

New Mountain Finance Advisers BDC, L.L.C.  
Form 40-APP  
July 10, 2017

File No. 812-

Before the  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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In the Matter of the Application of:

**NEW MOUNTAIN FINANCE CORPORATION, NMF ANCORA HOLDINGS, INC.,  
NMF QID NGL HOLDINGS, INC., NMF YP HOLDINGS, INC., NEW MOUNTAIN FINANCE SBIC, LP,  
NEW MOUNTAIN NET LEASE CORPORATION, NEW MOUNTAIN GUARDIAN PARTNERS II, L.P.,  
NEW MOUNTAIN GUARDIAN II MASTER FUND-A, L.P., NEW MOUNTAIN GUARDIAN II MASTER  
FUND-B, L.P. AND NEW MOUNTAIN FINANCE ADVISERS BDC, L.L.C.**

787 Seventh Avenue, 48th Floor

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APPLICATION FOR AN ORDER UNDER  
SECTIONS 17(d) AND 57(i) OF THE INVESTMENT COMPANY ACT OF 1940 AND  
RULE 17d-1 UNDER THE INVESTMENT COMPANY ACT OF 1940 PERMITTING CERTAIN  
JOINT TRANSACTIONS OTHERWISE PROHIBITED BY SECTIONS 17(d) AND 57(a)(4) OF THE  
INVESTMENT COMPANY ACT OF 1940 AND RULE 17d-1 UNDER THE INVESTMENT  
COMPANY ACT OF 1940

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July 10, 2017

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UNITED STATES OF AMERICA

BEFORE THE

SECURITIES AND EXCHANGE COMMISSION

In the Matter of:

New Mountain Finance Corporation, NMF Ancora Holdings, Inc., NMF QID NGL Holdings, Inc., NMF YP Holdings, Inc., New Mountain Finance SBIC, LP, New Mountain Net Lease Corporation, New Mountain Guardian Partners II, L.P., New Mountain Guardian II Master Fund-A, L.P., New Mountain Guardian II Master Fund-B, L.P. and New Mountain Finance Advisers BDC, L.L.C.

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 ) Application for an Order under Sections 17(d) and 57(i) of the Investment Company Act of 1940 And Rule 17d-1 under the Investment Company Act of 1940 Permitting Certain Joint Transactions Otherwise Prohibited by Sections 17(d) and 57(a)(4) of the Investment Company Act of 1940 and Rule 17d-1 under the Investment Company Act of 1940.  
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 Investment Company Act of 1940

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**I. Summary of Application**

The following entities hereby request an order (the *Order*) of the U.S. Securities and Exchange Commission (the *Commission*) pursuant to Sections 17(d) and 57(i) of the Investment Company Act of 1940, as amended (the *1940 Act*), and Rule 17d-1 promulgated under the 1940 Act, authorizing certain joint transactions that otherwise may be prohibited by either or both of Sections 17(d) and 57(a)(4) as modified by the exemptive rules adopted by the Commission under the 1940 Act:

- New Mountain Finance Corporation ( *NMFC* ),

- NMF Ancora Holdings, Inc., NMF QID NGL Holdings, Inc., and NMF YP Holdings, Inc., (collectively, the *NMFC Subsidiaries* ),
- New Mountain Finance SBIC, L.P. ( *SBIC LP* ),
- New Mountain Net Lease Corporation ( *NMNL* ),
- New Mountain Guardian Partners II, L.P. ( *Guardian II* ),
- New Mountain Guardian II Master Fund-A, L.P. ( *Guardian II Master A* ),
- New Mountain Guardian II Master Fund-B, L.P. ( *Guardian II Master B* ), and together with Guardian II and Guardian II Master A, the *Guardian II Funds* ), and
- New Mountain Finance Advisers BDC, L.L.C. (the *BDC Adviser* on behalf of itself and its successors,<sup>1</sup> and collectively with NMFC, the NMFC Subsidiaries, SBIC LP, NMNL, and the Guardian II Funds, the *Applicants* ).

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<sup>1</sup> The term successor, as applied to each Adviser (as defined below), means an entity that results from a reorganization into another jurisdiction or change in the type of business organization.

In particular, the relief requested in this application (the *Application*) would permit one or more Regulated Funds<sup>2</sup> and/or one or more Affiliated Funds<sup>3</sup> to participate in the same investment opportunities through a proposed co-investment program (the *Co-Investment Program*) where such participation would otherwise be prohibited under Section 57(a)(4) and Rule 17d-1 by (a) co-investing with each other in securities issued by issuers in private placement transactions in which an Adviser negotiates terms in addition to price (*Private Placement Securities*);<sup>4</sup> and (b) making additional investments in securities of such issuers, including through the exercise of warrants, conversion privileges, and other rights to purchase securities of the issuers (*Follow-On Investments*). *Co-Investment Transaction* means any transaction in which a Regulated Fund (or its Wholly-Owned Investment Sub) participated together with one or more other Regulated Funds and/or one or more Affiliated Funds in reliance on the requested Order.<sup>5</sup> *Potential Co-Investment Transaction* means any investment opportunity in which a Regulated Fund (or its Wholly-Owned Investment Sub) could not participate together with one or more Affiliated Funds and/or one or more other Regulated Funds without obtaining and relying on the Order.

The Order sought by this Application would supersede the order, dated June 5, 2017, issued by the Commission to NMFC, the NMFC Subsidiaries, SBIC LP, the Guardian II Funds and the BDC Adviser under Sections 17(d) and 57(i) of the 1940 Act and Rule 17d-1 under the 1940 Act permitting certain joint transactions otherwise prohibited by Sections 17(d) and 57(a)(4) of the 1940 Act and Rule 17d-1 under the 1940 Act (the *Prior Order*), with the result that no person will continue to rely on the Prior Order if the Order is granted.<sup>6</sup>

Any of the Regulated Funds may, from time to time, form a special purpose subsidiary (a *Wholly-Owned Investment Sub*) (i) that is a wholly-owned subsidiary<sup>7</sup> of a Regulated Fund (with the Regulated Fund at all times holding, beneficially and of record, 95% or more of the voting and economic interests); (ii) whose sole business purpose is to hold one or more investments on behalf of the Regulated Fund (and, in the case of an SBIC Subsidiary (as defined below), maintain a license under the SBA Act (as defined below) and issue debentures guaranteed by the SBA (as defined below)); (iii) with respect to which the Regulated Fund's Board has the sole authority to make all determinations with respect to the entity's participation under the conditions to this Application; and (iv) that would be an investment company but for Section 3(c)(1), 3(c)(5)(C), or 3(c)(7) of the 1940 Act, or that would not be an investment company because substantially all of its assets would consist of commercial real properties and therefore it would fall outside of the definition of investment company as set forth in Section 3(a) of the 1940 Act. Each of the NMFC Subsidiaries, SBIC LP, and NMNLC is a Wholly-Owned Investment Sub of NMFC, and any future subsidiaries of the Regulated Funds that participate in Co-Investment Transactions will be Wholly-Owned Investment Subs. The term *SBIC Subsidiary* means a Wholly-Owned Investment Sub that is licensed by the Small Business Administration (the *SBA*) to operate under the Small Business Investment Act of 1958, as amended, (the *SBA Act*) as a small business investment company (an *SBIC*).

