

LIFE TIME FITNESS INC
Form DEF 14A
March 09, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Life Time Fitness, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

LIFE TIME FITNESS, INC.

Life Time Fitness, Inc.
2902 Corporate Place
Chanhassen, Minnesota 55317
(952) 947-0000

March 9, 2009

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders to be held at the Life Time Fitness, Inc. Corporate Office, 2902 Corporate Place, Chanhassen, Minnesota 55317, commencing at 1:00 p.m., central time, on Thursday, April 23, 2009.

The Secretary's notice of annual meeting and the proxy statement that follow describe the matters to come before the meeting. During the meeting, we also will review the activities of the past year and items of general interest about our company.

We hope that you will be able to attend the meeting in person and we look forward to seeing you. Please vote your shares, as instructed in your proxy card or the Notice of Internet Availability of Proxy Materials, over the Internet or by telephone, as promptly as possible. If you received a Notice of Internet Availability, you may also request a paper proxy card, which will include a reply envelope, to submit your vote by mail, as described in the Notice of Internet Availability of Proxy Materials. Please vote as quickly as possible, even if you plan to attend the annual meeting. You may revoke the proxy and vote in person at that time if you so desire.

Sincerely,

Bahram Akradi
*Chairman of the Board of Directors and
Chief Executive Officer*

VOTING METHODS

If your shares are registered directly in your name: If you are a shareholder of record, you may vote your shares through the Internet, by telephone or by mail as described below. Please help us save time and postage costs by voting through the Internet or by telephone. Each method is generally available 24 hours a day and will ensure that your vote is confirmed and posted immediately. To vote:

1. BY TELEPHONE

- a. On a touch-tone telephone, call toll-free 1-800-560-1965, 24 hours a day, seven days a week, until 12:00 p.m. (CT) on April 22, 2009.
- b. Please have your Notice of Internet Availability of Proxy Materials or, if you have requested one, your proxy card, and the last four digits of your Social Security Number or Tax Identification Number available to verify your identity.
- c. Follow the simple instructions provided.

2. BY INTERNET

- a. Go to the Web site at <http://www.eproxy.com/ltn>, 24 hours a day, seven days a week, until 12:00 p.m. (CT) on April 22, 2009.
- b. Please have your Notice of Internet Availability of Proxy Materials or, if you have requested one, your proxy card, and the last four digits of your Social Security Number or Tax Identification Number available to verify your identity and create an electronic ballot.
- c. Follow the simple instructions provided.

3. BY MAIL

- a. Request a proxy card by following the instructions in your Notice of Internet Availability of Proxy Materials.
- b. Mark, sign and date your proxy card.
- c. Return it in the postage-paid envelope that will be provided.

If your shares are held in a brokerage, bank or similar account: You will receive voting instructions from the organization holding your account and you must follow those instructions to vote your shares. You will receive a Notice of Internet Availability of Proxy Material that will tell you how to access our proxy materials and vote your shares via the Internet. It also will tell you how to request a paper or e-mail copy of our proxy material.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held April 23, 2009.

The following materials, also included with this Notice, are available for view on the Internet:

Proxy Statement for the 2009 Annual Meeting of Shareholders

Annual Report on Form 10-K for the year ended December 31, 2008

2008 Annual Report to Shareholders

To view the Proxy Statement, Annual Report on Form 10-K and 2008 Annual Report to Shareholders, visit <http://materials.proxyvote.com/53217R>.

Your vote is important. Thank you for voting.

LIFE TIME FITNESS, INC.

**Notice of Annual Meeting of Shareholders
To Be Held on April 23, 2009**

The annual meeting of shareholders of Life Time Fitness, Inc. will be held at the Life Time Fitness, Inc. Corporate Office, 2902 Corporate Place, Chanhassen, Minnesota 55317, commencing at 1:00 p.m., central time, on Thursday, April 23, 2009 for the following purposes:

1. To elect a board of directors of six directors, to serve until the next annual meeting of shareholders or until their successors have been duly elected and qualified;
2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009;
3. To approve the amendment to our Amended and Restated Articles of Incorporation to increase the authorized shares of common stock from 50,000,000 shares to 75,000,000 shares;
4. To approve the amendment to our Amended and Restated 2004 Long-Term Incentive Plan to increase the number of shares available for issuance under the plan from 3,500,000 to 5,250,000 shares; and
5. To transact other business that may properly be brought before the meeting.

Our board of directors has fixed February 26, 2009 as the record date for the meeting, and only shareholders of record at the close of business on that date are entitled to receive notice of and vote at the meeting.

Your proxy is important to ensure a quorum at the meeting. Even if you own only a few shares, and whether or not you expect to be present, you are urgently requested to vote by telephone or the Internet in accordance with the voting instructions set forth on your proxy card or the Notice of Internet Availability. If you received a Notice of Internet Availability, you may also request a paper proxy card, which will include a reply envelope, to submit your vote by mail, as described in the Notice of Internet Availability of Proxy Materials. The proxy may be revoked by you at any time prior to being exercised, and voting your proxy by telephone or through the Internet or returning your proxy will not affect your right to vote in person if you attend the meeting and revoke the proxy.

By Order of the Board of Directors,

Eric J. Buss
Secretary

Chanhassen, Minnesota
March 9, 2009

PROXY STATEMENT

GENERAL INFORMATION

Your proxy is being solicited by our board of directors for use in connection with the annual meeting of shareholders to be held on Thursday, April 23, 2009 at the Life Time Fitness, Inc. Corporate Office, 2902 Corporate Place, Chanhassen, Minnesota 55317, commencing at 1:00 p.m., central time, and at any adjournments thereof. Our telephone number is (952) 947-0000. The mailing of the Notice of Internet Availability of Proxy Materials to shareholders will commence on or about March 9, 2009.

Notice of Internet Availability of Proxy Materials

Under rules of the Securities and Exchange Commission, we are furnishing proxy materials to certain of our shareholders on the Internet, rather than mailing printed copies to our shareholders. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request one as instructed in that notice. Instead, the Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review the proxy materials on the Internet. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials.

Record Date

Only shareholders of record at the close of business on February 26, 2009 will be entitled to vote at the annual meeting or adjournment. At the close of business on the record date, we had 39,612,775 shares of our common stock outstanding, each entitled to one vote.

Voting of Proxies

Proxies voted by telephone, Internet or mail in accordance with the voting instructions set forth in your proxy card or Notice of Internet Availability of Proxy Materials, and not revoked, will be voted in the manner specified. A shareholder executing a proxy retains the right to revoke it at any time before it is exercised by notice in writing to one of our officers of termination of the proxy's authority or a properly signed and duly returned proxy bearing a later date.

Shareholder Proposals

As stated in last year's proxy statement dated March 6, 2008, shareholder proposals to be presented at this year's annual meeting of shareholders were due at our principal executive office by November 6, 2008. No such proposals were received. We must receive shareholder proposals intended to be presented at the annual meeting of shareholders in the year 2010 that are requested to be included in the proxy statement for that meeting at our principal executive office no later than November 9, 2009. We must receive any other shareholder proposals intended to be presented at the annual meeting of shareholders in the year 2010 at our principal executive office no later than January 23, 2010.

Quorum

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum for the transaction of business at the meeting. Abstentions and

broker non-votes will be counted as present for purposes of determining the existence of a quorum.

Vote Required

Election of Directors. The affirmative vote of a plurality of the shares of common stock present in person or by proxy at the meeting and entitled to vote is required for the election to the board of directors of each of the nominees for director. Shareholders do not have the right to cumulate their votes in the election of directors.

Other Proposals. The affirmative vote of the holders of the greater of (1) a majority of the shares of common stock present in person or by proxy at the meeting and entitled to vote and (2) a majority of the minimum number of shares entitled to vote that would constitute a quorum for the transaction of business at the meeting is required for approval of each other proposal presented in this proxy statement. A shareholder who abstains with respect to a proposal will have the effect of casting a negative vote on that proposal. Generally, a shareholder who does not vote in person or by proxy on a proposal (including a broker non-vote) is not deemed to be present in person or by proxy for the purpose of determining whether a proposal has been approved. In addition, the total shares cast on the proposal to approve the amendment to our Amended and Restated 2004 Long-Term Incentive Plan must exceed fifty percent of all shares entitled to vote. Accordingly, a broker non-vote on this proposal will have the effect of casting a negative vote on the proposal. Brokers cannot vote on their customers' behalf on non-routine proposals such as the approval of the amendment to our Amended and Restated Articles of Incorporation and the approval of the amendment to our Amended and Restated 2004 Long-Term Incentive Plan. Because brokers may not vote unvoted shares on behalf of their customers for such non-routine matters, it is critical that shareholders vote their shares.

Adjournment of Meeting

If a quorum is not present to transact business at the meeting or if we do not receive sufficient votes in favor of the proposals by the date of the meeting, the persons named as proxies may propose one or more adjournments of the meeting to permit solicitation of proxies. Any adjournment would require the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting.

Expenses of Soliciting Proxies

We will pay the cost of soliciting proxies for the annual meeting. We have retained Morrow & Co., LLC, to act as a proxy solicitor for a fee estimated to be \$7,000, plus reimbursement of out-of-pocket expenses. In addition, certain of our directors, officers and regular employees may solicit proxies by telephone or personal interview. We may request brokerage firms and custodians, nominees and other record holders to forward soliciting materials to the beneficial owners of our stock and will reimburse them for their reasonable out-of-pocket expenses in forwarding these materials.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

Composition of our Board of Directors

Our bylaws provide that our business will be managed by or under the direction of a board of directors. The number of directors constituting our board of directors is determined from time to time by our board of directors and currently consists of seven members. Each director will be elected at the annual meeting to hold office until the next annual shareholders meeting or the director's resignation or removal. Our governance and nominating committee has nominated the six persons named below for election as directors. Proxies solicited by our board of directors will, unless otherwise directed, be voted to elect the six nominees named below to constitute the entire board of directors.

Directors and Director Nominees

All of the nominees named below are current directors of our company. Each nominee has indicated a willingness to serve as a director for the ensuing year, but in case any nominee is not a candidate at the

meeting for any reason, the proxies named in the enclosed proxy form may vote for a substitute nominee selected by the governance and nominating committee.

The following table sets forth certain information regarding each director nominee:

Name	Age	Position
Bahram Akradi	47	Chairman of the Board of Directors and Chief Executive Officer
Giles H. Bateman	64	Director
Guy C. Jackson	66	Director
Martha A. Morfitt	51	Director
John B. Richards	60	Director
Joseph S. Vassalluzzo	61	Director

Bahram Akradi founded our company in 1992 and has been a director since our inception. Mr. Akradi was elected Chief Executive Officer and Chairman of the Board of Directors in May 1996. Mr. Akradi also served as the President of our company from 1992 until December 2007. Mr. Akradi has over 25 years of experience in healthy way of life initiatives. From 1984 to 1989, he led U.S. Swim & Fitness Corporation as its co-founder and Executive Vice President. Mr. Akradi was a founder of the health and fitness Industry Leadership Council.

Giles H. Bateman was elected a director of our company in March 2006. Mr. Bateman was one of four co-founders of Price Club in 1976 and served as Chief Financial Officer and Vice Chairman there until 1991. Mr. Bateman served as non-executive chairman of CompUSA Inc., a publicly traded retailer of computer hardware, software, accessories and related products, from 1993 until he retired in 2000. Mr. Bateman serves as a director, and the chair of the audit committees of WD-40 Company and United Pan Am Financial Corporation. He also serves as a director of three private companies.

Guy C. Jackson was elected a director of our company in March 2004. In June 2003, Mr. Jackson retired from the accounting firm of Ernst & Young LLP after 35 years with the firm and one of its predecessors, Arthur Young & Company. During his career, Mr. Jackson served as the audit partner on numerous public companies in Ernst & Young's New York and Minneapolis offices. He also serves as a director, and the chair of the audit committee, of the following public companies: Cyberonics, Inc., Digi International Inc., EpiCept Corporation and Urologix, Inc.

Martha (Marti) A. Morfitt was elected as a director of our company in August 2008. Ms. Morfitt is a principal of River Rock Partners, Inc., a business and cultural transformation consulting firm. She assumed this position in 2008. Ms. Morfitt is the former President and Chief Executive Officer of CNS, Inc., a manufacturer and marketer of consumer healthcare products, including the Breathe Right® nasal strip and FiberChoice® daily fiber supplements. She held this position from 2001 through March 2007. From 1998 to 2001, she was Chief Operating Officer of CNS, Inc. Ms. Morfitt left her position at CNS, Inc. effective March 2007 as a result of the acquisition of CNS, Inc. by GlaxoSmithKline plc in December 2006. Ms. Morfitt is also a director of Graco, Inc., lululemon athletica inc. and Solta Medical, Inc.

John B. Richards was elected a director of our company in October 2006. Mr. Richards is a Managing Partner and Principal in the New England Consulting Group, a firm specializing in creative marketing and growth strategies for a wide range of branded consumer businesses. Previously, he served as the president and chief executive officer of Elizabeth Arden Red Door Spa Holdings from October 2001 until May 2006. Elizabeth Arden Red Door Spa Holdings is a developer and operator of prestige day and resort spas that operate under the Red Door Spas Elizabeth

Arden and Mario Tricoli brand names. Mr. Richards has also held senior leadership and management positions at Four Seasons Hotels Inc., Starbucks Coffee Company, Royal Viking Line, McKinsey & Company and The Procter & Gamble Company.

