In addition, other than as set forth in a Client's Governing Documents, investors have no assurance as to the degree of diversification of a Client's portfolio investments, either by geographic region, industry or transaction type. To the extent a Client concentrates portfolio investments in a particular issuer, industry, subsector, security or geographic region, its portfolio investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto.

Financial Market Fluctuations

General fluctuations in the market prices of securities may affect the value of the portfolio investments held by a Client. Instability in the securities markets may also

increase the risks inherent in a Client's portfolio investments. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise.

Illiquid and Long-Term Investments

Investments in a Client require a long-term commitment with no certainty of return. Many of a Client's portfolio investments will be highly illiquid, and a Client may not be able to realize on such portfolio investments in a timely manner. It is likely that no significant return from the disposition of a Client's portfolio investments will occur until three and possibly ten or more years from the date of closing of such Client. Often, there will be no readily available market for portfolio investments made by a Client. In most cases, there will be no public market for the securities held by a Client at the time of their acquisition. A Client will generally not be able to sell the securities of portfolio companies publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. To the extent that there is no trading market for a portfolio investment, a Client may be unable to liquidate that portfolio investment or may be unable to do so at a profit. Moreover, there can be no assurances that private purchasers of a Client's portfolio investments will be found.

Hedging Policies/Risks

In connection with certain portfolio investments, a Client may employ hedging techniques designed to reduce the risk of adverse movements in interest rates, securities prices and currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while a Client may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, currency exchange rates and other factors may result in a poorer overall performance for a Client than if it had not entered into such hedging transactions. A Client may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills that are separate from the skills used in selecting and monitoring investments.

Risks Relating to Due Diligence of and Conduct at Portfolio Companies

Before making portfolio investments, NMFC will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each portfolio investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third party advisers or consultants may present a number of risks primarily relating to NMFC's reduced control of the functions that are outsourced. In addition, if NMFC is unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. When

conducting due diligence and making an assessment regarding an investment, NMFC will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that NMFC carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the portfolio investment being successful. There can be no assurance that attempts to provide downside protection with respect to portfolio investments will achieve their desired effect.

There can be no assurance that a Client will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor the portfolio investment on an ongoing basis. In the event of fraud by any portfolio company or any of its affiliates, a Client may suffer a partial or total loss of capital invested in that portfolio company. An additional concern is the possibility of material misrepresentation or omission on the part of the portfolio company or the seller. Such inaccuracy or incompleteness may adversely affect the value of the Client's securities and/or instruments in such portfolio company. A Client will rely upon the accuracy and completeness of representations made by portfolio companies and/or their former owners in the due diligence process to the extent reasonable when it makes its investments, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Currency and Exchange Rate Risks

A portion of a Client's investments, and the income received by a Client with respect to such investments, may be denominated in currencies other than U.S. dollars. However, the books of the Client will be maintained, and capital contributions to and distributions from the Client generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments, interest and dividends received by a Client, gains and losses realized on the sale of investments and the amount of distributions, if any, to be made by a Client. In addition, a Client will incur costs in converting investment proceeds from one currency to another. NMFC may enter into hedging transactions designed to reduce such currency risks.

Misconduct of Employees and of Third-Party Service Providers

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and there is a risk that employee misconduct could occur with respect to a Client. Misconduct by employees or by third-party service providers could cause significant losses to a Client. Employee misconduct may include binding a Client to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or

concealing unsuccessful investments (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by third-party service providers. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting a Client's business prospects or future activities. Although NMFC believes it has implemented reasonable policies, procedures and controls relating to these activities, it is not always possible to deter misconduct by employees or service providers, and the precautions NMFC takes to detect and prevent this activity may not be effective in all cases.

Role of Private Equity Professionals

The success of a Client depends in large part upon the skill and expertise of NMFC private equity and other professionals. The interests of these professionals in NMFC should tend to discourage them from withdrawing from participation in a Client's investment activities. However, there can be no assurance that any such professional will continue to be associated with NMFC throughout the life of such Client. The loss of services of any key individual may adversely affect the ability of a Client to pursue successfully its investment program.

Uncertainty of Financial Projections

NMFC generally establishes the pricing of transactions and the capital structure of portfolio companies on the basis of financial projections for such portfolio companies and is normally based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

Material, Non-Public Information

By reason of their responsibilities in connection with their other activities, certain NMFC personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. In those instances, the Clients are not free to act upon any such information. Due to these restrictions, a Client may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell a portfolio investment that it otherwise might have sold. Conversely, a Client may not have access to material non-public information in the possession of NMFC which might be relevant to an investment decision to be made by a Client, and a Client may initiate a transaction or sell a portfolio investment which, if such information had been known to it, may not have been undertaken.

Public Company Holdings

A Client's investment portfolio may contain securities issued by publicly held companies in privately negotiated transactions. Such portfolio investments may subject a Client to risks that differ in type or degree from those involved with portfolio investments

in privately held companies, including without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such investments and companies, limitations on the ability of a Client to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members and controlling parties and increased costs associated with each of the aforementioned risks.