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<sup>2</sup> *Regulated Fund* means any of NMFC and any Future Regulated Fund. *Future Regulated Fund* means any closed-end management investment company (a) that is registered under the 1940 Act or has elected to be regulated as a BDC (as defined below), (b) whose investment adviser is an Adviser, and (c) that intends to participate in the Co-Investment Program. The term *Adviser* means (a) the BDC Adviser and (b) any future investment adviser that controls, is controlled by or is under common control with the BDC Adviser and is registered as an investment adviser under the Investment Advisers Act of 1940 (the *Advisers Act*).

<sup>3</sup> *Affiliated Fund* means the Guardian II Funds and any Future Affiliated Funds. *Future Affiliated Fund* means any entity (a) whose investment adviser is an Adviser, (b) that would be an investment company but for

Section 3(c)(1), 3(c)(5)(C), or 3(c)(7) of the 1940 Act, and (c) that intends to participate in the Co-Investment Program.

4 The term private placement transactions means transactions in which the offer and sale of securities by the issuer are exempt from registration under the Securities Act of 1933, as amended (the *1933 Act* ).

5 No Non-Interested Director (as defined below) of a Regulated Fund will have a financial interest in any Co-Investment Transaction, other than indirectly through share ownership in one of the Regulated Funds.

6 New Mountain Finance Corporation, et al. (File No. 812-14699) Investment Company Act Rel. Nos. 32630 (May 8, 2017) (notice) and 32668 (June 5, 2017) (order).

7 A wholly-owned subsidiary of a person is as defined in Section 2(a)(43) of the 1940 Act and means a company 95% or more of the outstanding voting securities of which are owned by such person.

All existing entities that currently intend to rely upon the requested Order have been named as Applicants. Any other existing or future entity that subsequently relies on the Order will comply with the terms and conditions of the Application. Applicants do not seek relief for transactions that would be permitted under other regulatory or interpretive guidance, including, for example, transactions effected consistent with Commission staff no-action positions.<sup>8</sup>

## II. Background

### NMFC

NMFC is an externally managed, non-diversified closed-end management investment company incorporated in Delaware on June 29, 2010. NMFC filed an election to be regulated as a business development company ( *BDC* ) under Section 54(a) of the 1940 Act on May 19, 2011.<sup>9</sup> NMFC filed a registration statement on Form N-2 under the 1933 Act in connection with its initial public offering on July 22, 2010, which became effective on May 19, 2011. On May 25, 2011, NMFC completed its initial public offering, formally commencing principal operations. In addition, NMFC has elected to be treated for tax purposes as a regulated investment company ( *RIC* ), under Subchapter M of the Internal Revenue Code of 1986, as amended (the *Code* ). NMFC's investment adviser is the BDC Adviser.

NMFC's Objectives and Strategies<sup>10</sup> are to generate both 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. NMFC's 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. In certain instances, NMFC will also acquire warrants or other equity securities of portfolio companies.

The board of directors of NMFC (the *NMFC Board*, and any board of directors of a Future Regulated Fund, the *Boards* and each a *Board*, as applicable) is comprised of seven directors, four of whom are not interested persons, within the meaning of Section 2(a)(19) of the 1940 Act (the *Non-Interested Directors* ), of NMFC. Each Board has, or will have, a committee that selects and nominates any additional Non-Interested Directors who may be selected to serve on a Board.

The NMFC Subsidiaries are wholly-owned subsidiaries of NMFC, which are each structured as a Delaware corporation to hold equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities). In reliance on the exclusion from the definition of investment company provided by Section 3(c)(7) of the 1940 Act, the NMFC Subsidiaries are not registered under the 1940 Act.

SBIC LP is NMFC's consolidated wholly-owned direct and indirect subsidiary, which is structured as a Delaware limited partnership. SBIC LP received a license from the SBA to operate as a SBIC under Section 301(c) of the SBA Act.

NMNLC, a Maryland corporation, is a Wholly-Owned Investment Sub of NMFC. NMNLC was formed to acquire commercial real properties that are subject to triple net leases and intends to qualify as a real estate investment trust within the meaning of Section 856(a) of the Code. NMNLC is not registered under the 1940 Act because

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8            *See, e.g.*, Massachusetts Mutual Life Insurance Co. (pub. Avail. June 7, 2000), Massachusetts Mutual Life Insurance Co. (pub. Avail. July 28, 2000) and SMC Capital, Inc. (pub. Avail. Sept. 5, 1995).

9            Section 2(a)(48) defines a BDC to be any closed-end investment company that operates for the purpose of making investments in securities described in Section 55(a)(1) through 55(a)(3) of the 1940 Act and makes available significant managerial assistance with respect to the issuers of such securities.

10           ***Objectives and Strategies*** means a Regulated Fund's investment objectives and strategies, as described in the Regulated Fund's registration statement on Form N-2, other filings the Regulated Fund has made with the Commission under the 1933 Act, or under the Securities Exchange Act of 1934, as amended, and the Regulated Fund's reports to shareholders.



substantially all of its assets consist of commercial real properties and therefore it falls outside of the definition of investment company as set forth in Section 3(a) of the 1940 Act.

### **Guardian II Funds**

Guardian II is a private fund organized in Delaware on August 25, 2016. Both Guardian II Master A and Guardian II Master B are private funds organized as Cayman Islands exempted limited partnerships on January 3, 2017. The Guardian II Funds have not yet formally commenced principal operations. The investment objective of each of the Guardian II Funds is to generate both current income and capital appreciation. Each of the Guardian II Funds will seek to achieve its objective by investing primarily in first lien and second lien secured loans, including through unitranche investments, as well as subordinated debt, all of which may include an associated equity component such as warrants, preferred stock or other similar securities. In certain instances, the Guardian II Funds will also make direct equity investments. In reliance on the exclusion from the definition of investment company provided by Section 3(c)(7) of the 1940 Act, none of the Guardian II Funds is registered under the 1940 Act. Following commencement of their principal operations, the investment activities of each of the Guardian II Funds will be managed by the BDC Adviser pursuant to an investment management agreement.