Joseph S. Vassalluzzo was elected a director of our company in October 2006 and our lead director in October 2008. Mr. Vassalluzzo has been an independent advisor to retail organizations, with a primary emphasis on real estate, since August 2005. From 1989 until August 2005, Mr. Vassalluzzo held executive and

senior leadership positions with Staples, Inc., an office products retailer. Previously, Mr. Vassalluzzo held management, sales, operations and real estate positions with Mobile Corp., Amerada Hess Corp. and American Stores Company. Mr. Vassalluzzo is the Non-Executive Chairman of the Board of Trustees of Federal Realty Investment Trust, a publicly held real estate investment trust. He also is a director of iParty Corporation.

None of the above nominees is related to each other or to any of our executive officers.

Board of Directors Meetings and Attendance

Our board of directors held nine meetings during fiscal year 2008. During fiscal year 2008, each director attended at least 75% of the aggregate number of the meetings of our board of directors and of the board committees on which she/he serves, except that James F. Halpin, who resigned from the board on August 6, 2008, attended 60% of meetings of our board and meetings of the board committees on which he served that were held prior to the date on which he resigned.

Director Independence

Our board of directors reviews at least annually the independence of each director. During these reviews, our board of directors considers transactions and relationships between each director (and his immediate family and affiliates) and our company and its management to determine whether any such transactions or relationships are inconsistent with a determination that the director was independent. In February 2009, our board of directors conducted its annual review of director independence and determined that no transactions or relationships existed that would disqualify any of our directors under New York Stock Exchange rules or require disclosure under Securities and Exchange Commission rules, with the exception of Mr. Akradi, who is also our Chief Executive Officer. Based on a review of information provided by the directors and other information we reviewed, our board of directors concluded that none of our non-employee directors have any relationship with our company other than as a director or shareholder of our company. Based upon that finding, our board of directors determined that Messrs. Bateman, Jackson, Richards and Vassalluzzo, and Ms. Morfitt are independent.

Mr. Vassalluzzo, our lead director, chairs the executive sessions of the non-management members of our board of directors. During 2008, our board of directors held an executive session of the non-management members of our board of directors after four of the nine meetings.

Interested parties may communicate directly with Mr. Vassalluzzo, the independent director who chairs the executive sessions individually, or the non-management members of our board of directors as a group, by mail addressed to the attention of Mr. Vassalluzzo as executive session chair or the non-management members of our board of directors as a group c/o General Counsel, Life Time Fitness, Inc., 2902 Corporate Place, Chanhassen, MN 55317. Our General Counsel will review all communications and then forward them to the appropriate director or directors on a periodic basis. The board of directors has instructed our General Counsel to review such correspondence and, with discretion, not to forward items that he deems to be of a commercial or frivolous nature, or otherwise inappropriate for the board's consideration.

Committees of Our Board of Directors

Our board of directors has an audit committee, a compensation committee, a governance and nominating committee and a finance committee. The charters for our audit committee, compensation committee, governance and nominating committee and finance committee are available on the Corporate Governance section of the Investor Relations page on our Web site at lifetimefitness.com.

Audit Committee.

Our audit committee consists of Messrs. Jackson (Chair) and Bateman and Ms. Morfitt. The functions of the audit committee include oversight of the integrity of our consolidated financial statements, our internal controls, our compliance with legal and regulatory requirements and the performance, qualifications and independence of our independent auditors. Our audit committee is directly responsible (subject to shareholder

ratification) for the appointment of any independent auditor engaged for the purpose of preparing or issuing an audit report or related work. Our audit committee is also responsible for the retention, compensation, evaluation, termination and oversight of our independent auditors. The purpose and responsibilities of our audit committee are set forth in the Audit Committee Charter approved by our board of directors and most recently amended on December 11, 2008. Our audit committee held eight meetings in fiscal year 2008.

Our board of directors has determined that all members of our audit committee are independent, as defined in Section 10A of the Securities Exchange Act of 1934 and pursuant to the rules of the New York Stock Exchange, and that each member of our audit committee also qualifies as an audit committee financial expert, as defined by applicable regulations of the SEC. Our board of directors has also determined that Mr. Jackson's service on the audit committees of four other public companies does not impair his ability to effectively serve on our audit committee.

Compensation Committee.

For the fiscal year ended December 31, 2008, our compensation committee consisted of Messrs. Vassalluzzo (Chair), Bateman and Richards. The functions of the compensation committee include reviewing and approving the goals and objectives relevant to compensation of our Chief Executive Officer, evaluating the Chief Executive Officer's performance in light of those goals and objectives and determining and approving the Chief Executive Officer's compensation level based on this evaluation. Our compensation committee also approves and makes recommendations to our board with respect to compensation of other executive officers, incentive-compensation plans and equity-based plans. Our compensation committee also makes recommendations to the board with respect to changes in director compensation, if any. The purpose and responsibilities of our compensation committee are set forth in the Compensation Committee Charter approved by our board of directors and most recently amended on December 13, 2006. Our compensation committee held seven meetings in fiscal year 2008.

Governance and Nominating Committee.

For the fiscal year ended December 31, 2008, our governance and nominating committee consisted of Messrs. Richards (Chair) and Jackson and Ms. Morfitt. The functions of the governance and nominating committee include identifying individuals qualified to become members of our board and overseeing our corporate governance principles. Our governance and nominating committee also performs the evaluation of the Chief Executive Officer and reviews his process for the evaluation of the members of the senior management team. The purpose and responsibilities of our governance and nominating committee are set forth in the Governance and Nominating Committee Charter approved by our board of directors and most recently amended on December 11, 2008. Our governance and nominating committee held three meetings in fiscal year 2008.

Finance Committee.

Our finance committee consists of Messrs. Bateman (Chair), Akradi and Vassalluzzo. The functions of the finance committee include reviewing and providing guidance to our board of directors and our company's management about all major financial policies of our company, including capital structure, investor relations, capital planning and modeling of our company's long-term plans, annual budgets, treasury management, and insurance and risk management, unless otherwise reviewed by our board of directors or audit committee. In addition, the finance committee reviews and approves proposed investments in excess of \$5 million, including all sites for center development, ventures, mergers, acquisitions and divestitures, as well as any borrowings and indebtedness of our company or guarantees of indebtedness by our company in excess of \$5 million. The purpose and responsibilities of our finance committee are set forth in the Finance Committee Charter approved by our board of directors and most recently amended on December 11, 2008. Our finance committee held eleven meetings in fiscal year 2008.

Corporate Governance Guidelines

In December 2004, our board of directors adopted Corporate Governance Guidelines. These guidelines were most recently amended and approved by the board on December 11, 2008. The guidelines are available on the Corporate Governance section of the Investor Relations page on our Web site at *lifetimefitness.com*.

Code of Business Conduct and Ethics

We have adopted the Life Time Fitness, Inc. Code of Business Conduct and Ethics, which applies to all of our employees, directors, agents, consultants and other representatives. The Code of Business Conduct and Ethics includes particular provisions applicable to our senior financial management, which includes our chief executive officer, chief financial officer, controller and other employees performing similar functions. A copy of our Code of Business Conduct and Ethics is available on the Corporate Governance section of the Investor Relations page on our Web site at *lifetimefitness.com*. We intend to post on our Web site any amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics that applies to any director or officer, including our principal executive officer, principal financial officer, principal accounting officer, controller and other persons performing similar functions, promptly following the date of such amendment or waiver.

Corporate Governance Documents Available on Our Web site

Copies of our key corporate governance documents are available on the Investor Relations page of our Web site at *lifetimefitness.com*. The charters for our audit committee, compensation committee, governance and nominating committee and finance committee, as well as copies of our Corporate Governance Guidelines and our Code of Business Conduct and Ethics, are available on our Web site. In addition, any shareholder that wishes to obtain a hard copy of any of these corporate governance documents may do so without charge by writing to Investor Relations, Life Time Fitness, Inc., 2902 Corporate Place, Chanhassen, MN 55317.

Director Qualifications

Candidates for director nominees are reviewed in the context of the current composition of our board of directors, our operating requirements and the long-term interests of our shareholders. The governance and nominating committee will consider, at a minimum, the following factors in recommending to our board of directors potential new members, or the continued service of existing members, in addition to other factors it deems appropriate based on the current needs and desires of our board of directors:

demonstrated character and integrity; an inquiring mind; experience at a strategy/policy setting level; sufficient time to devote to our affairs; high-level managerial experience; and financial literacy;

whether the member/potential member is subject to a disqualifying factor, such as, relationships with our competitors, customers, suppliers, contractors, counselors or consultants, or recent previous employment with us;

the member s/potential member s independence and ability to serve on our committees;

whether the member/potential member assists in achieving a mix of members that represents a diversity of background and experience;

whether the member/potential member, by virtue of particular experience, technical expertise or specialized skills, will add specific value as a member;

any factors related to the ability and willingness of a new member to serve, or an existing member to continue his/her service;

experience in one or more fields of business, professional, governmental, communal, scientific or educational endeavor; and

whether the member/potential member has a general appreciation regarding major issues facing publicly traded companies of a size and scope similar to us.

Director Nomination Process

Our governance and nominating committee selects nominees for directors pursuant to the following process:

the identification of director candidates by our governance and nominating committee based upon suggestions from current directors and senior management, recommendations by shareholders and/or use of a director search firm;

a review of the candidates' qualifications by our governance and nominating committee to determine which candidates best meet our board of directors' required and desired criteria;

interviews of interested candidates among those who best meet these criteria by the chair of the governance and nominating committee, the chair of our board of directors and certain other directors;

a report to our board of directors by our governance and nominating committee on the selection process; and

formal nomination by our governance and nominating committee for inclusion as a director nominee at the annual meeting of shareholders or appointment by our board of directors to fill a vacancy during the intervals between shareholder meetings.

Our governance and nominating committee will reassess the qualifications of a director, including the director's past contributions to our board of directors and the director's attendance and contributions at board of directors and board committee meetings, prior to recommending a director for reelection to another term.

In August 2008, our board of directors, upon recommendation of our governance and nominating committee, elected Ms. Morfitt to serve on our board of directors after the above-described process was completed. Ms. Morfitt was identified as a candidate by a non-employee director and an executive officer of our company, other than our chief executive officer.

Shareholders who wish to recommend individuals for consideration by our governance and nominating committee to become nominees for election to our board of directors may do so by submitting a written recommendation to our governance and nominating committee, c/o General Counsel, 2902 Corporate Place, Chanhassen, MN 55317. Submissions must include a written recommendation and the reason for the recommendation, biographical information concerning the recommended individual, including age, a description of the recommended individual's past five years of employment history and any past and current board memberships. The submission must be accompanied by a written consent of the individual to stand for election if nominated by our governance and nominating committee and to serve if elected by our board of directors or our shareholders, as applicable. Alternatively, shareholders may directly nominate a person for election to our board of directors by complying with the procedures set forth in our bylaws, any applicable rules and regulations of the Securities and Exchange Commission and any applicable laws.

Compensation Committee Interlocks and Insider Participation

During 2008, Messrs. Bateman, Halpin and Vassalluzzo, and James F. Halpin, a former director, served as the members of our compensation committee. No executive officer serves, or in the past has served, as a member of the board of directors or compensation committee of any entity that has any of its executive officers serving as a member of our board of directors or compensation committee.

Attendance at Annual Meeting

Our board of directors encourages each of its members to attend all annual meetings of shareholders that occur during a member's service on our board of directors. Two members of our board of directors attended our 2008 annual meeting of shareholders.

Communication with our Board of Directors

All interested parties, including our shareholders, may contact our board of directors by mail addressed to the attention of our board of directors, all independent directors or a specific director identified by name or title c/o General Counsel, Life Time Fitness, Inc., 2902 Corporate Place, Chanhassen, MN 55317. Our General Counsel will review all communications and then forward them to the appropriate director or directors on a periodic basis. The board of directors has instructed our General Counsel to review such correspondence and, with discretion, not to forward items that he deems to be of a commercial or frivolous nature or otherwise inappropriate for the board's consideration.

Our board of directors recommends that the shareholders vote for the election of each of the six nominees listed above to constitute our board of directors.

PROPOSAL NO. 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The firm of Deloitte & Touche LLP and its affiliates (Deloitte & Touche) has been our independent registered public accounting firm since 2002. Our audit committee has selected Deloitte & Touche to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2009, subject to ratification by our shareholders. While it is not required to do so, our audit committee is submitting the selection of that firm for ratification in order to ascertain the view of our shareholders. If the selection is not ratified, our audit committee will reconsider its selection. Proxies solicited by our board of directors will, unless otherwise directed, be voted to ratify the appointment of Deloitte & Touche as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

A representative of Deloitte & Touche will be present at the meeting and will be afforded an opportunity to make a statement if the representative so desires and will be available to respond to appropriate questions during the meeting.

Fees

The following table presents the aggregate fees for professional services provided by Deloitte & Touche in fiscal year 2008 and 2007:

Description of Fees	Fiscal Year 2008 Amount	Fiscal Year 2007 Amount
Audit Fees	\$ 742,016	\$ 700,400
Audit-Related Fees	62,647	129,510
Total Audit and Audit-Related Fees	804,663	829,910
Tax Fees	284,494	157,500
Total	\$ 1,089,157	\$ 987,410

Audit Fees.

The audit fees set forth above consist of fees for audit services in connection with Deloitte & Touche's review of our interim consolidated financial statements for the first three quarters of each fiscal year. The audit fees also include fees

for the audit of our annual consolidated financial statements and our internal control over financial reporting.

