

New Mountain Finance Holdings, L.L.C.
Form 10-Q
May 08, 2012
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarter Ended March 31, 2012

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

**Commission
File Number**
814-00839

**Exact name of registrants as specified in their charters, addresses of principal executive
offices, telephone numbers and states or other jurisdictions of incorporation or organization**

**I.R.S. Employer
Identification Number**
26-3633318

New Mountain Finance Holdings, L.L.C.

787 Seventh Avenue, 48th Floor
New York, New York 10019
Telephone: (212) 720-0300
State of Incorporation: Delaware

814-00832

New Mountain Finance Corporation

787 Seventh Avenue, 48th Floor
New York, New York 10019
Telephone: (212) 720-0300
State of Incorporation: Delaware

27-2978010

814-00902

80-0721242

New Mountain Finance AIV Holdings Corporation

787 Seventh Avenue, 48th Floor
New York, New York 10019
Telephone: (212) 720-0300
State of Incorporation: Delaware

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

New Mountain Finance Holdings, L.L.C.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
New Mountain Finance Corporation	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
New Mountain Finance AIV Holdings Corporation	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

New Mountain Finance Holdings, L.L.C.	Yes <input type="checkbox"/> No <input type="checkbox"/>
New Mountain Finance Corporation	Yes <input type="checkbox"/> No <input type="checkbox"/>
New Mountain Finance AIV Holdings Corporation	Yes <input type="checkbox"/> No <input type="checkbox"/>

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

New Mountain Finance Holdings, L.L.C.	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
New Mountain Finance Corporation	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
New Mountain Finance AIV Holdings Corporation	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

New Mountain Finance Holdings, L.L.C.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
New Mountain Finance Corporation	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
New Mountain Finance AIV Holdings Corporation	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

Registrants	Description	Shares / Units as of May 8, 2012
New Mountain Finance Holdings, L.L.C.	Common membership units	30,919,629
New Mountain Finance Corporation	Common stock, \$0.01 par value	10,697,691
New Mountain Finance AIV Holdings Corporation	Common stock, \$0.01 par value	100

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This combined Form 10-Q is filed separately by three registrants: New Mountain Finance Holdings, L.L.C., New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation (collectively, the New Mountain Finance Registrant(s) or the Registrant(s)). Information contained herein relating to any New Mountain Finance Registrant is filed by such registrant solely on its own behalf. Each New Mountain Finance Registrant makes no representation as to information relating exclusively to the other registrants.

Table of Contents

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2012
TABLE OF CONTENTS

		PAGE
	<u>PART I. FINANCIAL INFORMATION</u>	2
<u>Item 1.</u>	<u>Financial Statements</u>	2
	<u>New Mountain Finance Holdings, L.L.C.</u>	
	<u>Consolidated Statements of Assets, Liabilities and Members' Capital as of March 31, 2012 (unaudited) and December 31, 2011</u>	2
	<u>Consolidated Statements of Operations for the three months ended March 31, 2012 (unaudited) and March 31, 2011 (unaudited)</u>	3
	<u>Consolidated Statements of Changes in Members' Capital for the three months ended March 31, 2012 (unaudited) and March 31, 2011 (unaudited)</u>	4
	<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2012 (unaudited) and March 31, 2011 (unaudited)</u>	5
	<u>Consolidated Schedule of Investments as of March 31, 2012 (unaudited)</u>	6
	<u>Consolidated Schedule of Investments as of December 31, 2011</u>	12
	<u>New Mountain Finance Corporation</u>	
	<u>Statement of Assets and Liabilities as of March 31, 2012 (unaudited) and December 31, 2011</u>	18
	<u>Statements of Operations for the three months ended March 31, 2012 (unaudited)</u>	19
	<u>Statement of Changes in Net Assets for the three months ended March 31, 2012 (unaudited)</u>	20
	<u>Statement of Cash Flows for the three months ended March 31, 2012 (unaudited)</u>	21
	<u>New Mountain Finance AIV Holdings Corporation</u>	
	<u>Statement of Assets and Liabilities as of March 31, 2012 (unaudited) and December 31, 2011</u>	22
	<u>Statements of Operations for the three months ended March 31, 2012 (unaudited)</u>	23
	<u>Statement of Changes in Net Assets for the three months ended March 31, 2012 (unaudited)</u>	24
	<u>Statement of Cash Flows for the three months ended March 31, 2012 (unaudited)</u>	25
	<u>Combined Notes to the Financial Statements for New Mountain Finance Holdings, L.L.C., New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation</u>	26
	<u>Reports of Independent Registered Public Accounting Firm</u>	47
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	50
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	64
<u>Item 4.</u>	<u>Controls and Procedures</u>	65
	<u>PART II. OTHER INFORMATION</u>	66
<u>Item 1.</u>	<u>Legal Proceedings</u>	66
<u>Item 1A.</u>	<u>Risk Factors</u>	66
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	66
<u>Item 3.</u>	<u>Defaults upon Senior Securities</u>	66
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	66
<u>Item 5.</u>	<u>Other Information</u>	66

Item 6.