ITEM 9. DISCIPLINARY INFORMATION

NMFC and its management persons have not been involved in any legal or disciplinary events that would be material to a client's or prospective client's evaluation of NMFC's advisory business or the integrity of its management.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

NMFC Adviser presently serves as investment adviser to NMFC. The members of NMFC Adviser's investment team are responsible for managing NMFC's investment portfolio. As a result, it is possible that the personnel of NMFC may face, in certain circumstances, competing fiduciary duties owed to the Clients and NMFC.

NMFC has adopted an allocation policy to address any potential conflicts in the connection with the allocation of investment opportunities. The purpose of these investment and allocation procedures is to set forth the basis for determining which investment opportunities should be presented to each of the Clients and NMFC in a manner that ensures that each of those entities is treated fairly and equitably. The Clients and NMFC may make investments in the same investment opportunities, subject to the allocation policy and the 1940 Act. It should be noted that such investments carry the risk that the Clients' capital may be used to satisfy the additional capital needs of portfolio companies into which NMFC is unable or unwilling to invest further monies, or vice versa. The investment risk to NMFC or the Clients, as applicable, in such circumstances is being partially defrayed or ameliorated by the Clients', or NMFC's, capital. Alternatively, in accordance with the allocation policy, the Clients may make its portfolio investments separate and apart from NMFC. As such, the Clients and NMFC may hold substantially different portfolio investments, which may result in different rates of return, investment risks, diversification of investments, management rights in portfolio companies, exposure risks to particular industries and industry sectors, and liquidity of investments.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

NMFC sets high ethical and professional standards for employee conduct. In connection with NMFC's fiduciary obligations to the Clients, NMFC has adopted a Code of Business Conduct and Ethics, which covers a wide range of business activities, practices and procedures. It does not cover every issue that may arise in the course of

NMFC's business activities, but it sets out basic principles designed to guide employees, officers and directors of NMFC. All employees, officers and directors must conduct themselves in accordance with this Code, and seek to avoid even the appearance of improper behavior.

In accordance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), NMFC has in place personal securities trading policies and procedures relating to personal securities transactions, insider trading and other ethical considerations (the "Personal Securities Trading Policy"). The Personal Securities Trading Policy is intended to identify and prevent actual conflicts of interest with the Clients and to resolve such conflicts appropriately if they do occur.

In conformity with the Advisers Act, the Personal Securities Trading Policy contains provisions regarding employee trading, reporting requirements and supervisory procedures that are designed to address potential conflicts of interest with respect to employee transactions, activities, and relationships that might interfere or appear to interfere with making decisions in the best interest of the Clients, and together with the Code of Business Conduct and Ethics (referred to collectively as the "Code"), requires employees to comply with the federal securities laws and regulations, as well as fiduciary principles applicable to NMFC's business, including that employees must avoid placing their own personal interests ahead of the Clients' interests.

NMFC's Personal Securities Trading Policy requires that employees conduct all of their personal investment transactions in a manner that is consistent with federal securities laws, the insider trading policy and other policies of NMFC. These requirements include reporting of personal investment accounts, pre-clearance of personal trading in investment transactions, as well as reporting investment transactions. Additionally, all violations of NMFC's Personal Securities Trading Policy must be promptly reported to NMFC's Chief Compliance Officer (or his designees, together referred to as the "CCO"). The Personal Securities Trading Policy also generally prohibits employees from acquiring securities in initial public offerings, and it contains prohibitions against profiting from short-term trading, subject to very limited exceptions. The policies also impose "blackout" periods on certain employees, including particular portfolio management personnel, prohibiting transactions in certain securities during time periods surrounding transactions in the same securities by the Clients. Moreover, the Personal Securities Trading Policy and other policies contain provisions that are designed to prevent conflicts relating to the use of inside information and to serving as a director to outside entities.

Employees who fail to observe NMFC's policies may be subject to remedial action, including but not limited to disgorgement of profits, imposition of fine, censure, demotion, suspension or dismissal. The Personal Securities Trading Policy may be made available to a client or prospective client upon request, subject to certain confidentiality restrictions.

ITEM 12. BROKERAGE PRACTICES

The Clients typically invest in private securities and do not ordinarily transact with financial intermediaries, such as broker-dealers, in public securities. To the extent a Client were to transact in public securities, NMFC has authority to determine, without first obtaining specific client consent, the type and amount of securities to be bought or sold, the broker or dealer used and the commission rates paid. In making its decisions regarding the allocation of brokerage transactions, NMFC would seek to obtain best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer; (iv) the quality, comprehensiveness and frequency of available research services considered to be of value to NMFC and its Clients; (v) the value of brokerage services over and above trade execution provided to NMFC and its Clients; (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying NMFC's other selection criteria; and (vii) any other factors NMFC considers to be in the best interest of the Clients. Although NMFC generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Among other reasons, transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

Additionally, NMFC may receive an economic benefit by having fees waived or by not being charged for utilizing specialized services, which may include investment adviser electronic information downloads, access to specialized institutional brokerage trading and customer service teams, and/or specialized batched statements. NMFC believes that by utilizing these services, NMFC is able to more efficiently manage the Clients and execute its fiduciary duties in connection therewith.