### **Advisers**

The BDC Adviser is a Delaware limited liability company and is registered as an investment adviser under the Advisers Act. The BDC Adviser serves as the investment adviser to NMFC and, following commencement of their principal operations, each of the Guardian II Funds. The BDC Adviser manages NMFC's portfolio in accordance with its Objectives and Strategies. The BDC Adviser makes investment decisions for NMFC, including identifying and negotiating the structure of the investments it makes and otherwise managing the day-to-day operations of NMFC, subject to the oversight of the NMFC Board. The BDC Adviser is managed by a five-member investment committee, which is responsible for approving purchases and sales of NMFC's investments above \$10.0 million in aggregate by issuer. The investment committee currently consists of Steven B. Klinsky, Robert A. Hamwee, Adam B. Weinstein and John R. Kline. The fifth and final member of the investment committee will consist of a New Mountain Capital Managing Director who will hold the position on the investment committee on an annual rotating basis. Beginning in August 2016, Mathew J. Lori was appointed to the investment committee for a one-year term. In addition, NMFC's executive officers and certain investment professionals of the BDC Adviser are invited to all investment committee meetings. Purchases and dispositions below \$10.0 million may be approved by NMFC's Chief Executive Officer.

Each Regulated Fund invests or intends to invest its assets so as to qualify for U.S. federal income tax treatment as a regulated investment company. Under current applicable income tax regulations, this will require, among other things, that at the end of each quarter, subject to certain exceptions, no more than 25% of the value of each Regulated Fund's consolidated gross assets be invested in the securities of any single issuer or affiliated issuers and no more than 50% of the value of each Regulated Fund's consolidated gross assets be invested in the securities of issuers representing in the case of any single issuer more than 5% of the Regulated Fund's consolidated gross assets or more than 10% of that issuer's voting securities.

### **III. Order Requested**

The Applicants request the Order of the Commission under Sections 17(d) and 57(i) under the 1940 Act, and Rule 17d-1 under the 1940 Act to permit, subject to the terms and conditions set forth below in this Application (the *Conditions*), one or more Regulated Funds to be able to participate in Co-Investment Transactions with one or more other Regulated Funds and/or one or more Affiliated Funds.

The Regulated Funds and the Affiliated Funds seek relief to invest in Co-Investment Transactions because such Co-Investment Transactions would otherwise be prohibited by Sections 17(d) and 57(a)(4) of the 1940 Act and Rule 17d-1 under the 1940 Act. This Application seeks relief in order to (i) enable the Regulated Funds and the Affiliated Funds to avoid the practical difficulties of trying to structure, negotiate and persuade counterparties to enter into transactions while awaiting the granting of the relief requested in individual applications with respect to each Co-Investment Transaction that arises in the future and (ii) enable the Regulated Funds and the Affiliated Funds to avoid the significant legal and other expenses that would be incurred in preparing such individual

applications. To the extent there is an investment that falls within the Objectives and Strategies of one or more Regulated Funds and the investment objectives and strategies of one or more Affiliated Funds, the Advisers would expect such Regulated Funds and Affiliated Funds to co-invest with each other.

**A. Section 17(d) and Section 57(a)(4)**

Section 17(d) of the 1940 Act generally prohibits an affiliated person (as defined in Section 2(a)(3) of the 1940 Act), or an affiliated person of such affiliated person, of a registered closed-end investment company acting as principal, from effecting any transaction in which the registered closed-end investment company is a joint or a joint and several participant, in contravention of such rules as the Commission may prescribe for the purpose of limiting or preventing participation by the registered closed-end investment company on a basis different from or less advantageous than that of such other participant. Rule 17d-1 under the 1940 Act generally prohibits participation by a registered investment company and an affiliated person (as defined in Section 2(a)(3) of the 1940 Act) or principal underwriter for that investment company, or an affiliated person of such affiliated person or principal underwriter, in any joint enterprise or other joint arrangement or profit-sharing plan, as defined in the rule, without prior approval by the Commission by order upon application.

Similarly, with regard to BDCs, Section 57(a)(4) of the 1940 Act prohibits certain persons specified in Section 57(b) of the 1940 Act from participating in a joint transaction with a BDC or a company controlled by a BDC in contravention of rules as prescribed by the Commission. In particular Section 57(a)(4) of the 1940 Act applies to:

- Any director, officer, employee, or member of an advisory board of a BDC, or any person (other than the BDC itself) who is an affiliated person of the forgoing pursuant to Section 2(a)(3)(C) of the 1940 Act; or
- Any investment adviser or promoter of, general partner in, principal underwriter for, or person directly or indirectly either controlling, controlled by, or under common control with, a BDC,<sup>11</sup> or any person who is an affiliated person of any of the forgoing within the meaning of Section 2(a)(3)(C) or (D) of the 1940 Act

Section 2(a)(3)(C) of the 1940 Act defines an affiliated person of another person to include any person directly or indirectly controlling, controlled by, or under common control with, such other person. Section 2(a)(9) of the 1940 Act defines control as the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with that company. Under Section 2(a)(9) of the 1940 Act a person who beneficially owns, either directly or through one or more controlled companies, more than 25% of the voting securities of a company is presumed to control such company. The Commission and its staff have indicated on a number of occasions their belief that an investment adviser controls the fund that it advises, absent compelling evidence to the contrary.<sup>12</sup>

The BDC Adviser is the investment adviser to NMFC and an Adviser will be the investment adviser to each of the Future Regulated Funds. In addition, the BDC Adviser will be the investment adviser to each of the Guardian II Funds following commencement of their principal operations, and an Adviser will be the investment adviser to each Future Affiliated Fund. The Regulated Funds may be deemed to be under common control, and thus affiliated persons of each other under Section 2(a)(3)(C) of the 1940 Act. In addition, the Affiliated Funds may be deemed to be under common control with the Regulated Funds, and thus affiliated persons of each Regulated Fund under Section 2(a)(3)(C) of the 1940 Act. As a result, these relationships might cause a Regulated Fund and one or more other Regulated Funds and/or one or more Affiliated Funds participating in Co-Investment Transactions to be

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11 Excluded from this category are the BDC itself and any person who, if it were not directly or indirectly controlled by the BDC, would not otherwise be under common control with the BDC.

12 See, e.g., In re Investment Company Mergers, SEC Rel. No. IC-25259 (Nov. 8, 2001); In re Steadman Security Corp., 46 S.E.C. 896, 920 n.81 (1977) ( [T]he investment adviser almost always controls the fund. Only in the very rare case where the adviser's role is simply that of advising others who may or may not elect to be guided by his advice can the adviser realistically be deemed not in control. ).

subject to Sections 17(d) or 57(a)(4) of the 1940 Act, and thus subject to the provisions of Rule 17d-1 of the 1940 Act.

**B. Rule 17d-1**

Rule 17d-1 under the 1940 Act generally prohibits participation by a registered investment company and an affiliated person (as defined in Section 2(a)(3) of the 1940 Act) or principal underwriter for that investment company, or an affiliated person of such affiliated person or principal underwriter, in any joint enterprise or other joint arrangement or profit-sharing plan, as defined in the rule, without prior approval by the Commission by order upon application.

Rule 17d-1 was promulgated by the Commission pursuant to Section 17(d) of the 1940 Act and made applicable to BDCs by Section 57(i) of the 1940 Act. Section 57(i) of the 1940 Act provides that, until the Commission prescribes rules under Section 57(a)(4) of the 1940 Act, the Commission's rules under Section 17(d) of the 1940 Act applicable to registered closed-end investment companies will be deemed to apply. Because the Commission has not adopted any rules under Section 57(a)(4) of the 1940 Act, Rule 17d-1 under the 1940 Act applies.

Applicants seek relief pursuant to Rule 17d-1 under the 1940 Act, which permits the Commission to authorize joint transactions upon application. In passing upon applications filed pursuant to Rule 17d-1 under the 1940 Act, the Commission is directed by Rule 17d-1(b) under the 1940 Act to consider whether the participation of a registered investment company or controlled company thereof in the joint enterprise or joint arrangement under scrutiny is consistent with provisions, policies and purposes of the 1940 Act and the extent to which such participation is on a basis different from or less advantageous than that of other participants.

The Commission has stated that Section 17(d) of the 1940 Act, upon which Rule 17d-1 under the 1940 Act is based, and upon which Section 57(a)(4) of the 1940 Act was modeled, was designed to protect investment companies from self-dealing and overreaching by insiders. The Commission has also taken notice that there may be transactions subject to these prohibitions that do not present the dangers of overreaching. See Protecting Investors: A Half-Century of Investment Company Regulation, 1504 Fed. Sec. L. Rep., Extra Edition (May 29, 1992) at 488 *et seq.* The Court of Appeals for the Second Circuit has enunciated a like rationale for the purpose behind Section 17(d): The objective of [Section] 17(d) is to prevent injuring the interest of stockholders of registered investment companies by causing the company to participate on a basis different from or less advantageous than that of such other participants. Securities and Exchange Commission v. Talley Industries, Inc., 399 F.2d 396, 405 (2d Cir. 1968), cert. denied, 393 U.S. 1015 (1969). Furthermore, Congress acknowledged that the protective system established by the enactment of Section 57 is similar to that applicable to registered investment companies under section 17 of the 1940 Act, and rules thereunder, but is modified to address concerns relating to unique characteristics presented by business development companies. H.Rep. No. 96-1341, 96th Cong., 2d Sess. 45 (1980) *reprinted in* 1980 U.S.C.C.A.N. 4827.

Applicants believe that the terms and conditions of this Application would ensure that the conflicts of interest that Section 17(d) and Section 57(a)(4) of the 1940 Act were designed to prevent would be addressed and the standards for an order under Rule 17d-1 under the 1940 Act are met.

**C. Protection Provided by the Proposed Conditions**

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Applicants believe that the Conditions, as discussed more fully in Section III.D. of this Application, will ensure the protection of shareholders of the Regulated Funds and compliance with the purposes and policies of the 1940 Act with respect to the Co-Investment Transactions. In particular, the Conditions, as outlined below, would ensure that each Regulated Fund would only invest in investments that are appropriate to the interests of shareholders and the investment needs and abilities of that Regulated Fund. In addition, each Regulated Fund would be able to invest on equal footing with each other Regulated Fund and any Affiliated Funds, including identical terms, conditions, price, class of securities purchased, settlement date, and registration rights. Each Regulated Fund would have the ability to engage in Follow-On Investments in a fair manner consistent with the protections of the other conditions. Each Regulated Fund would have the ability to participate on a proportionate basis, at the same price and on the same terms and conditions in any sale of a security purchased in a Co-Investment Transaction. Fees and expenses of Co-Investment Transactions would be borne by the applicable Adviser, or shared pro-rata among the Regulated Funds

and Affiliated Funds who participate in the Co-Investment Transactions. The conditions would also prevent a Regulated Fund from investing in any current investments of an affiliated person, which eliminates the possibility of a Regulated Fund from being forced to invest in a manner that would benefit an affiliated person's existing investment. Also, sufficient records of the transactions would be maintained to permit the examination staff of the Commission to monitor compliance with the terms of the requested order.

The Conditions impose a variety of duties on the Advisers with respect to Co-Investment Transactions and Potential Co-Investment Transactions by the Regulated Funds. These duties include determinations regarding investment appropriateness, the appropriate level of investment, and the provision of information to the Board of any Regulated Fund. In addition, when considering Potential Co-Investment Transactions for any Regulated Fund, the applicable Adviser will consider only the Objectives and Strategies, investment policies, investment positions, Available Capital (defined below), and other pertinent factors applicable to that Regulated Fund. Each Adviser, as applicable, undertakes to perform these duties consistently for each Regulated Fund, as applicable, regardless of which of them serves as investment adviser to these entities. The participation of a Regulated Fund in a Potential Co-Investment Transaction may only be approved by a required majority, as defined in Section 57(o) (a **Required Majority** ), of the directors of the Board eligible to vote on that Co-Investment Transaction under Section 57(o) (the **Eligible Directors** ).<sup>13</sup>

The amount of each Regulated Fund's capital available for investment ( **Available Capital** ) will be determined based on the amount of cash on hand, existing commitments and reserves, if any, the targeted leverage level, targeted asset mix and other investment policies and restrictions set from time to time by the Board of the applicable Regulated Fund or imposed by applicable laws, rules, regulations or interpretations. Likewise, an Affiliated Fund's Available Capital will be determined based on the amount of cash on hand, existing commitments and reserves, if any, the targeted leverage level, targeted asset mix and other investment policies and restrictions set by the Affiliated Fund's directors, general partners or adviser or imposed by applicable laws, rules, regulations or interpretations.

If an Adviser or its principal owners (the **Principals** ), or any person controlling, controlled by, or under common control with an Adviser or the Principals, and any Affiliated Fund (collectively, the **Holder** ) own in the aggregate more than 25 per cent of the outstanding voting shares of a Regulated Fund (the **Shares** ), then the Holders will vote such Shares as required under Condition 14.

Applicants believe that this condition will ensure that the Non-Interested Directors will act independently in evaluating the Co-Investment Program, because the ability of an Adviser or the Principals to influence the Non-Interested Directors by a suggestion, explicit or implied, that the Non-Interested Directors can be removed will be limited significantly. The Non-Interested Directors shall evaluate and approve any such independent third party, taking into account its qualifications, reputation for independence, cost to the shareholders, and other factors that they deem relevant.

In sum, the Applicants believe that the proposed conditions would ensure that each Regulated Fund that participates in a Co-Investment Transaction does not participate on a basis different from, or less advantageous than, that of such other participants. As a result, the Applicants believe that the participation of the Regulated Funds in Co-Investment Transactions done in accordance with the Conditions would be consistent with the provisions, policies, and purposes of the 1940 Act, and would be done in a manner that was not different from, or less advantageous than, the other participants.

With respect to each Wholly-Owned Investment Sub, such a subsidiary would be prohibited from investing in a Co-Investment Transaction with any Affiliated Fund or Regulated Fund because it would be a company controlled by its parent Regulated Fund for purposes of Section 57(a)(4) of the 1940 Act and Rule 17d-1 under the 1940 Act. Applicants request that each Wholly-Owned Investment Sub be permitted to participate in Co-Investment Transactions in lieu of its parent Regulated Fund and that the Wholly-Owned Investment Sub's participation in any such transaction be treated, for purposes of the Order, as though the parent Regulated Fund were participating directly. Applicants represent that this treatment is justified because a Wholly-Owned Investment Sub would have

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<sup>13</sup> In the case of a Regulated Fund that is a registered closed-end fund, the Board members that make up the Required Majority will be determined as if the Regulated Fund were a BDC subject to Section 57(o).



no purpose other than serving as a holding vehicle for the Regulated Fund's investments and, therefore, no conflicts of interest could arise between the Regulated Fund and the Wholly-Owned Investment Sub. The Regulated Fund's Board would make all relevant determinations under the conditions with regard to a Wholly-Owned Investment Sub's participation in a Co-Investment Transaction, and the Regulated Fund's Board would be informed of, and take into consideration, any proposed use of a Wholly-Owned Investment Sub in the Regulated Fund's place. If the Regulated Fund proposes to participate in the same Co-Investment Transaction with any of its Wholly-Owned Investment Subs, the Board will also be informed of, and take into consideration, the relative participation of the Regulated Fund and the Wholly-Owned Investment Sub.

**D. Proposed Conditions**

Applicants agree that any Order granting the requested relief shall be subject to the following Conditions:

1. Each time an Adviser considers a Potential Co-Investment Transaction for an Affiliated Fund or another Regulated Fund that falls within a Regulated Fund's then-current Objectives and Strategies, the Regulated Fund's Adviser will make an independent determination of the appropriateness of the investment for such Regulated Fund in light of the Regulated Fund's then-current circumstances.
  
2. (a) If the Adviser deems a Regulated Fund's participation in any Potential Co-Investment Transaction to be appropriate for the Regulated Fund, it will then determine an appropriate level of investment for the Regulated Fund.  
  
(b) If the aggregate amount recommended by the applicable Adviser to be invested by the applicable Regulated Fund in the Potential Co-Investment Transaction, together with the amount proposed to be invested by the other participating Regulated Funds and Affiliated Funds, collectively, in the same transaction, exceeds the amount of the investment opportunity, the investment opportunity will be allocated among them pro rata based on each participant's Available Capital, up to the amount proposed to be invested by each. The applicable Adviser will provide the Eligible Directors of each participating Regulated Fund with information concerning each participating party's Available Capital to assist the Eligible Directors with their review of the Regulated Fund's investments for compliance with these allocation procedures.  
  
(c) After making the determinations required in conditions 1 and 2(a), the applicable Adviser will distribute written information concerning the Potential Co-Investment Transaction (including the amount proposed to be invested by each participating Regulated Fund and Affiliated Fund) to the Eligible Directors of each participating Regulated Fund for their consideration. A Regulated Fund will co-invest with one or more other Regulated Funds and/or one or more Affiliated Funds only if, prior to the Regulated Fund's participation in the Potential Co-Investment Transaction, a Required Majority concludes that:

i. the terms of the Potential Co-Investment Transaction, including the consideration to be paid, are reasonable and fair to the Regulated Fund and its shareholders and do not involve overreaching in respect of the Regulated Fund or its shareholders on the part of any person concerned;

ii. the Potential Co-Investment Transaction is consistent with:

(A) the interests of the shareholders of the Regulated Fund; and

(B) the Regulated Fund's then-current Objectives and Strategies;

iii. the investment by any other Regulated Funds or Affiliated Funds would not disadvantage the Regulated Fund, and participation by the Regulated Fund would not be on a basis different from or less advantageous than that of other Regulated Funds or Affiliated Funds; *provided that*, if any other Regulated Fund or Affiliated Fund, but not the

Regulated Fund itself, gains the right to nominate a director for election to a portfolio company's board of directors or the right to have a board observer or any similar right to participate in the governance or management of the portfolio company, such event shall not be interpreted to prohibit the Required Majority from reaching the conclusions required by this condition (2)(c)(iii), if:

(A) the Eligible Directors will have the right to ratify the selection of such director or board observer, if any;

(B) the applicable Adviser agrees to, and does, provide periodic reports to the Regulated Fund's Board with respect to the actions of such director or the information received by such board observer or obtained through the exercise of any similar right to participate in the governance or management of the portfolio company; and

(C) any fees or other compensation that any Affiliated Fund or any Regulated Fund or any affiliated person of any Affiliated Fund or any Regulated Fund receives in connection with the right of an Affiliated Fund or a Regulated Fund to nominate a director or appoint a board observer or otherwise to participate in the governance or management of the portfolio company will be shared proportionately among the participating Affiliated Funds (who each may, in turn, share its portion with its affiliated persons) and the participating Regulated Funds in accordance with the amount of each party's investment; and

iv. the proposed investment by the Regulated Fund will not benefit the Advisers, the Affiliated Funds or the other Regulated Funds or any affiliated person of any of them (other than the parties to the Co-Investment Transaction), except (A) to the extent permitted by condition 13, (B) to the extent permitted by Section 17(e) or 57(k) of the 1940 Act, as applicable, (C) indirectly, as a result of an interest in the securities issued by one of the parties to the Co-Investment Transaction, or (D) in the case of fees or other compensation described in condition 2(c)(iii)(C).

3. Each Regulated Fund has the right to decline to participate in any Potential Co-Investment Transaction or to invest less than the amount proposed.

4. The applicable Adviser will present to the Board of each Regulated Fund, on a quarterly basis, a record of all investments in Potential Co-Investment Transactions made by any of the other Regulated Funds or Affiliated Funds during the preceding quarter that fell within the Regulated Fund's then-current Objectives and Strategies that were not made available to the Regulated Fund, and an explanation of why the investment opportunities were not offered to the Regulated Fund. All information presented to the Board pursuant to this condition will be kept for the life of the Regulated Fund and at least two years thereafter, and will be subject to examination by the Commission and its staff.

5. Except for Follow-On Investments made in accordance with condition 8,<sup>14</sup> a Regulated Fund will not invest in reliance on the Order in any issuer in which another Regulated Fund, Affiliated Fund, or any affiliated person of another Regulated Fund or Affiliated Fund is an existing investor.

6. A Regulated Fund will not participate in any Potential Co-Investment Transaction unless the terms, conditions, price, class of securities to be purchased, settlement date, and registration rights will be the same for each participating Regulated Fund and Affiliated Fund. The grant to an Affiliated Fund or another Regulated Fund, but not the Regulated Fund, of the right to nominate a director for election to a portfolio company's board of directors, the right to have an observer on the board of directors or similar rights to

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<sup>14</sup> This exception applies only to Follow-On Investments by a Regulated Fund in issuers in which the Regulated Fund already holds investments.

participate in the governance or management of the portfolio company will not be interpreted so as to violate this condition 6, if conditions 2(c)(iii)(A), (B) and (C) are met.

7. (a) If any Affiliated Fund or any Regulated Fund elects to sell, exchange or otherwise dispose of an interest in a security that was acquired in a Co-Investment Transaction, the applicable Advisers will:

i. notify each Regulated Fund that participated in the Co-Investment Transaction of the proposed disposition at the earliest practical time; and

ii. formulate a recommendation as to participation by each Regulated Fund in the disposition.

(b) Each Regulated Fund will have the right to participate in such disposition on a proportionate basis, at the same price and on the same terms and conditions as those applicable to the participating Affiliated Funds and Regulated Funds.

(c) A Regulated Fund may participate in such disposition without obtaining prior approval of the Required Majority if: (i) the proposed participation of each Regulated Fund and each Affiliated Fund in such disposition is proportionate to its outstanding investments in the issuer immediately preceding the disposition; (ii) the Board of the Regulated Fund has approved as being in the best interests of the Regulated Fund the ability to participate in such dispositions on a pro rata basis (as described in greater detail in this application); and (iii) the Board of the Regulated Fund is provided on a quarterly basis with a list of all dispositions made in accordance with this condition. In all other cases, the Adviser will provide its written recommendation as to the Regulated Fund's participation to the Eligible Directors, and the Regulated Fund will participate in such disposition solely to the extent that a Required Majority determines that it is in the Regulated Fund's best interests.

(d) Each Affiliated Fund and each Regulated Fund will bear its own expenses in connection with any such disposition.

8. (a) If any Affiliated Fund or any Regulated Fund desires to make a Follow-On Investment in a portfolio company whose securities were acquired in a Co-Investment Transaction, the applicable Advisers will:

i. notify each Regulated Fund that participated in the Co-Investment Transaction of the proposed transaction at the earliest practical time; and

ii. formulate a recommendation as to the proposed participation, including the amount of the proposed Follow-On Investment, by each Regulated Fund.

(b) A Regulated Fund may participate in such Follow-On Investment without obtaining prior approval of the Required Majority if: (i) the proposed participation of each Regulated Fund and each Affiliated Fund in such investment is proportionate to its outstanding investments in the issuer immediately preceding the Follow-On Investment; and (ii) the Board of the Regulated Fund has approved as being in the best interests of the Regulated Fund the ability to participate in Follow-On Investments on a pro rata basis (as described in greater detail in this application). In all other cases, the Adviser will provide its written recommendation as to the Regulated Fund's participation to the Eligible Directors, and the Regulated Fund will participate in such Follow-On Investment solely to the extent that a Required Majority determines that it is in the Regulated Fund's best interests.

(c) If, with respect to any Follow-On Investment:

i. the amount of the opportunity is not based on the Regulated Funds and the Affiliated Funds outstanding investments immediately preceding the Follow-On Investment; and

ii. the aggregate amount recommended by the applicable Adviser to be invested by the applicable Regulated Fund in the Follow-On Investment, together with the amount proposed to be invested by the other participating Regulated Funds and Affiliated Funds, collectively, in the same transaction, exceeds the amount of the investment opportunity, then the investment opportunity will be allocated among them pro rata based on each participant's Available Capital, up to the maximum amount proposed to be invested by each.

(d) The acquisition of Follow-On Investments as permitted by this condition will be considered a Co-Investment Transaction for all purposes and subject to the other conditions set forth in this application.

9. The Non-Interested Directors of each Regulated Fund will be provided quarterly for review all information concerning Potential Co-Investment Transactions and Co-Investment Transactions, including investments made by other Regulated Funds or Affiliated Funds that the Regulated Fund considered but declined to participate in, so that the Non-Interested Directors may determine whether all investments made during the preceding quarter, including those investments that the Regulated Fund considered but declined to participate in, comply with the conditions of the Order. In addition, the Non-Interested Directors will consider at least annually the continued appropriateness for the Regulated Fund of participating in new and existing Co-Investment Transactions.

10. Each Regulated Fund will maintain the records required by Section 57(f)(3) of the 1940 Act as if each of the Regulated Funds were a BDC and each of the investments permitted under these conditions were approved by the Required Majority under Section 57(f) of the 1940 Act.

11. No Non-Interested Director of a Regulated Fund will also be a director, general partner, managing member or principal, or otherwise an affiliated person (as defined in the 1940 Act) of an Affiliated Fund.

12. The expenses, if any, associated with acquiring, holding or disposing of any securities acquired in a Co-Investment Transaction (including, without limitation, the expenses of the distribution of any such securities registered for sale under the 1933 Act) will, to the extent not payable by the Advisers under their respective investment advisory agreements with Affiliated Funds and the Regulated Funds, be shared by the Regulated Funds and the Affiliated Funds in proportion to the relative amounts of the securities held or to be acquired or disposed of, as the case may be.

13. Any transaction fee (including break-up or commitment fees but excluding broker's fees contemplated by Section 17(e) or 57(k) of the 1940 Act, as applicable), received in connection with a Co-Investment Transaction will be distributed to the participating Regulated Funds and Affiliated Funds on a pro rata basis based on the amounts they invested or committed, as the case may be, in such Co-Investment Transaction. If any transaction fee is to be held by an Adviser pending consummation of the transaction, the fee will be deposited into an account maintained by such Adviser at a bank or banks having the qualifications prescribed in Section 26(a)(1) of the 1940 Act, and the account will earn a competitive rate of interest that will also be divided pro rata among the participating Regulated Funds and Affiliated Funds based on the amounts they invest in such Co-Investment Transaction. None of the Affiliated Funds, the Advisers, the other Regulated Funds or any affiliated person of the Regulated Funds or Affiliated Funds will receive additional compensation or remuneration of any kind as a result of or in connection with a Co-Investment Transaction (other than (a) in the case of the Regulated Funds and the Affiliated Funds, the pro rata transaction fees described above and fees or other compensation described in condition 2(c)(iii)(C); and (b) in the case of an Adviser, investment advisory fees paid in accordance with the agreement between the Adviser and the Regulated Fund or Affiliated Fund.

14. If the Holders own in the aggregate more than 25 percent of the Shares of a Regulated Entity, then the Holders will vote such Shares as directed by an independent third party when voting on (1) the election of



directors; (2) the removal of one or more directors; or (3) all other matters under either the 1940 Act or applicable State law affecting the Board's compositions, size or manner of election.

15. Each Regulated Fund's chief compliance officer, as defined in Rule 38a-1(a)(4), will prepare an annual report for its Board each year that evaluates (and documents the basis of that evaluation) the Regulated Fund's compliance with the terms and conditions of the application and the procedures established to achieve such compliance.

#### **IV. Statement in Support of Relief Requested**

Applicants submit that allowing the Co-Investment Transactions described by this Application is justified on the basis of (i) the potential benefits to the Regulated Funds and the shareholders thereof and (ii) the protections found in the terms and conditions set forth in this Application.

##### **A. Potential Benefits**

In the absence of the relief sought hereby, in some circumstances the Regulated Funds would be limited in their ability to participate in attractive and appropriate investment opportunities. Section 17(d) and Section 57(a)(4) of the 1940 Act and Rule 17d-1 under the 1940 Act should not prevent BDCs and registered closed-end investment companies from making investments that are in the best interests of their shareholders.