Audit-Related Fees.

The audit-related fees set forth above consist of fees for the audits of our employee benefit plan as well as fees related to accounting consultations and certain agreed-upon procedures. The audit-related fees for 2007 included fees incurred for the filing of a registration statement in connection with a public offering of common stock in August 2007.

Tax Fees.

The tax fees set forth above consist of fees for the preparation of original and amended tax returns, tax planning and analysis services and assistance with tax audits. Of the fees set forth above, Deloitte & Touche billed \$184,500 and \$123,000 for tax preparation and compliance services and \$99,994 and \$34,500 for other tax-related items during 2008 and 2007, respectively.

Approval of Independent Registered Public Accounting Firm Services and Fees

The Audit Committee Charter requires that our audit committee approve the retention of our independent registered public accounting firm for any non-audit service and consider whether the provision of these non-audit services by our independent registered public accounting firm is compatible with maintaining our independent registered public accounting firm's independence, prior to engagement for these services. Our audit committee also actively monitors the relationship between fees for audit and audit-related services and fees for other non-audit services. All of the services listed under the heading Tax Fees were pre-approved by our audit committee. Our audit committee has delegated to the chair the authority to pre-approve additional services by our independent registered public accounting firm of up to \$50,000, in the aggregate, without prior approval of the audit committee.

Our board of directors recommends that the shareholders vote for the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

AUDIT COMMITTEE REPORT

The role of our audit committee, which is composed of three independent non-employee directors, includes oversight of the integrity of our company's consolidated financial statements, our internal controls, our company's compliance with legal and regulatory requirements and the performance, qualifications and independence of our independent auditors. In performing our oversight function, we rely upon advice and information received in our discussions with management and the independent registered public accounting firm.

We have (a) reviewed and discussed our company's audited consolidated financial statements for the fiscal year ended December 31, 2008 with management; (b) discussed with Deloitte & Touche, our company's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (PCAOB Interim Auditing Standard AU Section 380, *Communication with Audit Committees*), regarding communication with audit committees; and (c) received the written disclosures and the letter from Deloitte & Touche required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche's communications with the audit committee concerning their independence, and discussed with Deloitte & Touche their independence.

Based on the review and discussions with management and our company's independent registered public accounting firm referred to above, we recommended to our company's board of directors that our audited consolidated financial statements be included in our company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 for filing with the Securities and Exchange Commission.

Audit Committee:

Guy C. Jackson, Chair
Giles H. Bateman
Martha A. Morfitt

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

We operate distinctive and large, multi-use sports and athletic, professional fitness, family recreation and spa centers in a resort-like environment. We participate in the large and growing U.S. health and wellness industry, which we define to include health and fitness centers, fitness equipment, athletics, physical therapy, wellness education, nutritional products, athletic apparel, spa services and other wellness-related activities. For compensation purposes, we currently compare our company against the hotel, restaurant and leisure global industry as well as the larger consumer services global industry.

Our compensation committee, which is composed of three independent, non-employee directors, discharges our board of directors' responsibilities with respect to all forms of compensation of our company's executive officers and oversight of our company's compensation plans. The purpose of this discussion and analysis is to summarize the philosophical principles, compensation decision-making process, specific program elements and other factors we considered in making decisions about executive compensation during fiscal year 2008.

Our compensation committee has the authority to retain outside counsel, experts and other advisors as it determines appropriate to assist it in the performance of its functions.

Compensation Philosophy

We believe that the quality, ability and commitment of our executive officers are significant factors contributing to the proper leadership of our company and driving shareholder value for our company. Our executive compensation goals are to:

attract, retain and motivate qualified talent;

motivate executives to improve the overall performance of our company and reward executives when our company achieves specific measurable results;

encourage accountability by determining salaries and incentive awards based on the company's collective performance and contribution;

ensure compensation levels are externally competitive and create internal pay equity among executives; and

align our executives' long-term interests with those of our shareholders.

Compensation Determination Process

Our company uses a variety of compensation elements to achieve our compensation philosophy, including primarily base salary, annual bonuses and long-term incentive equity awards. Our compensation committee does not use a specific formula to set compensation elements under each component, but instead attempts to achieve the appropriate balance between short-term cash compensation and long-term equity compensation and to reflect the level of responsibility of the executive officer. The factors our compensation committee considers when determining each

compensation element and when considering a material increase or decrease in a compensation element include, but are not limited to, the following:

the executive's current total compensation and the appropriate portion of the total compensation that should be performance-based;

the executive's performance as it impacts the overall performance of our company;

validation that compensation levels are externally competitive and create internal pay equity among executives that have similar levels of overall contribution to our company;

the qualifications of the executive and his potential for development and performance in the future;

whether the total compensation is generally equivalent to the executive pay level for comparable jobs at similar companies and the financial performance of those companies relative to ours;

the application of our philosophy of retention and motivation, accountability and alignment with shareholder interests;

the strategic goals and responsibilities for which the executive has responsibility; and

the recommendations of the Chief Executive Officer (except with respect to his own compensation).

Annually, our compensation committee reviews the executive compensation program in connection with our company's merit review and compensation plan process, which typically concludes on or about March 1 for a fiscal year. In general, our compensation committee begins this review process by determining the total cash compensation to be paid to an executive based on a review of the executive pay level for comparable jobs at similar companies, as described below, and the financial performance of those companies relative to ours, in addition to considering the other factors listed above. After the total cash compensation has been determined, our compensation committee allocates a portion of that amount to performance-based compensation to reflect the committee's belief that a certain portion of total compensation should be incentive compensation. The difference between the total cash compensation and potential annual bonus portion, or the performance-based cash portion, of total cash compensation is the executive's base salary, which is also established by considering the other factors listed above. Our compensation committee then uses total cash compensation as a basis to establish long-term incentive equity awards, as well as the long-term incentive equity awards being granted by similar companies, while also considering the other factors listed above.

Our compensation committee engaged the services of Pearl Meyer & Partners in late 2006 and instructed them to provide a competitive assessment of our total cash compensation and long-term incentive elements and review our company's long-term incentive compensation element in order to assist in the development of a forward-looking strategy. As part of this study, Pearl Meyer & Partners compared our base salary, annual bonuses and long-term incentive award elements primarily against two updated peer groups. The first peer group was composed of 13 publicly traded companies within the hotels, restaurant and leisure global industry classification that each had similar size, revenues and market capitalization as compared to our company. The companies selected to be a part of this peer group were Bally Total Fitness Holding Corporation, CEC Entertainment Inc., Cedar Fair, L.P., Chipotle Mexican Grill, Inc., Dine Equity, Inc., International Speedway Corporation, Panera Bread Company, Pinnacle Entertainment, Inc., Sonic Corporation, Speedway Motorsports, Inc., Texas Roadhouse, Inc., Town Sports International Holdings, Inc. and Vail Resorts, Inc. The second peer group was composed of 11 publicly traded companies from the consumer services global industry classification, each with similar size or market capitalization to revenue ratios as compared to our company. The companies selected to be a part of this peer group were Bally Total Fitness Holding Corporation, Cedar Fair, L.P., International Speedway Corporation, ITT Educational Services, Inc., Jackson Hewitt Tax Service, Inc., Panera Bread Company, Pinnacle Entertainment, Inc., Sotheby's, Speedway Motorsports, Inc., Town Sports International Holdings, Inc. and Vail Resorts Inc. Our compensation committee considered this information, in addition to the factors described above, when determining the long-term incentives payable to our executives in fiscal 2006.

In connection with the compensation applicable to our 2007 fiscal year for executives, our compensation committee reviewed the base salary, annual bonuses and long-term incentive equity award elements and levels for our executives. Our compensation committee compared the general level of our company's executive base salary, annual bonus and

long-term incentive equity award compensation elements against the group of other publicly held companies, previously identified in 2006 by Pearl Meyer & Partners and listed above, that were generally similar to ours in growth-rate, market capitalization and financial performance. Our compensation committee considered this information in addition to the other factors described above when determining the base salary, annual bonus and long-term incentive equity award levels to be paid to our executives for fiscal 2007.

In connection with the compensation applicable to our 2008 fiscal year for executives, our compensation committee reviewed the base salary, annual bonuses and long-term incentive equity award elements and levels for our executives. Mr. Akradi requested that his total compensation be paid in the form of restricted stock as an expression of his confidence in the value of our company. Mr. Akradi also recommended that the 2008 cash compensation packages for each of the other members of the executive team remain unchanged from the previous year, as a result of the decline of our stock price in late 2007 and early 2008. Our compensation committee engaged Pearl Meyer & Partners to assess the competitiveness of our executive compensation programs and to consider the merits of an all equity compensation program for Mr. Akradi in 2008. As part of this study, Pearl Meyer & Partners compared our base salary, annual bonuses and long-term incentive award elements primarily against the peer groups that they had previously created, with the exception that Bally Total Fitness was removed from both peer groups. Pearl Meyer & Partners described several positive attributes of an all equity pay program for Mr. Akradi in 2008, including the message to the market, the deferral of expenses over the vesting period and the use of a performance-vesting feature for a portion of the award, and provided various scenarios for our compensation committee to consider. Our compensation committee considered this information in addition to the other factors described above when determining the compensation package to offer Mr. Akradi as well as the base salary, annual bonus and long-term incentive equity award levels to be paid to our executives other than Mr. Akradi for fiscal 2008.

For fiscal 2009, our compensation committee engaged the services of Mercer to assess our total cash compensation and long-term incentive elements. In light of the current challenging economic times, our company has determined that it will not, for the most part, increase the compensation packages offered to our employees. In the spirit of maintaining internal pay consistency across all employees, Mr. Akradi informed our compensation committee that the members of the executive management team requested that their total compensation plans not be increased from 2008 levels. Mercer provided an analysis of the base salary, total cash compensation and long-term incentive equity awards of the highest paid executives of our peer group companies identified above for the purpose of providing an assessment to our compensation committee of a compensation package to offer Mr. Akradi. Our compensation committee considered this information in addition to other factors described above when it elected to offer a cash compensation package for Mr. Akradi for our 2009 fiscal year, which consisted of a \$750,000 base salary and a \$750,000 target annual bonus. Mr. Akradi's compensation was approved in January 2009 since he had not been receiving cash compensation from us for over a year. Any long-term incentive equity award for Mr. Akradi in 2009 will be considered at the time the compensation plans are finalized for our other executives, in mid-March.

Management Participation. Members of executive management participate in our compensation committee's meetings at the committee's request. Management's role is to contribute input and analysis to the committee's discussions. Management does not participate in the final determination or recommendation of the amount or form of executive compensation, except that our Chief Executive Officer does participate in the final recommendation, but not determination, of the amount and form of compensation to be paid to all other members of executive management. Our Executive Vice President and General Counsel, who oversees our compensation and human resources department, provides information to the compensation consultants engaged by the committee and assists in the design of our compensation programs.

Use of Consultants. From time to time and as noted above, our compensation committee uses outside compensation consultants to assist it in analyzing our company's compensation programs and determining appropriate levels of compensation and benefits. The decision to retain consultants and, if so, which consultants to retain, is made solely by our compensation committee.

Executive Compensation Elements

Our company's executive compensation package ordinarily consists of base salaries, annual bonuses, long-term incentive awards, other compensation, a deferred compensation plan and severance, and change in control benefits.

Base Salary

Purpose. Our base salaries are designed to provide regular recurring compensation for the fulfillment of the regular duties and responsibilities associated with job roles. We also use base salaries as an important part of attracting and retaining talented executives.

Structure; Determination Process; Factors Considered. Our compensation committee generally establishes base salaries for executives after first determining the executive's total cash compensation amount and the portion of the total cash compensation amount that will be an annual bonus opportunity, with the difference being the executive's base salary. Our compensation committee then may adjust the executive's base salary based on a consideration of the factors outlined under "Compensation Determination Process" in making its decisions. Our compensation committee reviews base salaries annually.

2008 Results. For fiscal year 2008, our compensation committee determined that Mr. Akradi's total compensation would be paid in the form of restricted stock, as he requested.

For fiscal year 2008, our compensation committee determined that the base salaries for Mr. Gerend, our President and Chief Operating Officer, Mr. Robinson, our Chief Financial Officer, Mr. Buss, our Executive Vice President and General Counsel, and Mr. Zaebst, our Executive Vice President should remain unchanged from the base salaries that were provided to each of these executives in 2007.

Our compensation committee considered Mr. Akradi's recommendation that base salaries remain unchanged for these members of the executive team as a result of the decline in the price of our stock in late 2007 and early 2008.

Annual Bonuses

Purpose. All executive officers, as well as certain other senior and management-level employees, ordinarily participate in our annual bonus program. We believe that this program provides an incentive to the participants to deliver upon the financial performance goals of our company. The financial performance goals are derived from our annual financial budget and our site business plans and based on our actual performance during the current fiscal year.

Structure. Our compensation committee generally establishes annual bonus opportunities for executives after first determining the executive's total cash compensation amount and then determining the proportion of the total cash compensation amount that will be an annual bonus opportunity. Our compensation committee feels that individual executive performances should not be highlighted in the area of annual bonuses given the executive team's focus on collaborative decision making and its intent to use this compensation element to link the interests of executives with our company's bottom line. Our compensation committee reviews the program annually, however, and may adjust the executive's annual bonus opportunity based on a consideration of the factors outlined under "Compensation Determination Process" in making its decisions.

Under our annual bonus program, we provide for the payment of cash bonuses to each participant, on a monthly basis throughout the year, based upon our year-to-date performance in relation to predetermined year-to-date financial objectives. In addition, we provide for the payment of an additional cash bonus to our executives annually based upon our annual performance in relation to certain other predetermined annual financial objectives. We may withhold payout on the monthly portion of the year-to-date bonus component to offset a negative variance in the annual bonus component. Our compensation committee approves the financial objectives that are utilized for purposes of determining all bonuses and assigns "Target Bonuses" for each executive participant to create a Target Bonus which

typically approximates 33% of an executive's total target cash compensation. The Target Bonus amount is prorated on a year-to-date basis to determine the monthly portion of the year-to-date cash bonus payout and the full-year Target Bonus amount is used to determine the annual cash bonus opportunity at the end of a fiscal year.

Actual bonuses paid to participants are calculated based upon the relationship of our actual financial performance to budgeted financial performance on a monthly year-to-date basis. Accordingly, if actual financial performance is less than budgeted financial performance, the actual bonus paid to the participant would be proportionately less than the participant's Target Bonus. At the same time, if actual financial performance exceeds budgeted financial performance, the actual bonus paid to the participant would proportionately exceed the participant's Target Bonus. At all participation levels, the actual bonuses paid are based upon the relationship of actual financial performance to budgeted financial performance, on a monthly year-to-date or annual basis, as applicable. Accordingly, the total actual bonus paid to each participant could exceed the participant's Target Bonus if actual financial performance exceeded budgeted financial performance for such participant.

Target Bonus and Measurement Determination Process. For fiscal year 2008, the financial objectives selected under our bonus components for all of our executives receiving bonuses were earnings before taxes (EBT) for the year-to-date period (YTD) as compared against our 2008 financial plan. Payouts pursuant to EBT were made monthly. Additionally, return on invested capital (ROIC) was measured on an annual basis and was compared to our 2008 financial plan. The impact of the ROIC measurement is capped at no more than a 10% increase, or decrease, as the case may be, of the total Target Bonus at the end of the fiscal year. Our compensation committee feels that applying these specific financial metrics to the executive team is appropriate given the requirement that they work collectively in order to achieve top-level growth while reducing operating expenses and expenses in areas of interest, depreciation and amortization.

EBT. EBT consists of net income plus provision for income taxes. Our company uses EBT as a measure of operating performance. The targeted EBT objective of \$139 million set for fiscal 2008 was the same as for our company's internal plan for EBT in fiscal 2008. We feel that the EBT objective represented an achievable but challenging goal.

ROIC. The ROIC formula consisted of a numerator, which was defined as: EBITDA minus Maintenance Capital Expenditures plus Rent Expense minus Taxes. The denominator was defined as: Average Working Capital plus Average Fixed Assets, plus Rent Expense multiplied by 7. The targeted ROIC objective for fiscal 2008 was 9.2%. We feel that the ROIC objective represented an achievable but challenging goal.

For fiscal 2008, our compensation committee determined that the Target Bonus for all executives other than Mr. Akradi, should remain at approximately 33% of their total target cash compensation based on the committee's belief that approximately one-third of total cash compensation should be performance-based. Our compensation committee made this determination in order to create Target Bonus percentage equity among all executives receiving Target Bonuses. Given that the base salaries of each of the executives, other than Mr. Akradi, remained unchanged from 2007 to 2008, the Target Bonus for each executive, other than Mr. Akradi, remained unchanged from 2007 to 2008 as well.

2008 Results. Our company achieved EBT of \$124 million for fiscal 2008, as adjusted for \$5 million of charges that we incurred in the fourth quarter of 2008 in connection with our plans to slow our rate of new center expansion, which was below the target and resulted in a payout equal to 89% of target total cash compensation. Our company achieved ROIC of 8.7%, which was below the target and resulted in a forfeiture equal to 10% of each executive's annual target bonus. As a result of our 2008 operating results, actual total cash compensation for our executives amounted to approximately 86% of targeted total cash compensation.

Long-Term Incentive Awards

Purpose. We believe that equity-based incentives are an important part of total compensation for our executives as well as for certain other senior and management-level employees. We believe that this type of

compensation creates the proper incentive for management and aligns the interests of our management with the interests of our shareholders. Our compensation committee views the grant of

equity-based compensation and other like awards to be a key component of our overall compensation program.

Structure; Determination Process; Factors Considered. The Amended and Restated Life Time Fitness, Inc. 2004 Long-Term Incentive Plan, referred to as the 2004 Plan, allows us to issue incentive or non-qualified stock options, restricted stock, stock units, performance stock units and/or other cash or equity-based incentive awards. The terms of our 2004 Plan dictate that award re-pricing cannot occur without shareholder approval and that awards cannot be granted with exercise prices below fair market value. To date, our compensation committee, as administrator of our 2004 Plan, has granted time-based vesting and performance-based vesting stock options as well as time-based vesting and performance-based vesting restricted stock.

In general, we grant awards that as of the grant date are proportional to the executive's total potential cash compensation for the current fiscal year, which our compensation committee believes, based on the review and analysis provided by Pearl Meyer & Partners, is the best measure to use in order to remain competitive with the equity awards granted to executives of the companies in the peer groups identified in the Compensation Determination Process section. The proportion of equity to total cash compensation to be granted, as well as the actual number of shares awarded to each executive officer, is determined and approved by our compensation committee after considering the expected expense to our company in addition to the factors outlined under the Compensation Determination Process. Our compensation committee annually reviews the long-term incentive program and information relevant to approving annual awards for executive officers.

2008 Results. For fiscal 2008, our compensation committee determined that the executive team in place at that time should each be granted restricted shares that vest as to 25% of the total number of shares on March 1 of each of 2009, 2010, 2011 and 2012, subject to accelerated vesting in certain circumstances.

Our compensation committee provided, however, that the number of restricted shares vesting on each regular vesting date will be reduced pursuant to the sliding scale described below in the event that our company does not achieve budgeted EBT for fiscal 2008. If the EBT hurdle is not achieved: (i) five percent (5%) of the restricted shares shall be forfeited; and (ii) an additional five percent (5%) of the restricted shares shall be forfeited for each range by which our company's actual EBT for 2008 is less than 98.5% of the budgeted EBT for 2008, as follows: (i) 97.5% to 98.49%; (ii) 96.5% to 97.49%; (iii) 95.5% to 96.49%; (iv) 94.5% to 95.49%; and (v) so on; however, in no event will the number of forfeited shares exceed 25% of the original number of restricted shares granted to Mr. Akradi or 50% of the original number of restricted shares granted to Messrs. Gerend, Robinson, Buss and Zaebst.

On March 14, 2008, our compensation committee issued Mr. Akradi 188,960 restricted shares, Messrs. Gerend and Robinson each 22,680 restricted shares, and Messrs. Buss and Zaebst 18,140 restricted shares, with the provisions described above. The value of the restricted shares granted to Messrs. Gerend, Robinson, Buss and Zaebst represented a 20% increase in the value of the restricted shares that were granted to each of them in connection with their fiscal 2007 total compensation plans. Our compensation committee elected to increase the value of the long-term incentive awards to reward the efforts of the executive team with an incentive that was designed to drive long-term shareholder value. Because the EBT hurdle for 2008 was not achieved, 25% of Mr. Akradi's restricted shares were forfeited and 50% of Messrs. Gerend's, Robinson's, Buss' and Zaebst's restricted shares were forfeited.

Other Compensation

We provide our executive officers with perquisites and benefits that we believe are reasonable, competitive and consistent with the company's overall executive compensation program in order to attract and retain talented executives. Our executives are entitled to few benefits that are not otherwise available to all of our employees. The compensation committee periodically reviews the levels of perquisites and other personal benefits provided to executive officers.

Deferred Compensation

We offer the Executive Nonqualified Excess Plan of Life Time Fitness, a non-qualified deferred compensation plan, for the benefit of our highly compensated employees, which our plan defines as our employees whose projected compensation for the upcoming plan year would meet or exceed the IRS limit for determining highly compensated employees. This unfunded, non-qualified deferred compensation plan allows participants the ability to defer and grow income for retirement and significant expenses in addition to contributions made to our 401(k) plan.

Employment Agreements and Change in Control Provisions

In July and August 2004, we entered into employment agreements for certain of our executive officers and other members of senior management. We amended and restated these employment agreements in December 2008 in response to requirements under Section 409A of the Internal Revenue Code. We believe that our company has achieved growth through innovative, confidential and proprietary management and marketing methods and plans. Therefore, it was necessary to enter into employment agreements to assure protection of our goodwill and confidential and proprietary information, management and marketing plans.

In addition, we also wanted to assure that certain of our executive officers and other members of senior management would continue to serve us under circumstances in which there was possible threatened or actual change of control at our company. We believe it is imperative to diminish the inevitable distraction of certain of our executive officers and other members of senior management by virtue of the personal uncertainties and risks created by a potential severance of employment and to encourage their full attention and dedication to our company currently and in the event of any threatened or impending change of control, and to provide these persons with compensation and benefits arrangements upon a severance of employment which ensure that their compensation and benefits expectations will be satisfied and which are competitive with those of other companies. For these reasons, our company also included accelerated vesting of equity awards upon a change in control under our 2004 Plan and the LIFE TIME FITNESS, Inc. 1998 Stock Option Plan, referred to as our 1998 Plan.

We do not currently have an employment agreement with Mr. Akradi. Our compensation committee feels that because Mr. Akradi is a principal shareholder of our company, our company's goodwill and confidential and proprietary information and management and marketing plans are adequately protected and that Mr. Akradi will continue to serve us with our best interests in mind under circumstances in the event of a possible threatened or actual change of control at our company.

Accounting and Tax Impacts of Executive Compensation

Section 162(m) of the Internal Revenue Code generally precludes a public corporation from taking a federal income tax deduction for compensation paid in excess of one million dollars per year to certain covered officers. Under this section, compensation that qualifies as performance-based is excludable in determining what compensation amount shall qualify for tax deductibility. Covered employees include each of our named executive officers.

Our compensation committee considers our ability to fully deduct compensation in accordance with the one million dollar limitations of Section 162(m) in structuring our compensation programs. However, our compensation committee retains the authority to authorize the payment of compensation that may not be deductible if it believes such payments would be in the best interests of the company and its shareholders. In 2008, Section 162(m) did not limit the deductibility of expenses that we recognized in connection with the compensation plans for all of our named executive officers.

At our 2008 annual meeting of shareholders, we submitted for approval, and our shareholders approved, our Life Time Fitness, Inc. Executive Cash Bonus Plan. Certain performance-based payments qualify for an exemption from the one million dollar limitation of Section 162(m) described above; however, in order to qualify, the material terms of the performance targets must be approved by our shareholders every five years. As a result of our shareholders approval of the plan, amounts paid under the objective performance targets

will, under current tax law, qualify as performance-based compensation. Mr. Akradi's 2009 annual bonus has been granted and will be administered under this cash bonus plan.

Compensation Committee Report

The compensation committee has discussed and reviewed the Compensation Discussion and Analysis with management. Based upon this review and discussion, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation Committee:

Joseph S. Vassalluzzo, Chair

Giles H. Bateman

John B. Richards

Summary Compensation Table

The following table shows, for our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers, together referred to as our named executive officers, information concerning compensation earned for services in all capacities during the fiscal years ended December 31, 2008, 2007 and 2006:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-Equity Incentive	All Other Compensation (\$)(2)	Total (\$)
						Plan Compensation (\$)		
Mr. Akradi	2008			2,163,619	460,379		225,859	2,849,857
Chairman of the Board	2007	926,667		2,234,159	459,304	480,083	76,197	4,176,307
Member of the Board of Directors and Chief Executive Officer	2006	870,000		1,274,203	1,594,309	371,095	60,261	4,169,868
Mr. Michael J. Gerend	2008	335,000(3)		361,816	83,317	93,500	35,224	908,857
President and Chief Operating Officer	2007	329,167(3)		256,665	192,601	172,333	36,014	986,776
	2006	300,000(3)		29,222	388,640	137,221	33,454	888,547
Mr. Michael R. Robinson	2008	335,000		361,035	61,393	93,500	25,360	876,288
Executive Vice President	2007	325,833		256,665	121,215	170,567	24,866	899,126
Chief Financial Officer	2006	280,000		29,222	474,062	127,667	30,095	941,046
Mr. Mark L. Zaebst	2008	268,000(4)		322,983	38,374	74,800	26,432	730,589
Executive Vice President	2007	266,667		170,514	41,778	139,633	29,563	648,152
	2006	240,000	21,365	21,599	248,622	105,377	26,080	663,043
Mr. J. Buss	2008	268,000		278,735	38,374	74,800	22,101	682,010
Executive Vice President, General Counsel and Secretary	2007	256,667		195,930	54,680	134,333	21,057	662,667
	2006	200,000	30,000	21,599	269,657	85,212	21,618	628,096

(1) Values expressed represent the actual compensation cost recognized by us during fiscal 2006, 2007 and 2008 for equity awards granted in those years and prior years as determined pursuant to Statement of Financial

Accounting Standards No. 123, Share-Based Payment (SFAS 123(R)) utilizing the assumptions discussed in note 2 to our consolidated financial statements for the fiscal year ended December 31, 2007 (as it related to option awards granted in 2005) and utilizing the assumptions discussed in note 2 to our consolidated financial statements for the fiscal year ended December 31, 2008 (as it relates to all other awards), but disregarding the estimate of forfeitures related to service-based vesting.

(2) The following table sets forth all other compensation amounts for 2008 by type:

Name	Home Connectivity (\$)	Use of Company	Car Allowance (\$)	Executive Matching		Long-term Disability and Life Insurance Premiums (\$)	Personal Use of Company Aircraft (\$)	Private Club Dues (\$)	Other Compensation (\$)(c)	Total All Other Compensation (\$)
		Car and Related Expenses (\$)		Medical Benefits (\$)	401(k) Contributions (\$)					
Muhammad Akradi	50,231(a)	11,176		1,612	6,750	1,062	28,600(b)		126,428	225,859
Michael J. Gerend	4,529		9,600	4,129	6,750	1,062		9,154		35,224
Michael R. Robinson	4,541		9,000	4,129	6,750	940				25,360
Mark L. Zaebst	900	10,750		7,310	6,750	722				26,432
Eric J. Buss	900		9,600	4,129	6,750	722				22,101

- (a) Home connectivity includes a high-speed network providing seamless integration of the computing and telephony environments at Mr. Akradi's home office with those of our corporate headquarters, including the ability to use his home as a full-service remote meeting location. We directly paid a vendor for Mr. Akradi's home connectivity along with his cell phone plan and wireless card.
- (b) Mr. Akradi used the company aircraft for four personal flights during the 2008 fiscal year. To calculate the aggregate incremental cost to the company for the aircraft's additional use, the total operating hours for each of Mr. Akradi's personal flights was multiplied by the actual operating cost per hour during the month the flight was taken. The aggregate incremental cost to the company for each flight was then added together for the sum total of \$28,600 for the 2008 fiscal year.
- (c) We paid for Mr. Akradi's costs associated with a regulatory filing that was required by the Hart-Scott-Rodino Act in connection with our issuance of restricted stock to him in March 2008, for his 2008 compensation package.

In addition to the amounts set forth above, our named executive officers received perquisites for which there was no incremental cost to us. These perquisites include use of company tickets to certain entertainment events, minor personal travel associated with travel and lodging for which the purpose of the trip was primarily business-related, and use of our company's support staff for assistance with personal matters. In addition, certain personal guests accompanied each of Mr. Akradi, Mr. Robinson and Mr. Zaebst while each was utilizing our plane for business-related purposes.

- (3) For the fiscal year ended December 31, 2008, \$110,022 of Mr. Gerend's base salary shown on the Summary Compensation Table above was deferred under the Executive Nonqualified Excess Plan. For the fiscal year ended December 31, 2007, \$120,000 of Mr. Gerend's base salary shown on the Summary Compensation Table above was deferred under the Executive Nonqualified Excess Plan. For the fiscal year ended December 31, 2006, \$30,000 of Mr. Gerend's base salary shown on the Summary Compensation Table above was deferred under the Executive Nonqualified Excess Plan.

- (4) For the fiscal year ended December 31, 2008, \$24,750 of Mr. Zaebst's base salary shown on the Summary Compensation Table above was deferred under the Executive Nonqualified Excess Plan.

Grants of Plan-Based Awards in 2008

The following table sets forth certain information concerning plan-based awards granted to the named executive officers during the 2008 fiscal year. No options were re-priced or materially modified during the fiscal year.

Name	Grant Date	Estimated Future Payouts Under Non- Equity Incentive	Estimated Future		Grant Date Fair Value of Stock and Option Awards \$(3)
		Plan Awards Target \$(1)	Payouts Under Equity Incentive Plan Awards Threshold #(2)	Target #(2)	
Bahram Akradi	3/14/2008	0	141,720	188,960	4,999,882
Michael J. Gerend	3/14/2008	165,000	11,340	22,680	600,113
Michael R. Robinson	3/14/2008	165,000	11,340	22,680	600,113
Mark L. Zaebst	3/14/2008	132,000	9,070	18,140	479,984
Eric J. Buss	3/14/2008	132,000	9,070	18,140	479,984

- (1) These amounts represent the potential target bonus amounts available to our executives for fiscal 2008 as described in the Annual Bonuses section beginning on page 13. Actual target bonuses paid are calculated based upon the relationship of our actual financial performance to budgeted financial performance and are not limited by any minimum or maximum thresholds. Accordingly, if actual financial performance is less than budgeted financial performance, the actual target bonus paid to the executive would be proportionately less than the executive's potential target bonus. At the same time, if actual financial performance exceeds budgeted financial performance, the actual target bonus paid to the executive would proportionately exceed the executive's potential target bonus. The actual amounts of the target bonuses earned by our executives during fiscal 2008 are listed in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 17.
- (2) The restricted stock was granted under our 2004 plan and the shares granted vest as to 25% of the total number of shares on March 1 of each of 2009, 2010, 2011 and 2012, subject to accelerated vesting in certain circumstances. The number of restricted shares vesting on each regular vesting date will be reduced pursuant to the sliding scale described below in the event that we do not achieve budgeted EBT for fiscal 2008. If the EBT hurdle is not achieved: (i) five percent (5%) of the restricted shares shall be forfeited; and (ii) an additional five percent (5%) of the restricted shares shall be forfeited for each range by which our company's actual EBT for 2008 is less than 98.5% of the budgeted EBT for 2008, as follows: (i) 97.5% to 98.49%; (ii) 96.5% to 97.49%; (iii) 95.5% to 96.49%; (iv) 94.5% to 95.49%; and (v) so on; however, in no event will the number of forfeited shares exceed 25% for Mr. Akradi and 50% for Messrs. Gerend, Robinson, Zaebst and Buss of the original number of restricted shares.

Executives may vote and receive dividends, if any, on restricted shares that they hold. Restricted shares may not be transferred and are subject to possible forfeiture until they vest, which forfeiture occurs when an executive ceases to be employed by us for any reason other than death or total disability unless our board of directors determines

otherwise. In the event of the death or total disability of an executive prior to the granting of a restricted stock award in respect of the fiscal year in which such event occurred, the restricted stock award may, in the discretion of our board of directors, be granted in respect of such fiscal year to the disabled executive or his or her estate. In addition, in the case of an executive's death or total disability (see Employment Agreements and Change in Control Provisions on page 24), all restricted shares then outstanding that have not previously vested or been forfeited will vest in proportion to the term of the award during which the executive was employed. Finally, in the case of the occurrence of a change in control (see Employment Agreements and Change in Control Provisions on page 24), all restricted shares then outstanding that have not previously vested or been forfeited will vest immediately.

- (3) Valuation of awards based on the grant date fair value of those awards determined pursuant to SFAS 123(R) utilizing assumptions discussed in note 2 to our consolidated financial statements for the fiscal year ended December 31, 2008. The actual compensation cost recognized by our company during fiscal 2008 for these

awards in addition to the cost of equity awards granted in prior years are listed in the Stock Awards column of the Summary Compensation Table on page 17.

Outstanding Equity Awards at 2008 Fiscal Year-End

The following table sets forth certain information concerning equity awards outstanding to the named executive officers at December 31, 2008.

Name	Number of Securities	Option Awards			Stock Awards	
		Number of Securities	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
	Underlying Unexercised Options (#) Exercisable	Underlying Unexercised Options (#) Unexercisable	(\$)		(#)	(\$)(1)
Bahram Akradi		37,500(2)	25.47	3/1/2015	204,220(3)	2,644,649
Michael J. Gerend	40,000(4)		8.00	3/1/2013		
	54,000(5)		18.50	6/29/2014		
	15,000(6)	5,000(6)	25.47	3/1/2015	24,590(7)	318,441
Michael R. Robinson	20,000(8)		8.00	3/13/2012		
	2,000(9)		8.00	4/1/2013		
	43,000(10)		12.00	12/17/2013		
	67,500(5)		18.50	6/29/2014		
	15,000(6)	5,000(6)	25.47	3/1/2015	24,590(7)	318,441
Mark L. Zaebst	2,000(9)		8.00	4/1/2013		
	6,250(11)	3,125(11)	25.47	3/1/2015	20,070(12)	259,907
Eric J. Buss	7,500(13)		12.00	12/17/2013		
	21,600(5)		18.50	6/29/2014		
	9,375(11)	3,125(11)	25.47	3/1/2015	19,320(14)	250,194

(1) Value based on a share price of \$12.95, which was the closing price for a share of our common stock on the New York Stock Exchange on December 31, 2008.

(2) Stock option granted on March 1, 2005 for 150,000 shares vests and becomes exercisable in 25% increments on each annual anniversary of grant.

(3)

Includes a restricted stock award of 50,000 shares granted November 1, 2006, which vests 25% on each 10-month anniversary of the grant date. Also includes a restricted stock award of 50,000 shares granted on March 14, 2007, which vests 25% of the total number of shares on March 1 of each of 2008, 2009, 2010 and 2011, subject to accelerated vesting in certain circumstances. Also includes a restricted stock award of 188,960 shares granted on March 14, 2008, which vests 25% of the total number of shares on March 1 of each of 2009, 2010, 2011, 2012, subject to accelerated vesting in certain circumstances. However, 25% of Mr. Akradi's March 14, 2008 restricted stock award was forfeited because we did not achieve budgeted EBT for fiscal 2008 pursuant to the sliding scale described in footnote 2 to the Grants of Plan-Based Awards table.

- (4) Stock option granted on March 1, 2003 for 200,000 shares vested and became exercisable in 20% increments on each annual anniversary of grant.

- (5) The stock options granted to Mr. Robinson (67,500 shares) and Messrs. Gerend and Buss (54,000 shares each) on June 29, 2004 each vest as to 50% of the shares on each of June 29, 2010 and June 29, 2011, subject to accelerated market condition vesting. Under the market condition vesting provisions, 20% of the shares vested on May 25, 2005 because the public market price of our common stock closed at or above \$25.00 for 90 consecutive calendar days and 20% of the shares vested on September 7, 2005 because the public market price of our common stock closed at or above \$30.00 for 90 consecutive calendar days. In addition, under the original performance vesting terms of the option, 20% of the shares were to vest if the stock price closes at or above \$35.00 for 90 consecutive calendar days, 20% of the shares were to vest if the stock price closes at or above \$40.00 for 90 consecutive calendar days and 20% of the shares were to vest if the stock price closes at or above \$45.00 for 90 consecutive calendar days. On December 16, 2005, the compensation committee of our company's board of directors approved an amendment that reduced the number of consecutive days during which the price must close at or above \$35.00, \$40.00 and \$45.00 from 90 to 60 consecutive days in order for each of the last three tranches (each equal to 20% of the original number of shares granted) to vest. Under the market condition vesting provisions, 20% of the shares vested on December 26, 2005 because the public market price of our common stock closed at or above \$35.00 for 60 consecutive calendar days, 20% of the shares vested on April 10, 2006 because the public market price of our common stock closed at or above \$40.00 for 60 consecutive days and 20% of the shares vested on May 15, 2006 because the public market of our common stock closed at or above \$45.00 for 60 consecutive days.
- (6) Stock option granted March 1, 2005 for 20,000 shares vests and becomes exercisable in 25% increments on each annual anniversary of grant.
- (7) Restricted stock award of 11,500 shares granted November 1, 2006 vests 25% on each 10-month anniversary of the grant date. Also includes a restricted stock award of 10,000 shares granted on March 14, 2007, which vests 25% of the total number of shares on March 1 of each of 2008, 2009, 2010 and 2011, subject to accelerated vesting in certain circumstances. Also includes a restricted stock award of 22,680 shares granted on March 14, 2008, which vests 25% of the total number of shares on March 1 of each of 2009, 2010, 2011 and 2012, subject to accelerated vesting in certain circumstances. However, 50% of Mr. Gerend's and Mr. Robinson's March 14, 2008 restricted stock awards were forfeited because we did not achieve budgeted EBT for fiscal 2008 pursuant to the sliding scale described in footnote 2 to the Grants of Plan-Based Awards table.
- (8) Stock option granted on March 13, 2002 for 100,000 shares vested and became exercisable in 20% increments on each annual anniversary of grant.
- (9) Stock option granted on April 1, 2003 for 5,000 shares vested and became exercisable in 20% increments on each January 1 of 2004, 2005, 2006, 2007 and 2008.
- (10) Stock option granted December 17, 2003 for 45,000 shares vested and became exercisable in a 50% increment on August 15, 2005 and in 25% increments on August 15 of 2006 and 2007.
- (11) Stock option granted on March 1, 2005 for 12,500 shares vests and becomes exercisable in 25% increments on each annual anniversary of grant.
- (12) Restricted stock award of 8,500 shares granted November 1, 2006 vests 25% on each 10-month anniversary of the grant date. Also includes restricted award of 5,000 shares granted March 14, 2007, which vests 25% of the total number of shares on March 1 of each of 2008, 2009, 2010 and 2011, subject to accelerated vesting in certain circumstances. Also includes restricted stock award of 4,000 shares granted on December 12, 2007, which vests 25% of the total number of shares on March 1 of each of 2008, 2009, 2010 and 2011, subject to

accelerated vesting in certain circumstances. Also includes a restricted stock award of 18,140 shares granted on March 14, 2008, which vests 25% of the total number of shares on March 1 of each of 2009, 2010, 2011 and 2012, subject to accelerated vesting in certain circumstances. However, 50% of Mr. Zaebst's March 14, 2008 restricted stock award was forfeited because we did not achieve budgeted EBT for fiscal 2008 pursuant to the sliding scale described in footnote 2 to the Grants of Plan-Based Awards table.

- (13) Stock option granted December 17, 2003 for 15,000 shares vested and became exercisable in a 50% increment on August 15, 2005 and in 25% increments on August 15 of 2006 and 2007.

- (14) Restricted stock award of 8,500 shares granted November 1, 2006 vests 25% on each 10-month anniversary of the grant date. Also includes restricted stock award of 8,000 shares granted on March 14, 2007, which vests 25% of the total number of shares on March 1 of each of 2008, 2009, 2010 and 2011, subject to accelerated vesting in certain circumstances. Also includes a restricted stock award of 18,140 shares granted on March 14, 2008, which vests 25% of the total number of shares on March 1 of each of 2009, 2010, 2011 and 2012, subject to accelerated vesting in certain circumstances. However, 50% of Mr. Buss March 14, 2008 restricted stock award was forfeited because we did not achieve budgeted EBT for fiscal 2008 pursuant to the sliding scale described in footnote 2 to the Grants of Plan-Based Awards table.

2008 Option Exercises and Stock Vested

The following table sets forth certain information concerning options exercised and stock vested during fiscal 2008 for the named executive officers:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Bahram Akradi	37,500	417,375	50,000	1,975,125
Michael J. Gerend			5,375	157,721
Michael R. Robinson			5,375	157,721
Mark L. Zaebst			4,375	128,264
Eric J. Buss	2,000	41,620	4,125	120,999

Nonqualified Deferred Compensation for 2008

The following table sets forth certain information concerning nonqualified deferred compensation contributed to the Executive Nonqualified Excess Plan of Life Time Fitness of amounts earned during fiscal 2008 for the named executive officers:

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last FYE (\$)(1)
Bahram Akradi					
Michael J. Gerend	110,022(2)		(73,269)(3)		189,288
Michael R. Robinson					
Mark L. Zaebst	24,750(4)		(5,129)(5)		19,621
Eric J. Buss					

- (1) For fiscal 2007, Mr. Gerend deferred \$120,000 to our Executive Nonqualified Excess Plan, which earned \$1,413 on a 1.61% rate of return for an aggregate balance of \$152,534. Of that amount, all \$120,000 was reported in the Salary column of the Summary Compensation for the fiscal year ended December 31, 2007. For fiscal 2006, Mr. Gerend deferred \$30,000 to our Executive Nonqualified Excess Plan, which earned \$1,121 on a 17.7% rate of return for an aggregate balance of \$31,121 for the fiscal year ended December 31, 2006. Of these amounts, \$30,000 was reported in the Salary column and \$718 was reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table for the fiscal year ended December 31, 2006.
- (2) This amount was reported in the Summary Compensation Table for 2008 as part of Mr. Gerend's base salary compensation.
- (3) The earnings listed represent, as determined by the third party administrator of the Executive Nonqualified Excess Plan of Life Time Fitness, the change in the value of the investment choices selected by the participant during the fiscal year, weighted for activity, such as increases credited under the plan, transfers, and

distributions, and taking into consideration any fees, reinvestments, net asset value changes, and earnings credited to the investment choices. Mr. Gerend's rate of return was -35.18%.

- (4) This amount was reported in the Summary Compensation Table for 2008 as part of Mr. Zaebst's base salary compensation.
- (5) The earnings listed represent, as determined by the third party administrator of the Executive Nonqualified Excess Plan of Life Time Fitness, the change in the value of the investment choices selected by the participant during the fiscal year, weighted for activity, such as increases credited under the plan, transfers, and distributions, and taking into consideration any fees, reinvestments, net asset value changes, and earnings credited to the investment choices. Mr. Zaebst's rate of return was -40.92%.

All highly compensated employees eligible to participate in the Executive Nonqualified Excess Plan of Life Time Fitness, including but not limited to our executives, may elect to defer up to 50% of their annual base salary and/or annual bonus earnings to be paid in any coming year. The investment choices available to participants under the non-qualified deferred compensation plan are of the same type and risk categories as those offered under our company's 401(k) plan and may be modified or changed by the participant or our company at any time. Distributions can be paid out as in-service payments or at retirement. Upon retirement, a participant's account benefits can be paid out as a lump sum or in annual installments over a term of up to 10 years. We may, but do not currently plan to, make matching contributions and/or discretionary contributions to this plan. If we did desire to make contributions to this plan, the contributions would vest to each participant according to their years of service with our company.

Equity Ownership Guidelines

We encourage our executives and directors to hold company shares, however, we do not have formal stock ownership guidelines.

In February 2007 we adopted a formal equity grant policy governing all awards granted under our stock incentive plans, including the grant of any shares of our common stock, restricted shares, restricted stock units, stock options, stock appreciation rights, deferred stock units, phantom stock and performance units. This policy was amended and restated in July 2008.

This policy maintains that no grants are to occur on a date when our insider trading window is closed. Annual grants, which must be approved by our compensation committee are to occur on or about the same time every year. Any new hire grants are to be approved by our compensation committee at their next meeting that occurs during an open trading window, which shall, as amended, be held on the first Monday following the close of each blackout period. However, any such meeting may be cancelled by our compensation committee if it deems there are no grants to be approved. The policy requires that all grants of awards to any members of our board of directors must be approved by our board of directors and that all grants of awards to any current or new hire executive officers must be approved by our compensation committee.

This policy also maintains that upon the compensation committee's request, they may receive and review a report from a compensation consultant hired by the compensation committee that includes relevant survey and benchmarking data prior to approving annual awards for executive officers as well as prior to approving awards to any new hire executive officers. In connection with approving grants of awards to any executive officer, the policy holds that our compensation committee is to review total compensation for such person for the most recent three year period, or such lesser time as the person has been employed by us. The review is to include a listing of all equity awards granted to such executive officer in the three year period and a listing of all outstanding equity awards issued to such executive officer. Our compensation committee may consider recommendations of any executive officer when approving

awards, other than recommendations by an individual for his or her own award.

Employment Agreements and Change of Control Provisions

In December 2008, our compensation committee approved a revised form of employment agreement for certain of our executive officers. During December 2008, the revised employment agreements were executed by each of our executive officers. Mr. Akradi does not currently have an employment agreement with us.

Summary of Revisions from Prior Employment Agreements

The form of executive employment agreement was modified in 2008 in response to requirements under Section 409A of the Internal Revenue Code. The new agreement replaces the form of executive employment agreement previously in effect for executive officers. The primary differences between the new executive employment agreements and the prior agreements include:

Modification of the definition of a change of control to be consistent with the definition set forth in our 2004 Plan.

Modification of the definition of good reason for resignation that entitles the executive to severance benefits, in response to requirements of Section 409A.

Restructuring of severance pay and reimbursement provisions to provide severance benefits and reimbursements to executives that comply with (or, where possible, are structured to fall outside the coverage of) the requirements of Section 409A. Such restructuring includes the elimination of enhanced severance benefits for employment terminations that occur in connection with, but prior to, a change of control.

Limitation of post-employment benefits continuation to medical and life insurance coverage as in place immediately prior to the termination of employment for up to 18 months, but in any event not to exceed the COBRA continuation period.

Summary of Current Form of Employment Agreements

The employment agreements provide that if an executive's employment is terminated by us other than for cause, death or disability, or the executive terminates his employment for good reason, other than within one year following a change of control, then we are to provide the executive with (i) payment in an amount equal to 1 1/2 times the executive's Target Salary (defined as the sum of the executive's annual base salary and annual target payout under our annual cash-based incentive plan) in effect as of the termination date (or, if executive resigns for good reason due to a 25% or greater reduction in executive's Target Salary, the Target Salary in effect immediately prior to the reduction) payable in accordance with the schedule and limitations described below; (ii) up to \$10,000 in aggregate reasonable outplacement costs associated with the executive's search for new employment during the first 12 months following the termination date; and (iii) continuation of medical plan coverage and life insurance coverage for a period of up to 18 months, not to exceed the COBRA continuation period, at the same level, in the same manner and at the same cost to the executive as in effect on the termination date of employment.

The payment of executive's Target Salary in (i) above will be paid in equal installments in accordance with our regular payroll schedule commencing on the first regular payroll date after the date of executive's termination of employment, provided that the amount equal to 1/2 of executive's Target Salary that is otherwise payable in the first six months following the termination date shall not exceed the amount that would cause the payments to be considered a deferral of compensation under Section 409A.

The employment agreements define "good reason" as any of the following events, provided that the executive gives written notice to our company within 90 days of the first occurrence of the event and we fail to remedy the condition within 30 days thereafter:

our breach of any material terms or conditions of the employment agreement;

our executive offices are relocated outside of a 75 mile radius of its current location, if the relocation results in a material change to the location where the executive performs services for us;

our reduction of an executive's Target Salary by 25% or more, or our material reduction of an executive's duties and responsibilities; or

our assignment of duties and responsibilities to an executive that are materially inconsistent with the executive's position and experience, which results in a material reduction in the executive's duties, responsibilities or authority.

The employment agreements generally define cause as our determination in good faith that an executive has:

engaged in willful and deliberate acts of dishonesty, fraud or unlawful behavior that adversely affects our business affairs;

been convicted of or pleaded no contest to a felony;

been grossly negligent or engaged in willful misconduct in performing his or her duties and responsibilities and thereby materially adversely affected our business affairs;

refused to substantially perform or persistently neglected his or her duties and responsibilities, or experienced chronic unapproved absenteeism;

demonstrated an inability to perform the duties of his or her position, and is unable to satisfy within 60 days the conditions of any resulting performance improvement plan; or

breached any material terms or conditions of the employment agreement.

Events relating to executive's absenteeism, neglect or refusal to perform, or inability to perform, will constitute cause only if we provide the executive with written notice of the event and the executive fails to remedy the event within 21 business days.

Termination Other than for Cause, Death or Disability or Termination for Good Reason (Other than Within One Year Following a Change of Control)

The following table presents the estimated total amounts that would be paid out (including the present value cost to our company of benefits coverage provided) to the executive officer if his employment was terminated other than for cause, death or disability, or the executive terminated his employment for good reason, as of December 31, 2008, other than within one year following a change of control of our company. In addition to the amounts included below, certain terminations for good reason will result in acceleration of stock options, the circumstances of which are described below:

Name	Cash Severance Payments \$(1)	Aggregate Outplacement Costs (\$)	Continued Benefits Coverage (\$)	Total Potential Payout (\$)
Bahram Akradi				
Michael J. Gerend	750,000	10,000	14,010	774,010

Michael R. Robinson	750,000	10,000	14,010	774,010
Mark L. Zaebst	600,000	10,000	12,494	622,494
Eric J. Buss	600,000	10,000	14,010	624,010

(1) Cash Severance Payments are calculated based on the executive's Target Salary on the date of termination.

Termination Other than for Cause, Death or Disability or Termination for Good Reason Within One Year of a Change of Control

The employment agreements also provide that if the executive's employment with us or a successor is terminated by us within one year of a change of control for any reason other than cause, death or disability, or by the executive within one year of a change of control for good reason, then the executive will receive the same benefits as set forth above, subject to the same schedule and limitations; and in addition, we will pay the

executive an amount equal to 1/4 of the Target Salary, payable in equal installments in accordance with our regular payroll schedule over the 3-month period beginning after completion of the Target Salary payments described above.

In addition, our 2004 Plan and the agreements relating to stock option and restricted stock awards subject to that plan provide that all stock option awards will become immediately exercisable in full and all restricted stock awards will fully vest immediately upon a change of control of our company. However, in the event of a change of control, our compensation committee has the right to cancel any outstanding options under the 2004 Plan and to cause us to instead pay the optionee the excess of the fair market value of the option shares covered by the option over the exercise price of the option at the date that our compensation committee provides a buy-out notice.

Awards granted before April 24, 2008, under the 2004 Plan, define change of control as consisting of any of the following events:

a change in the composition of our board of directors such that the individuals who constitute the board of directors cease for any reason to constitute at least a majority of our board of directors, provided that any director who was approved by a majority of our incumbent directors (other than in connection with a proxy contest) shall be considered an original member of our board of directors;

the consummation of a merger, tender offer or consolidation of our company with any other corporation, other than a merger or consolidation that would result in the voting securities of our company outstanding prior to the transaction continuing to represent at least 45% of the combined voting power of the voting securities of us or the surviving entity; or

the consummation of a sale of all or substantially all of the assets of our company, other than in connection with the sale-leaseback of our real estate.

The employment agreements, as well as awards granted after April 24, 2008 under the 2004 Plan, define change of control as consisting of any of the following events:

a change in the composition of our board of directors such that the individuals who constitute the board of directors cease for any reason to constitute at least 50% of our board of directors, provided that any director who was approved by a majority of our incumbent directors (other than in connection with a proxy contest) shall be considered an original member of our board of directors;

the consummation of a merger or consolidation of our company with any other corporation or other entity, a statutory share exchange involving our capital stock, or a sale or other disposition of all or substantially all of our assets (other than in connection with a sale-leaseback of our company's real estate) unless our shareholders own a majority of the voting power and common stock of the surviving corporation and other conditions are satisfied;

the acquisition of beneficial ownership by a person or group which results in aggregate beneficial ownership of 30% or more of voting power or common stock, subject to certain exceptions; or

a plan to liquidate or dissolve our company.

The following table presents (i) the estimated total amounts that would be paid out (including the present value cost of continued benefits coverage) to each named executive officer if the officer's employment were terminated by us or a successor for any reason other than cause, death or disability, or by the named executive officer for good reason, as of December 31, 2008, and within one year of a change of control; and (ii) the intrinsic value of the stock options whose exercisability would be accelerated, and of the restricted stock awards whose vesting would be accelerated, if a change of control occurred as of December 31, 2008:

Name	Cash Severance Payments \$(1)	Aggregate Outplacement Costs (\$)	Continued Benefits Coverage (\$)	Value of Accelerated Equity Awards \$(2)	Total Potential Payout (\$)
Bahram Akradi				2,644,649	2,644,649
Michael J. Gerend	875,000	10,000	14,010	318,441	1,217,451
Michael R. Robinson	875,000	10,000	14,010	318,441	1,217,451
Mark L. Zaebst	700,000	10,000	12,494	259,907	982,401
Eric J. Buss	700,000	10,000	14,010	250,194	974,204

- (1) Cash Severance Payments are calculated based on the executive's Target Salary on the date of termination.
- (2) Value based on a share price of \$12.95, which was closing price for a share of our common stock on the NYSE on December 31, 2008. Value of restricted stock awards is determined by multiplying that closing share price by the number of restricted shares; value of accelerated stock options is determined by multiplying the number of option shares by the difference between that closing share price and the option exercise price.

Payment of severance benefits under our employment agreements, whether or not termination is in connection with a change of control, is conditioned upon the executive signing and not rescinding a global release of all claims against us, and remaining in compliance with his obligations under the employment agreement to (i) protect our confidential information, (ii) refrain from competing with us for 18 months (or 24 months in connection with a change of control) after his termination of employment, (iii) refrain from hiring any of our employees for 12 months after his termination of employment, and (iv) refrain from soliciting any of our customers or inducing any customer or supplier to stop doing business with us for 12 months after his termination of employment.

Acceleration of Vesting of Equity Awards

Under our 2004 Plan, if an executive's employment is terminated due to death or disability, any outstanding stock option will immediately become exercisable in full for one year (or until the option expires, if that occurs sooner), and any restricted stock award will vest in proportion to the term of the award during which the executive was employed.

Beginning in 2006, each restricted stock agreement granted by us to our employees, including our executive officers, provides for the complete vesting of all restricted stock upon termination of employment due to death or disability. If an executive's employment terminates for any reason other than death, disability or cause (defined in a manner similar to that in our employment agreements), his outstanding stock options will remain exercisable for a period of 90 days after termination to the extent they were exercisable immediately before termination, but any unvested shares of

restricted stock will be forfeited. The following table presents the intrinsic value of the stock options granted under the 2004 Plan whose exercisability would

be accelerated, and of the restricted stock awards whose vesting would be accelerated, if the named executive officer's employment were terminated due to death or disability as of December 31, 2008:

Name	Value of Accelerated Equity Awards \$(1)
Bahram Akradi	2,644,649
Michael J. Gerend	318,441
Michael R. Robinson	318,441
Mark L. Zaebst	259,907
Eric J. Buss	250,194

- (1) Value based on a share price of \$12.95 which was the closing price for a share of our common stock on the NYSE on December 31, 2008. Value of accelerated stock options is determined using the difference between that closing share price and the applicable option exercise price multiplied by the number of option shares whose exercisability is accelerated; value of accelerated restricted stock awards is determined by multiplying that closing share price by the number of restricted shares whose vesting is accelerated.

Compensation of Directors

Non-employee directors are compensated for serving as directors with a grant of restricted stock, an annual stipend, and annual chairperson and lead director fees, if applicable, and are also reimbursed for out-of-pocket traveling expenses incurred in attending board and committee meetings.

Director Compensation Table

The following table shows, for each of our non-employee directors, information concerning annual and long-term compensation earned for services in all capacities during the fiscal year ended December 31, 2008.

Name	Fees Earned or Paid		Total (\$)
	in Cash (\$)	Stock Awards \$(1)	
Giles H. Bateman	68,064	75,565	143,629
James F. Halpin(2)	41,854	15,330	57,184
Guy C. Jackson	73,314	53,123	126,437
Martha A. Morfitt(3)	25,309	13,485	38,794
John B. Richards	68,064	75,559	143,623
Stephen R. Sefton(4)	67,433	8,250	75,683
Joseph S. Vassalluzzo	69,947	75,559	145,506

- (1) Values expressed represent the actual compensation cost recognized by us for such equity awards during fiscal 2008 as determined pursuant to SFAS 123(R) and utilizing the assumptions discussed in note 2 to our

consolidated financial statements for the fiscal year ended December 31, 2008.

All stock awards granted to non-employee directors have been in the form of restricted stock issued under our 2004 Plan. Directors may vote and receive dividends, if any, at the normal dividend rate on restricted shares that they hold. Restricted shares may not be transferred and are subject to possible forfeiture until they vest, which occurs when a director ceases to be a member of our board of directors for any reason other than death, total disability or retirement unless our board of directors determines otherwise. In the event of the death, total disability or retirement of a non-employee director prior to the granting of a restricted stock award in respect of the fiscal year in which such event occurred, the restricted stock award may, in the discretion of our board of directors, be granted in respect of such fiscal year to the retired or disabled non-employee director or his or her estate. In addition, in the case of a non-employee director's death, total disability or retirement or the occurrence of a change of control under our 2004 Plan (see Employment Agreements and Change in Control Provisions section on page 24), all restricted

shares outstanding to non-employee directors that have not previously vested or been forfeited will vest immediately.

The following table shows, for each of our non-employee directors, information concerning stock awards granted during fiscal 2008 and the corresponding grant date fair value of those awards, as well as the aggregate number of stock awards outstanding as of December 31, 2008:

Name	Number of Shares of Stock Granted in 2008 (#)	Grant Date Fair Value of Stock Awards Granted in 2008 \$(a)	Aggregate Stock Awards Outstanding as of 12/31/08 (#)
Giles H. Bateman	2,163	74,991	3,942
James F. Halpin	2,163	74,991	
Guy C. Jackson	2,163	74,991	3,337
Martha A. Morfitt	2,985	99,998	2,985
John B. Richards	2,163	74,991	3,838
Stephen R. Sefton	2,163	74,991	
Joseph S. Vassalluzzo	2,163	74,991	3,838

(a) Valuation of awards based on the grant date fair value of those awards determined pursuant to SFAS 123(R) utilizing assumptions discussed in note 2 to our company's consolidated financial statements for the fiscal year ended December 31, 2008.

(2) Mr. Halpin resigned from our board of directors in August 2008.

(3) Ms. Morfitt was appointed to our board of directors in August 2008.

(4) Mr. Sefton resigned from our board of directors in October 2008.

Stipend

On April 23, 2008, our board of directors approved changes in the compensation payable to our company's non-employee directors to become effective on April 24, 2008, including an increase in the annual stipend amount to \$60,000. The annual stipend amount is paid in cash quarterly after the end of each calendar quarter, in arrears.

For the fiscal year ended December 31, 2008, Messrs. Bateman, Jackson, Richards, and Vassalluzzo received payments of \$11,250 for the first calendar quarter and payments of \$15,000 for the remaining three calendar quarters, respectively. Mr. Halpin received the same payments as the foregoing directors for the first and second calendar quarters, but upon his resignation received a pro rata payment for the third calendar quarter. Similarly, Mr. Sefton received the same payments as the foregoing directors for the first, second and third calendar quarters, but upon his resignation received a pro rata payment for the fourth calendar quarter. Ms. Morfitt received a pro rata payment for the third calendar quarter upon her appointment to the board, and received a payment of \$15,000 for the fourth calendar quarter.

Chairperson Fees

On April 23, 2008, our board of directors approved changes in the compensation payable to our company's non-employee directors to become effective on April 24, 2008, including increases in our committee chairperson fees to \$15,000 for the chairperson of our audit and compensation committee, and \$10,000 for the chairperson of our governance and nominating committee and finance committee. The annual committee chairperson fees are paid in cash quarterly after the end of each calendar quarter, in arrears.

Accordingly, for the fiscal year ended December 31, 2008, Mr. Jackson, as chairperson of the audit committee, received a payment of \$3,000 for the first calendar quarter and a payment of \$3,750 for the remaining three calendar quarters. Mr. Halpin, as chairperson of the compensation committee, received payments of \$1,500 for the first calendar quarter and \$3,750 for the second calendar quarter, but upon his resignation received a pro rata payment for the third calendar quarter. Mr. Vassalluzzo, as chairperson of the

compensation committee, received a pro rata payment of \$2,242 for the third calendar quarter and \$3,750 for the fourth quarter. Mr. Richards, as chairperson of the governance and nominating committee, and Mr. Bateman, as chairperson of the finance committee, each received a payment of \$1,500 for the first calendar quarter and payments of \$2,500 for the remaining three calendar quarters, respectively.

Lead Director Fees

Effective January 1, 2007, our board of directors approved the creation of an annual non-employee lead director fee of \$25,000. The lead director fee is paid in cash quarterly after the end of each calendar quarter, in arrears. Accordingly, for the fiscal year ended December 31, 2008, Mr. Sefton, as lead director of our board of directors until his resignation on October 21, 2008, received a payment of \$6,250 for the first, second and third calendar quarters, but upon his resignation received a pro rata payment for the fourth calendar quarter. Upon Mr. Sefton's resignation, our board of directors appointed Mr. Vassalluzzo to serve as the lead director of our board of directors. Mr. Vassalluzzo received a pro rata payment of the lead director fee for the fourth calendar quarter.

Restricted Stock

Non-employee directors who joined our board of directors on or after March 1, 2004 received an initial grant of restricted stock with a fair market value at grant date of \$100,000 in connection with such a director becoming a member of our board of directors. The date of grant for such director is the date of such director's election to our board of directors and the restrictions on the restricted stock lapse ratably on each annual anniversary of the date of grant over a three-year period. Pursuant to this provision, Ms. Morfitt was granted 2,985 shares of restricted stock on August 6, 2008.

Effective January 1, 2007, our board of directors approved changes in the compensation payable to our company's non-employee directors so that each non-employee director will receive an annual restricted stock grant with a fair market value at grant date of \$75,000 on the date of our annual shareholder meeting, the restrictions on which lapse ratably on each annual anniversary of the date of grant over a three-year period. Pursuant to this provision, Messrs. Bateman, Halpin, Jackson, Richards, Sefton and Vassalluzzo, were each granted 2,163 shares of restricted stock on April 29, 2008.

Other Compensation

For the fiscal year ended December 31, 2008, all non-employee directors were reimbursed for the cost of purchasing a Life Time Fitness Onyx Family Membership.

We reimburse all non-employee directors for out-of-pocket traveling expenses incurred in attending board and committee meetings.

PROPOSAL NO. 3 AMENDMENT OF OUR AMENDED AND RESTATED ARTICLES OF INCORPORATION TO INCREASE THE AUTHORIZED SHARES OF COMMON STOCK

Introduction

On February 27, 2009, our board of directors adopted, subject to shareholder approval, an amendment to our Amended and Restated Articles of Incorporation to increase the authorized number of shares of our common stock from 50,000,000 shares to 75,000,000 shares, representing an increase of 25,000,000 shares of common stock.

The additional shares of common stock to be authorized by adoption of the amendment would have rights identical to our currently outstanding common stock. Adoption of the proposed amendment and issuance of the common stock would not affect the rights of the holders of our currently outstanding common stock, except for effects incidental to any increase in the number of shares of common stock outstanding, such as dilution of the earnings per share and voting rights of current holders. If the amendment is approved by our

shareholders at the Annual Meeting, it will become effective upon filing of Articles of Amendment to our Amended and Restated Articles of Incorporation with the Secretary of State of the State of Minnesota, which filing would occur promptly following the annual meeting.

Capitalization

The shareholders last approved an amendment to our articles of incorporation in connection with the initial public offering of our common stock in June 2004. The Amended and Restated Articles of Incorporation that were adopted at that time provide for 60,000,000 authorized shares, 50,000,000 of which are designated as common stock and 10,000,000 of which are undesignated capital stock. We are not seeking to increase the number of shares of undesignated capital stock.

Since June 2004, we have issued common stock primarily in capital-raising transactions and in conjunction with the Amended and Restated Life Time Fitness, Inc. 2004 Long-Term Incentive Plan (the Long-Term Incentive Plan), which is our current equity compensation plan, and the Life Time Fitness, Inc. Employee Stock Purchase Plan (the ESPP).

In addition to our sale of 4,774,941 shares in connection with our initial public offering, we sold 1,675,000 shares of common stock in a public offering in August 2007.

Under the Long-Term Incentive Plan, 3,500,000 shares of our common stock are reserved for issuance. As of March 1, 2009, we had granted a total of 1,929,665 options to purchase common stock under the Long-Term Incentive Plan, of which options to purchase 758,547 shares were outstanding, and a total of 840,008 restricted shares under the Long-Term Incentive Plan, of which 486,065 restricted shares were unvested. In addition, as of March 1, 2009, we have options to purchase 220,625 shares outstanding that were issued under the Company's previous stock option plans.

Under our Employee Stock Purchase Plan, we reserved 1,500,000 shares of common stock for purchase by our employees.

As of March 1, 2009, of the 50,000,000 shares of common stock currently authorized, we estimate that the following shares have been issued or reserved:

39,611,922 shares have been issued and are currently outstanding;

approximately 979,172 shares are issuable upon exercise of outstanding stock options;

approximately 1,026,901 are reserved and remain available for grant under the Long-Term Incentive Plan; and

approximately 1,399,382 are reserved and remain available for purchase under the Employee Stock Purchase Plan.