Research and Other Soft Dollar Benefits

NMFC has no "soft dollars" arrangement with any broker-dealer at present. In the event that NMFC does enter into a "soft dollars" arrangement, the following policy will apply to NMFC's "soft dollars" practices:

As discussed above, in selecting a broker for any transaction or series of transactions, NMFC may consider a number of factors. Where best execution may be obtained from more than one broker, NMFC may purchase and sell securities through brokers that provide research, statistical and other information, although not all Clients may in every instance be the direct beneficiaries of the research services provided. Research furnished by brokers may include, but is not limited to, information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services,

credit analysis, risk measurement analysis, performance analysis and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts.

Broker Selection

In selecting a broker, NMFC makes a good faith determination that the amount of such transaction fee charges is reasonable in comparison to the value of the research services provided and that such research benefits (either alone or together with other investment vehicles managed by NMFC and its affiliates) the Client for which securities transactions are placed. NMFC's acceptance of research from brokers is done in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

ITEM 13. REVIEW OF ACCOUNTS

Portfolio companies under NMFC's management are monitored on a regular basis by each of the portfolio management deal teams, which are led by one or more NMFC Managing Directors and Directors, and are also subject to review by NMFC's entire professional staff during NMFC staff meetings that are generally held on a weekly basis. Additionally, certain documents and records relating to the limited partner accounts (i.e. financial, accounting, etc.) are prepared, maintained and reviewed in more detail by NMFC's Chief Financial Officer, Controller and Accounting Team, as appropriate. The Chief Compliance Officer (or Compliance Representative) also performs a variety of periodic account reviews as part of the overall Advisers Act Rule 206(4)-7 annual compliance review.

Investors in Clients that are pooled investment vehicles, including NMFC Fund, receive a quarterly report and annual audited financial statements from the respective vehicle in which such investors are invested (See Item 15-Custody section below).

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Item 14 is not applicable to NMFC.

ITEM 15. CUSTODY

Custody of each Client's assets is maintained in compliance with applicable rules and regulations set forth in the Advisers Act. Where required, cash and securities are maintained at a financial institution meeting the definition of "qualified custodian" under the Advisers Act. NMFC has access to client accounts since it or an affiliate serves as the investment manager or general partner of each Client. Investors will not receive statements from the custodian. Instead, the Clients are subject to an independent annual audit. The audited financial statements are prepared by the Clients in accordance with generally accepted accounting principles, are audited by an independent auditor in accordance with generally accepted auditing standards and are generally distributed within 90 days of the applicable Client's fiscal year end, pursuant to such Client's Governing Documents.

ITEM 16. INVESTMENT DISCRETION

NMFC provides discretionary investment advisory services to the Clients. NMFC neither tailors its advisory services to the individual needs of investors nor accepts investor-imposed investment restrictions.

ITEM 17. VOTING CLIENT SECURITIES

As an investment adviser registered under the Advisers Act, NMFC 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 Client securities in a timely manner free of conflicts of interest and in the best interests of its Clients. Accordingly, NMFC has adopted proxy voting policies and procedures for voting proxies that are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

NMFC has delegated its proxy voting responsibility to NMFC Adviser. NMFC Adviser has adopted proxy voting policies and procedures that are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act. Because NMFC Fund's investment program primarily involves investing through privately negotiated transactions, NMFC typically is not presented with traditional proxy votes. It should be noted that Clients generally cannot direct NMFC's vote.

On the rare occasion a Client is asked to decide on matters involving voting its ownership interest in a portfolio investment, NMFC Adviser will seek to vote Client proxies in the best interest of the Clients. 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 Clients. Although NMFC 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 NMFC Adviser are made by the senior officers who are responsible for monitoring the Clients' investments. To ensure that its vote is not the product of a conflict of interest, it will require that: (a) anyone involved in the decision making process disclose to its chief compliance officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (b) employees involved in the decision making process or vote administration are prohibited from revealing how NMFC Adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties.

NMFC has identified one potential conflict of interest between its Client interests and its own arising from its proxy voting process. From time to time, NMFC may be in a position where it must vote to approve certain directors' participation on the boards of public companies in which the Clients invest. Since NMFC's employees are permitted to participate on public company boards (upon notification to, or approval by, the Chief Compliance Officer, as applicable) there may be situations where NMFC has a decision

as to whether to vote in favor of, or against, a public company director that is also compensated as an employee. If NMFC determines that it may have, or is perceived to have, a conflict of interest when voting proxies, NMFC will either (i) convene the Clients' Advisory Committee, which is comprised of a small group of investors, to address conflicts or (ii) refrain from voting when doing so is in the Client's best interest.

You may obtain, without charge, information regarding how NMFC voted proxies with respect to 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.

ITEM 18. FINANCIAL INFORMATION

NMFC is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and it has not been the subject of a bankruptcy petition since inception.

ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable.