

New Mountain Finance Holdings, L.L.C.
Form 10-Q
August 08, 2012
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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 June 30, 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

27-2978010

787 Seventh Avenue, 48th Floor
New York, New York 10019

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Telephone: (212) 720-0300
 State of Incorporation: Delaware

814-00902

**New Mountain Finance AIV Holdings
 Corporation**

80-0721242

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 type="checkbox"/> No <input checked="" 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 checked="" type="checkbox"/>
New Mountain Finance AIV Holdings Corporation	Yes <input type="checkbox"/> No <input checked="" 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 August 8, 2012
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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

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.

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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**

	June 30, 2012	December 31, 2011
	(unaudited)	
Assets		
Investments at fair value (cost of \$747,213,642 and \$699,864,784, respectively)	\$ 751,078,894	\$ 703,513,560
Cash and cash equivalents	9,508,403	15,318,811
Interest receivable	7,045,804	7,307,092
Deferred credit facility costs (net of accumulated amortization of \$1,367,025 and \$855,955, respectively)	4,938,821	3,713,739
Deferred offering costs	187,359	
Receivable from affiliate	118,853	369,017
Other assets	795,788	356,486
Total assets	\$ 773,673,922	\$ 730,578,705
Liabilities		
SLF Credit Facility	173,112,281	165,928,000
Holdings Credit Facility	138,756,913	129,037,813
Payable for unsettled securities purchased	19,200,000	7,604,931
Dividends payable	6,875,459	
Incentive fee payable	3,682,368	2,317,328
Management fee payable	2,605,561	2,200,354
Interest payable	571,386	1,747,095
Other liabilities	1,135,145	1,241,366
Total liabilities	345,939,113	310,076,887
Members Capital		
Total liabilities and members capital	\$ 773,673,922	\$ 730,578,705
Outstanding common membership units	30,919,629	30,919,629
Capital per unit	\$ 13.83	\$ 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		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Investment income				
Interest income	\$ 20,124,043	\$ 12,810,147	\$ 38,725,226	\$ 23,978,194
Other income	174,980	306,144	595,798	349,817
Total investment income	20,299,023	13,116,291	39,321,024	24,328,011
Expenses				
Incentive fee	2,771,189	504,393	6,132,652	504,393
Management fee	2,605,561	773,509	5,119,857	807,509
Interest and other credit facility expenses	2,401,028	1,534,147	4,884,317	3,080,900
Professional fees (net of reimbursable expenses of \$118,853, \$130,186, \$364,862 and \$130,186, respectively)	307,535	516,678	509,373	569,834
Administrative expenses (net of reimbursable expenses of \$279,048, \$180,255, \$582,843 and \$180,255, respectively)	224,875	62,610	476,744	203,418
Other general and administrative expenses	342,590	170,712	638,883	178,568
Total expenses	8,652,778	3,562,049	17,761,826	5,344,622
Net investment income	11,646,245	9,554,242	21,559,198	18,983,389
Net realized gains on investments	11,968,454	6,659,833	12,975,787	12,552,163
Net change in unrealized (depreciation) appreciation of investments	(12,529,939)	(7,559,450)	216,476	(6,462,113)
Net increase in capital resulting from operations	\$ 11,084,760	\$ 8,654,625	\$ 34,751,461	\$ 25,073,439

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)

	Six months ended	
	June 30, 2012	June 30, 2011
Increase (decrease) in members' capital resulting from operations:		
Net investment income	\$ 21,559,198	\$ 18,983,389
Net realized gains on investments	12,975,787	12,552,163
Net change in unrealized appreciation (depreciation) of investments	216,476	(6,462,113)
Net increase in members' capital resulting from operations	34,751,461	25,073,439
Distributions		(10,249,155)
Contributions		195,294,674
Dividends declared	(27,518,470)	
Offering costs		(11,440,923)
Net increase in members' capital	7,232,991	198,678,035
Members' capital at beginning of period	420,501,818	241,927,261
Members' capital at end of period	\$ 427,734,809	\$ 440,605,296

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

(unaudited)

	Six months ended	
	June 30, 2012	June 30, 2011
Cash flows from operating activities		
Net increase in capital resulting from operations	\$ 34,751,461	\$ 25,073,439
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	(12,975,787)	(12,552,163)
Net change in unrealized (appreciation) depreciation of investments	(216,476)	6,462,113
Amortization of purchase discount	(3,006,326)	(3,401,906)
Amortization of deferred credit facility costs	511,070	311,283
Non-cash interest income	(715,298)	(727,135)
(Increase) decrease in operating assets:		
Purchase of investments	(233,117,132)	(245,993,220)
Proceeds from sales and paydowns of investments	203,830,686	152,208,584
Cash received for purchase of undrawn portion of revolving credit facility		1,260,000
Cash paid for drawn revolvers	(7,665,000)	(535,593)
Cash repayments on drawn revolvers	6,300,000	
Interest receivable	261,288	(1,038,712)
Receivable from affiliate	250,164	
Other assets	(439,302)	(754,525)
Increase (decrease) in operating liabilities:		
Payable for unsettled securities purchased	11,595,069	(71,576,780)
Incentive fee payable	1,365,040	504,393
Management fee payable	405,207	807,509
Interest payable	(1,175,709)	279,149
Payable to affiliates		(202,180)
Other liabilities	(61,335)	(326,040)
Net cash flows (used in) provided by operating activities	(102,380)	(150,201,784)
Cash flows from financing activities		
Contributions		195,294,674
Distributions		(10,249,155)
Dividends paid	(20,643,011)	
Offering costs paid	(101,299)	(8,344,393)
Proceeds from Holdings Credit Facility	177,618,025	63,281,605
Repayment of Holdings Credit Facility	(167,898,925)	(88,678,542)
Proceeds from SLF Credit Facility	46,943,332	92,043,800
Repayment of SLF Credit Facility	(39,759,051)	(22,062,352)
Deferred credit facility costs paid	(1,867,099)	(3,977,249)
Net cash flows (used in) provided by financing activities	(5,708,028)	217,308,388
Net (decrease) increase in cash and cash equivalents	(5,810,408)	67,106,604
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	\$ 9,508,403	\$ 77,850,686
Supplemental disclosure of cash flow information		
Interest paid	\$ 5,323,912	\$ 1,962,278
Non-cash financing activities:		

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Dividends declared and payable	\$	6,875,459	\$
Accrual for offering costs		86,060	3,096,530
Accrual for deferred credit facility costs		61,153	

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****June 30, 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
Funded Debt Investments United Kingdom							
Magic Newco, LLC**							
Software	First lien (3)	7.25% (Base Rate + 6.00%)	12/12/2018	\$ 15,000,000	\$ 14,552,352	\$ 14,722,500	3.44%
Total Funded Debt Investments United Kingdom				\$ 15,000,000	\$ 14,552,352	\$ 14,722,500	3.44%
Funded Debt Investments United States							
Plato, Inc. (Archipelago Learning, Inc.)							
Education	First lien (3)	7.50% (Base Rate + 6.00%)	5/17/2018	\$ 12,000,000	\$ 11,646,435	\$ 11,962,500	
	Second lien (2)	11.25% (Base Rate + 9.75%)	5/17/2019	25,000,000	24,505,115	24,703,125	
				37,000,000	36,151,550	36,665,625	8.57%
Meritas Schools Holdings, LLC							
Education	First lien (3)	7.50% (Base Rate + 6.00%)	7/29/2017	9,000,000	8,920,755	8,977,500	
	Second lien (2)	11.50% (Base Rate + 10.00%)	1/29/2018	20,000,000	19,729,250	20,050,000	
				29,000,000	28,650,005	29,027,500	6.79%
Global Knowledge Training LLC							
Education	First lien (3)	6.50% (Base Rate + 4.99%)	4/21/2017	4,837,224	4,772,210	4,764,666	
	Second lien (2)	11.50% (Base Rate + 9.75%)	10/21/2018	24,250,000	23,788,152	23,755,300	
				29,087,224	28,560,362	28,519,966	6.67%
Managed Health Care Associates, Inc.							
Healthcare Services	First lien (2)	3.50% (Base Rate + 3.25%)	8/1/2014	14,755,543	12,784,371	14,275,988	
	Second lien (2)	6.75% (Base Rate + 6.50%)	2/1/2015	15,000,000	12,354,185	13,950,000	
				29,755,543	25,138,556	28,225,988	6.60%