In cases where the Advisers identify investment opportunities requiring larger capital commitments, they must seek the participation of other entities with similar investment styles. The ability to participate in Co-Investment Transactions that involve committing larger amounts of financing would enable each Regulated Fund to participate with one or more of the Affiliated Funds and the other Regulated Funds in larger financing commitments, which would, in turn, be expected to obtain discounted prices and increase income, expand investment opportunities and provide better access to due diligence information for the Regulated Funds. Indeed, each Regulated Fund's inability to co-invest with one or more of the Affiliated Funds and the other Regulated Funds could potentially result in the loss of beneficial investment opportunities for such Regulated Fund and, in turn, adversely affect such Regulated Fund's shareholders. For example, a Regulated Fund may lose investment opportunities if the Adviser cannot provide one-stop financing to a potential portfolio company. Portfolio companies may reject an offer of funding arranged by an Adviser due to a Regulated Fund's inability to commit the full amount of financing required by the portfolio company in a timely manner (i.e., without the delay that typically would be associated with obtaining single-transaction exemptive relief from the Commission). The Regulated Fund Advisers expect that any portfolio company that is an appropriate investment for a Regulated Fund should also be an appropriate investment for one or more other Regulated Funds and/or one or more Affiliated Funds, with certain exceptions based on available capital or diversification. The Regulated Funds, however, will not be obligated to invest, or co-invest, when investment opportunities are referred to them.

Each Regulated Fund and its shareholders will benefit from the ability to participate in Co-Investment Transactions. The Board of each Regulated Fund, including the Non-Interested Directors, has (or will have prior to relying on the requested Order) determined that it is in the best interests of the Regulated Fund to participate in Co-Investment Transactions because, among other matters, (i) the Regulated Fund will be able to participate in a larger number and greater variety of transactions; (ii) the Regulated Fund will be able to participate in larger transactions; (iii) the Regulated Fund will be able to participate in all opportunities approved by a Required Majority or otherwise permissible under the Order

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rather than risk underperformance through rotational allocation of opportunities among the Regulated Funds; (iv) the Regulated Fund and any other Regulated Funds participating in the proposed investment will have greater bargaining power, more control over the investment and less need to bring in other external investors or structure investments to satisfy the different needs of external investors; (v) the Regulated Fund will be able to obtain greater attention and better deal flow from investment bankers and others who act as sources of investments; and (vi) the general terms and conditions of the proposed Order are fair to the Regulated Funds and their shareholders. The Board of NMFC, including the Non-Interested Directors, also determined that it is in the best interests of NMFC and the shareholders of NMFC to obtain the Order at the earliest possible time and instructed the officers of NMFC, the Advisers and counsel to use all appropriate efforts to accomplish such goal. For these reasons, the Board of NMFC has determined that it is proper and desirable for NMFC to participate in Co-Investment Transactions with the other Regulated Funds and/or one more Affiliated Funds.

## **B. Protective Representations and Conditions**

The terms and conditions set forth in this application ensure that the proposed Co-Investment Transactions are consistent with the protection of each Regulated Fund's shareholders and with the purposes intended by the policies and provisions of the 1940 Act. Specifically, the Conditions incorporate the following critical protections: (i) in each Co-Investment Transaction, all Regulated Funds and Affiliated Funds participating in the Co-Investment Transactions will invest at the same time for the same price and with the same terms, conditions, class, registration rights and any other rights, so that none of them receives terms more favorable than any other; (ii) a Required Majority of each Regulated Fund must approve various investment decisions with respect to such Regulated Fund in accordance with the Conditions; and (iii) the Regulated Funds are required to retain and maintain certain records.

Other than pro rata dispositions and Follow-On Investments as provided in conditions 7 and 8, and after making the determinations required in conditions 1 and 2(a), the Adviser will present each Potential Co-Investment Transaction and the proposed allocation to the Eligible Directors, and the Required Majority will approve each Co-Investment Transaction prior to any investment by the participating Regulated Fund. With respect to the pro rata dispositions and Follow-On Investments provided in conditions 7 and 8, a Regulated Fund may participate in a pro rata disposition or Follow-On Investment without obtaining prior approval of the Required Majority if, among other things: (i) the proposed participation of each Regulated Fund and Affiliated Fund in such disposition is proportionate to its outstanding investments in the issuer immediately preceding the disposition or Follow-On Investment, as the case may be; and (ii) the Board of the Regulated Fund has approved that Regulated Fund's participation in pro rata dispositions and Follow-On Investments as being in the best interests of the Regulated Fund. If the Board does not so approve, any such disposition or Follow-On Investment will be submitted to the Regulated Fund's Eligible Directors. The Board of any Regulated Fund may at any time rescind, suspend or qualify its approval of pro rata dispositions and Follow-On Investments with the result that all dispositions and/or Follow-On Investments must be submitted to the Eligible Directors.

The Applicants believe that participation by the Regulated Funds in pro rata dispositions and Follow-On Investments, as provided in conditions 7 and 8, is consistent with the provisions, policies and purposes of the 1940 Act and will not be made on a basis different from or less advantageous than that of other participants. A formulaic approach, such as pro rata dispositions and Follow-On Investments, eliminates the discretionary ability to make allocation determinations, and in turn eliminates the possibility for overreaching and promotes fairness. The Applicants note that the Commission has adopted a similar pro rata approach in the context of Rule 23c-2 under the 1940 Act, which relates to the redemption by a closed-end investment company of less than all of a class of its securities, indicating the general fairness and lack of overreaching that such approach provides.

The foregoing analysis applies equally where a Wholly-Owned Investment Sub is involved in a Co-Investment Transaction as each Wholly-Owned Investment Sub will be treated as one company with its parent for purposes of this Application.

## **V. Precedents**

The Commission previously has issued orders permitting certain investment companies subject to regulation under the 1940 Act and their affiliated persons to co-invest in Private Placement Securities. See *Corporate Capital Trust, Inc., et al.* (File No. 812-14408) Investment Company Act Rel. Nos. 32642 (May 22, 2017) (notice) and 32683 (June 19, 2017) (order); *TICC Capital Corp., et al.* (File No. 812-14707) Investment Company Act Rel. Nos. 32641 (May 19, 2017) (notice) and 32680 (June 14, 2017) (order); *Solar Capital Ltd., et al.* (File No. 812-14735) Investment Company Act Rel. Nos. 32638 (May 17, 2017) (notice) and 32677 (June 13, 2017) (order); *New Mountain Finance Corporation, et al.* (File No. 812-14699) Investment Company Act Rel. Nos. 32630 (May 8, 2017) (notice) and 32668 (June 5, 2017) (order); *Medley Capital Corporation, et al.* (File No. 812-14679) Investment Company Act Rel. Nos. 32520 (March 3, 2017) (notice) and 32581 (March 29, 2017) (order).