Exhibits

66

Signatures

70

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****New Mountain Finance Holdings, L.L.C.****Consolidated Statements of Assets, Liabilities and Members Capital**

	March 31, 2012	December 31, 2011
	(unaudited)	
Assets		
Investments at fair value (cost of \$741,822,346 and \$699,864,784, respectively)	\$ 758,217,537	\$ 703,513,560
Cash and cash equivalents	13,556,115	15,318,811
Interest receivable	7,865,219	7,307,092
Receivable from unsettled securities sold	4,924,209	
Deferred credit facility costs (net of accumulated amortization of \$1,098,836 and \$855,955, respectively)	3,477,827	3,713,739
Receivable from affiliate	246,009	369,017
Other assets	329,682	356,486
Total assets	\$ 788,616,598	\$ 730,578,705
Liabilities		
SLF Credit Facility	175,000,000	165,928,000
Holdings Credit Facility	151,922,888	129,037,813
Payable for unsettled securities purchased	12,180,000	7,604,931
Dividends payable	6,471,020	
Incentive fee payable	3,361,463	2,317,328
Management fee payable	2,514,296	2,200,354
Interest payable	2,099,549	1,747,095
Other liabilities	793,144	1,241,366
Total liabilities	354,342,360	310,076,887
Members Capital	434,274,238	420,501,818
Total liabilities and members capital	\$ 788,616,598	\$ 730,578,705
Outstanding common membership units	30,919,629	30,919,629
Capital per unit	\$ 14.05	\$ 13.60

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

Table of Contents**New Mountain Finance Holdings, L.L.C.****Consolidated Statements of Operations**

(unaudited)

	Three months ended	
	March 31, 2012	March 31, 2011
Investment income		
Interest income	\$ 18,601,183	\$ 11,168,047
Other income	420,818	43,673
Total investment income	19,022,001	11,211,720
Expenses		
Incentive fee	3,361,463	
Management fee	2,514,296	34,000
Interest and other credit facility expenses	2,483,289	1,546,753
Administrative expenses (net of reimbursable expenses of \$303,795 and \$0, respectively)	251,869	140,808
Professional fees (net of reimbursable expenses of \$246,009 and \$0, respectively)	201,838	53,156
Other general and administrative expenses	296,293	7,856
Total expenses	9,109,048	1,782,573
Net investment income	9,912,953	9,429,147
Realized gains on investments	1,007,333	5,892,330
Net change in unrealized appreciation (depreciation) of investments	12,746,415	1,097,337
Net increase in capital resulting from operations	\$ 23,666,701	\$ 16,418,814

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

Table of Contents

New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Changes in Members' Capital

(unaudited)

	Three months ended	
	March 31, 2012	March 31, 2011
Increase in members' capital resulting from operations:		
Net investment income	\$ 9,912,953	\$ 9,429,147
Realized gains on investments	1,007,333	5,892,330
Net change in unrealized appreciation (depreciation) of investments	12,746,415	1,097,337
Net increase in members' capital resulting from operations	23,666,701	16,418,814
Distributions		(10,249,155)
Contributions		42,100,712
Dividends declared	(9,894,281)	
Net increase in members' capital	13,772,420	48,270,371
Members' capital at beginning of period	420,501,818	241,927,261
Members' capital at end of period	\$ 434,274,238	\$ 290,197,632

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

Table of Contents

New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Cash Flows

(unaudited)

	Three months ended	
	March 31, 2012	March 31, 2011
Cash flows from operating activities		
Net increase in capital resulting from operations	\$ 23,666,701	\$ 16,418,814
Adjustments to reconcile net (increase) decrease in capital resulting from operations to net cash (used in) provided by operating activities:		
Realized gains on investments	(1,007,333)	(5,892,330)
Net change in unrealized (appreciation) depreciation of investments	(12,746,415)	(1,097,337)
Amortization of purchase discount	(1,539,318)	(1,679,684)
Amortization of deferred credit facility costs	242,881	137,623
Non-cash interest income	(203,667)	(226,711)
(Increase) decrease in operating assets:		
Purchase of investments	(106,679,875)	(88,582,500)
Proceeds from sales and paydowns of investments	71,672,631	77,255,809
Cash received for purchase of undrawn portion of revolving credit facility		1,260,000
Cash paid for drawn revolvers	(7,665,000)	
Cash repayments on drawn revolvers	3,465,000	
Interest receivable	(558,127)	(1,793,682)
Receivable from unsettled securities sold	(4,924,209)	
Receivable from affiliate	123,008	
Other assets	26,804	2,808
Increase (decrease) in operating liabilities:		
Payable for unsettled securities purchased	4,575,069	(66,902,500)
Incentive fee payable	1,044,135	
Management fee payable	313,942	
Interest payable	352,454	334,000
Payable to affiliates		77,294
Other liabilities	(263,092)	159,997
Net cash flows (used in) provided by operating activities	(30,104,411)	(70,528,399)
Cash flows from financing activities		
Contributions		42,100,712
Distributions		(10,249,155)
Dividends paid	(3,423,261)	
Proceeds from Holdings Credit Facility	93,884,000	24,359,947
Repayment of Holdings Credit Facility	(70,998,925)	(19,164,635)
Proceeds from SLF Credit Facility	22,131,051	49,965,300
Repayment of SLF Credit Facility	(13,059,051)	(29,431)
Deferred credit facility costs paid	(192,099)	
Net cash flows provided by (used in) financing activities	28,341,715	86,982,738
Net increase (decrease) in cash and cash equivalents	(1,762,696)	16,454,339
Cash and cash equivalents at the beginning of the period	15,318,811	10,744,082
Cash and cash equivalents at the end of the period	\$ 13,556,115	\$ 27,198,421
Supplemental disclosure of cash flow information		
Interest paid	\$ 1,777,637	\$ 841,305
Non-cash financing activities:		

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Dividends declared and payable	\$	6,471,020	\$	
Accrual for offering costs				1,544,500
Accrual for deferred credit facility costs		6,969		856,521

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

Table of Contents**New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments****March 31, 2012**

Portfolio Company, Location and Industry	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members Capital
Funded Debt Investments Luxembourg							
Infor Lux Bond Company**							
Software	Subordinated (2)	8.47% PIK (Base Rate + 8.00%)*	9/2/2014	\$ 10,173,217	\$ 6,491,458	\$ 10,179,289	2.34%
Total Funded Debt Investments Luxembourg				\$ 10,173,217	\$ 6,491,458	\$ 10,179,289	2.34%
Funded Debt Investments - United States							
Decision Resources, LLC							
Business Services	First lien (3)	7.00% (Base Rate + 5.50%)	12/28/2016	\$ 17,775,000	\$ 17,553,601	\$ 17,463,938	
	Second lien (2)	9.50% (Base Rate + 8.00%)	5/7/2018	14,500,000	14,368,391	14,282,500	
				32,275,000	31,921,992	31,746,438	7.31%
Meritas Schools Holdings, LLC							
Education	First lien (3)	7.50% (Base Rate + 6.00%)	7/29/2017	9,250,000	9,165,362	9,203,750	
	Second lien (2)	11.50% (Base Rate + 10.00%)	1/29/2018	20,000,000	19,720,717	20,100,000	
				29,250,000	28,886,079	29,303,750	6.75%
Global Knowledge Training LLC							
Education	First lien (3)	6.50% (Base Rate + 4.99%)	4/21/2017	4,867,647	4,799,418	4,794,632	
	Second lien (2)	11.50% (Base Rate + 9.75%)	10/21/2018	24,250,000	23,775,903	23,755,300	
				29,117,647	28,575,321	28,549,932	6.57%
Managed Health Care Associates, Inc.							
Healthcare Services	First lien (2)	3.50% (Base Rate + 3.25%)	8/1/2014	15,467,673	13,167,877	14,500,943	
	Second lien (2)	6.75% (Base Rate + 6.50%)	2/1/2015	15,000,000	12,148,811	13,950,000	
				30,467,673	25,316,688	28,450,943	6.55%
Lawson Software, Inc. (fka SoftBrands, Inc.)							
Software	First lien (3)	6.75% (Base Rate + 5.25%)	7/5/2017	9,962,406	9,602,718	9,962,406	

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	Subordinated (2)	11.50%	7/15/2018	13,500,000	12,357,561	14,985,000	
				23,462,406	21,960,279	24,947,406	5.74%
Insight Pharmaceuticals LLC							
Healthcare Products	Second lien (2)	13.25% (Base Rate + 11.75%)	8/25/2017	25,000,000	24,065,834	24,656,250	5.68%
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)							
Software	First lien (3)	6.50% (Base Rate + 5.00%)	4/27/2017	3,776,582	3,735,005	3,768,323	
	Second lien (2)	9.50% (Base Rate + 8.00%)	10/27/2017	20,000,000	19,683,010	20,025,000	
				23,776,582	23,418,015	23,793,323	5.48%
Renaissance Learning, Inc.							
Education	Second lien (2)	12.00% (Base Rate + 10.50%)	10/19/2018	20,000,000	19,039,995	20,200,000	4.65%
Learning Care Group (US), Inc.							
Education	First lien (2)	12.00%	4/27/2016	17,368,421	17,130,060	16,695,606	
	Subordinated (2)	15.00% PIK*	6/30/2016	3,273,004	3,099,660	2,971,990	
				20,641,425	20,229,720	19,667,596	4.53%
Transplace Texas, L.P.							
Logistics	Second lien (2)	11.00% (Base Rate + 9.00%)	4/12/2017	20,000,000	19,531,663	19,500,000	4.49%
U.S. Healthworks Holding Company, Inc.							
Healthcare Services	Second lien (2)	10.50% (Base Rate + 9.00%)	6/15/2017	20,000,000	19,729,108	19,500,000	4.49%
Unitek Global Services, Inc.							
Business Services	First lien (2)	9.00% (Base Rate + 7.50%)	4/15/2018	19,800,000	19,285,290	19,416,375	4.47%
Ipreo Holdings LLC							
Information Services	First lien (3)	8.00% (Base Rate + 6.50%)	8/5/2017	18,656,250	18,276,280	18,376,406	4.23%

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

Table of Contents

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (continued)

March 31, 2012

(unaudited)

Portfolio Company, Location and Industry	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members Capital
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (2)	10.00% (Base Rate + 8.00%)	12/31/2015	\$ 17,775,000	\$ 17,493,200	\$ 17,863,875	4.11%
Rocket Software, Inc.							
Software	Second lien (2)	10.25% (Base Rate + 8.75%)	2/8/2019	17,500,000	17,278,438	17,500,000	4.03%
NEWAsurion Corporation (6)							
Business Services							
Asurion, LLC (fka Asurion Corporation)	Second lien (2)	9.00% (Base Rate + 7.50%)	5/24/2019	5,000,000	4,977,602	5,076,250	
Lonestar Intermediate Super Holdings, LLC	Subordinated (2)	11.00% (Base Rate + 9.50%)	9/2/2019	12,000,000	11,642,123	12,195,000	
				17,000,000	16,619,725	17,271,250	3.98%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien (3)	7.00% (Base Rate + 5.50%)	4/21/2017	16,872,500	16,729,410	16,830,319	3.88%
SRA International, Inc.							
Federal Services	First lien (3)	6.50% (Base Rate + 5.25%)	7/20/2018	16,401,827	15,664,733	16,371,074	3.77%
OpenLink International, Inc.							
Software	First lien (3)	7.75% (Base Rate + 6.25%)	10/30/2017	14,962,500	14,679,698	15,009,258	3.46%
Volume Services America, Inc. (Centerplate)							
Consumer Services	First lien (2)	10.50% (Base Rate + 8.50%)	9/16/2016	14,812,500	14,490,613	14,966,802	3.45%
PODS, Inc. (7)							
Consumer Services							
PODS Funding Corp. II	First lien (1), (3)	8.50% (Base Rate + 7.00%)	11/29/2016	11,445,923	11,119,973	11,217,004	
Storapod Holding Company, Inc.		21.00% PIK*	11/29/2017	3,728,642	3,603,252	3,599,461	

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		Subordinated (1), (2)					
				15,174,565	14,723,225	14,816,465	3.41%
Brock Holdings III, Inc.							
Industrial Services	Second lien (2)	10.00% (Base Rate + 8.25%)	3/16/2018	15,000,000	14,743,502	14,812,500	3.41%
Triple Point Technology, Inc.							
Software	First lien (3)	8.00% (Base Rate + 6.50%)	10/27/2017	14,463,750	13,915,868	14,537,877	3.35%
SonicWALL, Inc.							
Software	First lien (3)	8.27% (Base Rate + 6.18%)	1/23/2016	3,952,017	3,956,241	3,971,776	
	Second lien (2)	12.00% (Base Rate + 10.00%)	1/23/2017	10,000,000	9,755,318	10,250,000	
				13,952,017	13,711,559	14,221,776	3.27%
Pacific Architects and Engineers Incorporated							
Federal Services	First lien (3)	7.50% (Base Rate + 6.00%)	4/4/2017	14,100,000	13,860,160	14,029,500	3.23%
Virtual Radiologic Corporation							
Healthcare Information Technology	First lien (3)	7.75% (Base Rate + 4.50%)	12/22/2016	14,852,481	14,674,868	13,961,332	3.21%
Aspen Dental Management, Inc							
Healthcare Services	First lien (3)	7.00% (Base Rate + 5.50%)	10/6/2016	12,967,500	12,710,271	12,918,872	2.97%
Permian Tank & Manufacturing, Inc.							
Energy	First lien (2)	9.50% (Base Rate + 7.75%)	3/15/2017	13,000,000	12,677,155	12,675,000	2.92%
Smile Brands Group Inc.							
Healthcare Services	First lien (3)	7.00% (Base Rate + 5.25%)	12/21/2017	12,306,439	12,148,416	12,375,663	2.85%
Vision Solutions, Inc.							
Software	Second lien (2)	9.50% (Base Rate + 8.00%)	7/23/2017	12,000,000	11,898,722	11,820,000	2.72%

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

Table of Contents**New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****March 31, 2012**

(unaudited)

Portfolio Company, Location and Industry	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members Capital
Mailsouth, Inc.							
Media	First lien (3)	6.75% (Base Rate + 5.00%)	12/14/2016	\$ 11,880,000	\$ 11,733,073	\$ 11,731,500	2.70%
Brickman Group Holdings, Inc.							
Business Services	First lien (3)	7.25% (Base Rate + 5.50%)	10/14/2016	7,937,311	7,983,349	8,010,072	
	Subordinated (2)	9.13%	11/1/2018	3,650,000	3,314,508	3,540,500	
				11,587,311	11,297,857	11,550,572	2.66%
TravelCLICK, Inc. (fka TravelCLICK Acquisition Co.)							
Information Services	First lien (3)	6.50% (Base Rate + 5.00%)	3/16/2016	11,372,594	11,191,660	11,358,378	2.62%
Tekelec Global, Inc.							
Software	First lien (3)	9.00% (Base Rate + 7.50%)	1/29/2018	11,500,000	11,331,396	11,327,500	2.61%
Merrill Communications LLC							
Business Services	First lien (2)	7.50% (Base Rate + 5.50%)	12/24/2012	11,421,788	10,554,020	10,736,481	2.47%
Immucor, Inc.							
Healthcare Services	First lien (3)	7.25% (Base Rate + 5.75%)	8/19/2018	4,975,000	4,789,318	5,039,262	
	Subordinated (2)	11.13%	8/15/2019	5,000,000	4,938,898	5,581,250	
				9,975,000	9,728,216	10,620,512	2.45%
CHG Companies, Inc.							
Healthcare Services	Second lien (2)	11.25% (Base Rate + 9.50%)	4/7/2017	10,000,000	9,832,604	10,050,000	2.31%
Vertafore, Inc.							
Software	Second lien (2)	9.75% (Base Rate + 8.25%)	10/29/2017	10,000,000	9,914,923	10,020,830	2.31%
Merge Healthcare Inc.							
Healthcare Services	First lien (2)	11.75%	5/1/2015	9,000,000	8,888,302	9,765,000	2.25%

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Premier Dental Services, Inc.
(Western)

Healthcare Services	First lien (2)	5.97% (Base Rate + 5.50%)	7/1/2013	9,961,832	9,296,330	9,364,122	2.16%
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Sunquest Information Systems, Inc.
(Misys Hospital Systems, Inc.)

Healthcare Services	Second lien (2)	9.75% (Base Rate + 8.50%)	6/16/2017	9,000,000	8,845,075	9,315,000	2.14%
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Physio-Control International, Inc.

Healthcare Products	First lien (2)	9.88%	1/15/2019	7,000,000	7,000,000	7,385,000	1.70%
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Research Pharmaceutical
Services, Inc.

Healthcare Services	First lien (3)	6.75% (Base Rate + 5.24%)	2/18/2017	7,406,250	7,312,058	7,128,516	1.64%
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Surgery Center Holdings, Inc.

Healthcare Services	First lien (3)	6.50% (Base Rate + 5.00%)	2/6/2017	6,930,000	6,900,773	6,687,450	1.54%
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IDQ Holdings Inc.

Consumer Products	First lien (2)	11.50%	4/1/2017	6,250,000	6,125,251	6,437,500	1.48%
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Stratus Technologies, Inc.

Information Technology	First lien (2)	12.00%	3/29/2015	6,827,000	6,505,897		
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