**VI. Procedural Matters**

Pursuant to Rule 0-2(f) under the 1940 Act, each Applicant states that its address is as indicated below:

c/o Robert A. Hamwee

Chief Executive Officer

New Mountain Finance Corporation

787 Seventh Avenue, 48th Floor

New York, NY 10019

(212) 720-0300

The Applicants further state that all written or oral communications concerning this Application should be directed to:

Steven B. Boehm, Esq.

Anne G. Oberndorf, Esq.

Eversheds Sutherland (US) LLP

700 Sixth Street, NW, Suite 700

Washington, DC 20001-3980

(202) 383-0100

The Applicants desire that the Commission issue an Order pursuant to Rule 0-5 under the 1940 Act without conducting a hearing.

The verifications required by Rule 0-2(d) of the 1940 Act are attached hereto as Exhibit A.

Pursuant to Rule 0-2 under the 1940 Act, each Applicant declares that this Application for a Commission order is signed by Peter E. Kaplan, Jr. as authorized by NMNLC and Robert A. Hamwee as authorized by NMFC, each of the NMFC Subsidiaries, SBIC LP, each of the Guardian II Funds, and the BDC Adviser, pursuant to the general authority vested in each by the Certificate of Incorporation and By-laws, Certificate of Formation or Limited Liability Company Agreement of each Applicant, as applicable, or other similar document, or, with regard to NMFC, pursuant to the resolutions attached hereto as Exhibit B.

Applicants request that any questions regarding this Application be directed to the persons listed on the facing page of this Application.

## **VII. Request for Order of Exemption**

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For the foregoing reasons, the Applicants request that the Commission enter an Order under Sections 17(d) and 57(i) of the 1940 Act and Rule 17d-1 under the 1940 Act granting Applicants the relief sought by the Application. Applicants submit that the requested exemption is consistent with the protection of investors.

Dated: July 10, 2017

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: Chief Executive Officer

NMF ANCORA HOLDINGS, INC.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: President

NMF QID NGL HOLDINGS, INC.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: President

NMF YP HOLDINGS, INC.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: President

NEW MOUNTAIN FINANCE SBIC, L.P.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: Principal

NEW MOUNTAIN NET LEASE CORPORATION

By: /s/ Peter E. Kaplan, Jr.  
Name: Peter E. Kaplan, Jr.  
Title: President

NEW MOUNTAIN GUARDIAN PARTNERS II, L.P.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: Authorized Person

NEW MOUNTAIN GUARDIAN II MASTER FUND-A, L.P.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: Authorized Person

NEW MOUNTAIN GUARDIAN II MASTER FUND-B, L.P.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: Authorized Person

NEW MOUNTAIN FINANCE ADVISERS BDC, L.L.C.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: Authorized Person

Exhibit A

**Verification**

The undersigned states that he has duly executed the attached Application for an order under Sections 17(d) and 57(i) of the Investment Company Act of 1940 and Rule 17d-1 under the Investment Company Act of 1940, dated July 10, 2017 for and on behalf of New Mountain Finance Corporation, NMF Ancora Holdings, Inc., NMF QID NGL Holdings, Inc., NMF YP Holdings, Inc., New Mountain Finance SBIC, L.P., New Mountain Net Lease Corporation, New Mountain Guardian Partners II, L.P., New Mountain Guardian II Master Fund-A, L.P., New Mountain Guardian II Master Fund-B, L.P. and New Mountain Finance Advisers BDC, L.L.C., that he holds the office with each such entity as indicated below, and that all actions by stockholders, directors, members, and other bodies necessary to authorize the undersigned to execute and file such Application have been taken. The undersigned further says that he is familiar with the instrument and the contents thereof, and that the facts set forth therein are true to the best of his knowledge, information, and belief.

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: Chief Executive Officer

NMF ANCORA HOLDINGS, INC.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: President

NMF QID NGL HOLDINGS, INC.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: President

NMF YP HOLDINGS, INC.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: President

NEW MOUNTAIN FINANCE SBIC, L.P.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: Principal

NEW MOUNTAIN NET LEASE CORPORATION

By: /s/ Peter E. Kaplan, Jr.  
Name: Peter E. Kaplan, Jr.  
Title: President



NEW MOUNTAIN GUARDIAN PARTNERS II, L.P.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: Authorized Person

NEW MOUNTAIN GUARDIAN II MASTER FUND-A, L.P.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: Authorized Person

NEW MOUNTAIN GUARDIAN II MASTER FUND-B, L.P.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: Authorized Person

NEW MOUNTAIN FINANCE ADVISERS BDC, L.L.C.

By: /s/ Robert A. Hamwee  
Name: Robert A. Hamwee  
Title: Authorized Person

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Exhibit B

**Resolutions of the Board of  
New Mountain Finance Corporation**

WHEREAS, the Board of Directors has reviewed the Company's Co-Investment Exemptive Application (the *Exemptive Application*), a copy of which is attached hereto as Exhibit A, for an order of the U.S. Securities and Exchange Commission (the *SEC*) pursuant to Sections 17(d) and 57(i) of the Investment Company Act of 1940, as amended (the *1940 Act*), and Rule 17d-1 promulgated under the 1940 Act, permitting certain joint transactions that otherwise may be prohibited by Section 17(d) or 57(a)(4) of the 1940 Act;

**NOW, THEREFORE, BE IT RESOLVED**, that the Authorized Officers (as defined below), shall be, and each of them individually hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to cause to be executed, delivered and filed with the SEC the Exemptive Application, in substantially the form attached hereto as Exhibit A; and

**FURTHER RESOLVED**, that the Authorized Officers shall be, and each of them individually hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to cause to be made, executed, delivered and filed with the SEC any amendments to the Exemptive Application and any additional applications for exemptive relief as are determined necessary, advisable or appropriate by any such officers in order to effectuate the foregoing, such determination to be conclusively evidenced by the taking of any such action; and

**FURTHER RESOLVED**, that all acts and things previously done by any of the Authorized Officers, on or prior to the date hereof, in the name and on behalf of the Company in connection with the foregoing resolutions are in all respects authorized, ratified, approved, confirmed and adopted as the acts and deeds by and on behalf of the Company; and

**FURTHER RESOLVED**, that any officer of the Company be, and each of them hereby is, authorized, empowered and directed to certify and deliver copies of these resolutions to such governmental bodies, agencies, persons, firms or corporations as such officer may deem necessary and to identify by such officer's signature or certificate, or in such form as may be required, the documents and instruments presented to and approved herein and to furnish evidence of the approval, by an officer authorized to give such approval, of any document, instrument or provision or any addition, deletion or change in any document or instrument; and

**FURTHER RESOLVED**, that for purposes of the foregoing resolutions, the Authorized Officers of the Company shall be the Chief Executive Officer, the President, Chief Compliance Officer & Secretary, and the Chief Financial Officer of the Company (collectively, the Authorized Officers).

(Adopted by Unanimous Written Consent dated June 29, 2017)

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