Accordingly, at March 1, 2009, only 6,982,623 shares of common stock remained unreserved and available for future issuance. In addition, if Proposal 4 is approved by our shareholders at the Annual Meeting, an additional 1,750,000 shares of common stock would be reserved for future issuance under the Long-Term Incentive Plan. As a result, our board unanimously approved the proposed amendment in substantially the form attached hereto as Appendix A. At that time, our board declared the proposed amendment to be advisable and in the best interests of the Company and our shareholders and is accordingly submitting the proposed amendment for approval by our shareholders.

Reasons for the Proposal

Our board believes that the additional shares of authorized common stock are necessary to provide us with the flexibility to use our common stock in the future for business and financial purposes that our board deems to be in the Company's best interests on a timely basis without the expense and delay of a shareholders' meeting. The board believes that the current authorized common stock is not sufficient to enable us to respond to potential business opportunities and pursue important objectives designed to enhance shareholder value.

The additional authorized shares of common stock will provide us with greater flexibility to use our common stock, without further shareholder approval (except to the extent such approval may be required by law or by applicable New York Stock Exchange listing standards) for any proper corporate purposes including, without limitation, raising equity capital through a future public offering or private placement, or for other general corporate purposes, expanding our business through future acquisitions and other investment opportunities, entering into strategic relationships, providing equity incentives to employees, officers or directors and effecting stock dividends. We currently do not have specific agreements or plans that would involve the issuance of the proposed additional authorized shares. If the amendment is approved by the shareholders, our board of directors does not intend to solicit further shareholder approval prior to the issuance of any additional shares of common stock or securities convertible into common stock, except as may be required by applicable law or regulation.

Possible Effects of the Proposal

The increase in authorized shares of common stock will not have any immediate effect on the rights of existing shareholders. However, shareholders should recognize that the issuance of additional shares of common stock might dilute the ownership and voting rights of shareholders and, depending upon the price at which the shares are issued, could be dilutive to existing shareholders and have a negative effect on the trading price of our common stock. The holders of our common stock do not have any preemptive rights. The additional shares of common stock that would become available for issuance if the proposal were adopted could also be used by us to oppose a hostile takeover attempt or delay or prevent changes in control or management. For example, without further shareholder approval, the board could adopt a poison pill that would, under certain circumstances related to an acquisition of our shares not approved by the board, give certain holders the right to acquire additional shares of our common stock at a low price, or the board could strategically sell shares of common stock in a private transaction to purchasers who would oppose a takeover or favor the current board. This proposal to increase the authorized common stock has been prompted by business and financial considerations and not by the threat of any hostile takeover attempt (nor is the board currently aware of any such attempts directed at us), nevertheless, shareholders should be aware that approval of this proposal could facilitate future efforts by us to deter or prevent changes in control, including transactions in which the shareholders might otherwise receive a premium for their shares over the then current market prices.

Our board of directors recommends that the shareholders vote for the approval of the amendment of our Amended and Restated Articles of Incorporation to increase the authorized shares of common stock.

PROPOSAL NO. 4 APPROVAL OF AMENDMENT TO THE AMENDED AND RESTATED LIFE TIME FITNESS, INC. 2004 LONG-TERM INCENTIVE PLAN

Introduction

On February 27, 2009, our board of directors, upon recommendation of the compensation committee of the board, approved the amendment of the Long-Term Incentive Plan to increase the number of shares of common stock authorized for issuance thereunder to 5,250,000 shares subject to shareholder approval.

When the Long-Term Incentive Plan was initially adopted in 2004, a total of 3,500,000 shares were reserved for issuance under the Long-Term Incentive Plan. As of March 1, 2009, a total of 1,026,901 shares remain available for grant.

The proposed amendment will increase the aggregate number of shares of common stock authorized for issuance under the Long-Term Incentive Plan from 3,500,000 to 5,250,000. This increase is proposed to provide sufficient shares of common stock so we can offer new award grants to attract, retain and motivate qualified talent and continue

to align the interests of our management and employees with the interests of our shareholders.

Why We Believe You Should Vote for this Amendment

Our board of directors believes that equity-based incentives are an important part of total compensation for our executives as well as for certain other senior and management-level employees. We believe that shareholders should approve the requested share increase for the following reasons:

Compensation Philosophy. As described in our Compensation Discussion and Analysis, our compensation goals include attracting, motivating and retaining qualified talent. We believe that equity compensation is one of the most effective tools to achieve this goal. We also strive to motivate our executives to improve the overall performance of our company and reward executives for achieving measurable results. In the past, we have used restricted stock, with a performance-based vesting component, as well as stock options, which do not provide value to the employee unless our stock price rises, to achieve this goal. We also seek to align our executives long-term interests with those of our shareholders, and believe that equity-based incentives are the best way to achieve this alignment. Consistent with our goals for the future, we believe that equity-based incentives will continue to play an important role in our ability to incentivize our executives and other employees.

Historical Share Usage. We have not sought to increase the number of shares available under our Long-Term Incentive Plan since our initial public offering in 2004. As of March 1, 2009, we had issued or committed to issue 2,473,099 of the 3,500,000 shares that were originally available under the Long-Term Incentive Plan through stock option and restricted stock grants dating back to the time of our initial public offering. We believe that we used these equity awards responsibly.

Significant Growth. Since the time of our initial public offering in 2004, we have grown from approximately 7,700 employees to approximately 16,700 employees. Equity awards make up a significant portion of total compensation for many of our employees, not just our executive officers. We believe that awarding equity compensation to align the interests of a large number of our employees with the interests of our shareholders has a material impact on our ability to provide shareholder value.

Plan Provisions Designed to Serve Shareholders' Interests and Promote Effective Corporate Governance. The Long-Term Incentive Plan, which is summarized in more detail below, includes several provisions that are designed to service the interests of our shareholders and promote effective corporate governance, including:

The Long-Term Incentive Plan is administered by our independent compensation committee.

The Long-Term Incentive Plan prohibits re-pricing of stock options or stock appreciation rights without prior shareholder approval.

We cannot issue stock options or stock appreciation rights at an exercise price that is less than the fair market value of our common stock on the date of grant.

Time-based restricted stock generally must vest over a period of at least three years.

The Long-Term Incentive Plan generally provides for the forfeiture of outstanding awards if our compensation committee determines that the employee has engaged in certain misconduct, including disclosure or misuse of confidential information, breach of a fiduciary duty to the company, engaging in unlawful insider trading or commission of a felony or other serious crime.

We cannot grant awards under the Long-Term Incentive Plan after April 24, 2018.

We cannot materially modify the Long-Term Incentive Plan without prior shareholder approval, which includes amendments to increase the number of shares, extend the period for granting awards, add new award types, change the performance measures for performance-based awards and modify the eligibility requirements.

Summary of the Long-Term Incentive Plan

The amendment to the Long-Term Incentive Plan to increase the number of shares of common stock authorized for issuance thereunder to 5,250,000 will be effective when approved by our shareholders at the annual meeting. A copy of the Long-Term Incentive Plan, as proposed to be amended, is attached to this proxy statement as [Appendix B](#), and this discussion is qualified in its entirety by reference to the full text of the Long-Term Incentive Plan.

Purposes of the Long-Term Incentive Plan

The purposes of the Long-Term Incentive Plan are to provide long-term incentives to those persons with responsibility for our success and growth, to associate the interests of such persons with those of our shareholders, to assist us in recruiting, retaining and motivating a diverse group of employees, consultants, advisors and non-employee directors on a competitive basis, and to ensure a pay-for-performance linkage for such employees and non-employee directors.

Administration

The Long-Term Incentive Plan will be administered by our compensation committee. The compensation committee has the authority to establish, amend and waive rules relating to the Long-Term Incentive Plan; determine the identity of participants, timing, type and amount of any awards; and determine other terms and conditions of awards. The compensation committee may delegate its responsibilities under the Long-Term Incentive Plan to (i) a subcommittee, (ii) to any one or more of its members, and (iii) to our employees for the purposes of executing documents on behalf of the compensation committee or to otherwise assist the compensation committee in the administration and operation of the Long-Term Incentive Plan, provided that no delegation may be made that would cause the awards or other transactions under the Long-Term Incentive Plan to cease to be exempt from Section 16(b) of the Securities Exchange Act of 1934 or cause an award to cease to qualify for a performance based exception section forth in Section 162(m)(4)(C) of the Internal Revenue Code.

Eligibility

All of our officers, employees, non-employee directors, consultants or advisors are eligible to receive awards, other than incentive stock options, under the Long-Term Incentive Plan. Incentive stock options may only be granted to our employees who do not, at the time of grant, own stock possessing more than ten percent (10%) of the total combined voting power of all classes of our stock.

Number of Shares Available for Issuance under Long-Term Incentive Plan

As of March 1, 2009, the total number of shares of our common stock remaining available for issuance under the Long-Term Incentive Plan and for issuance as incentive stock options is 1,026,901 subject to adjustment for future stock splits, stock dividends and similar changes in our capitalization. If this proposal is approved by our shareholders at the annual meeting, we will have an additional 1,750,000 shares available for issuance under the Long-Term Incentive Plan and for issuance as incentive stock options, subject to adjustment for changes in our capitalization as described above. Any shares of our common stock subject to an award under the Long-Term Incentive Plan that expires, is cancelled, is settled in cash or is otherwise terminated may again be used for an award under the Long-Term Incentive Plan.

The maximum number of stock options, stock appreciation rights and restricted shares that can be granted to any eligible participant during a single calendar year cannot exceed 750,000. The maximum amount of awards other than stock options, stock appreciation rights, restricted stock units and restricted shares shall not exceed two (2) times the

eligible participant's base salary, per calendar year. The maximum award that may be granted to any eligible participant for a performance period greater than one year shall not exceed the foregoing annual maximum multiplied by the number of full years in the performance period.

Types of Awards

The types of awards that may be granted under the Long-Term Incentive Plan include incentive and non-qualified stock options, stock appreciation rights, restricted shares, restricted share units, performance awards, and other stock-based awards. Subject to exception for a participant's termination, death or total disability, the incentive and non-qualified stock options and stock appreciation rights will terminate after ten (10) years after the date of grant, unless otherwise determined by the committee. Except for the participant's death or total disability, restricted shares and restricted share units will terminate at the date of the participant's termination of employment, unless otherwise determined by the committee.

In addition to the general characteristics of all of the awards described in this proxy statement, the basic characteristics of awards that may be granted under the Long-Term Incentive Plan are as follows:

Incentive and Non-Qualified Stock Options.

Both incentive and non-qualified stock options may be granted to recipients at such exercise prices as the compensation committee may determine but not less than the fair market value (as defined in the Long-Term Incentive Plan) of a share of our common stock as of the date the option is granted. We determine fair market value of our common stock based on the closing price of our common stock on the NYSE on the date of grant; however, if no sale of our stock occurred on that date, we will use the closing price on the next preceding date on which a sale of our stock occurred. The aggregate fair market value of all the shares of our common stock with respect to which incentive stock options may first become exercisable by a participant for the first time during any year shall not exceed \$100,000 under the Long-Term Incentive Plan. Incentive and non-qualified stock options may be granted alone or in tandem with stock appreciation rights, however if the options are granted in tandem with stock appreciation rights the exercise of either will result in the simultaneous cancellation of the same number of tandem options or stock appreciation rights. The option exercise price for any outstanding options may not be decreased after the date of grant nor may any outstanding options granted under the Long-Term Incentive Plan be surrendered to us as consideration for the grant of a new option with a lower option exercise price or otherwise subject to any action that would be treated as a repricing without the approval of our shareholders.

Stock Appreciation Rights.

The value of a stock appreciation right granted to a recipient is determined by the appreciation in our common stock. The recipient receives all or a portion of the amount by which the fair market value of a specified number of shares, as of the date the stock appreciation right is exercised, exceeds a purchase price specified by the compensation committee at the time the right is granted. The purchase price specified by the compensation committee must be at least equal to the fair market value (as defined in the Long-Term Incentive Plan) of the specified number of shares of our common stock to which the right relates determined as of the date the stock appreciation right is granted. A stock appreciation right may be made in cash, common stock valued at fair market value on the date of exercise, a combination of cash and common stock, or by any method the compensation committee may determine. The purchase price per share of the common stock covered by a stock appreciation right granted under the Long-Term Incentive Plan may not, with limited exception, be decreased, cancelled in conjunction with the grant of any new stock appreciation right with a lower purchase price per share, or otherwise subject to any action that would be treated as a repricing. A stock appreciation right may be granted alone or in tandem with incentive and non-qualified stock options, however if the stock appreciation rights are granted in tandem with options, the exercise of either will result in the simultaneous cancellation of the same number of tandem options or stock appreciation rights.

Restricted Shares and Restricted Share Units.

Our common stock granted to recipients may contain such restrictions as the compensation committee may determine, including, without limitation: a requirement that participants pay a stipulated purchase price for each restricted share or each restricted share unit; restrictions based upon the achievement of specific performance goals; time-based restrictions on vesting; and/or restriction under applicable Federal or state

securities law. Any time-based restriction period will not be less than three years, unless otherwise determined by the compensation committee at the time of grant. Awards of restricted shares and restricted share units shall have the right to receive dividends in cash or other property, unless the compensation committee determines otherwise. Awards of restricted shares shall have the right to vote such shares as the record owner of the restricted shares, unless the compensation committee determines otherwise. At the end of the restriction period, a certificate representing the number of shares to which the participant is then entitled shall be delivered to the participant free and clear of the restrictions.

Payments with respect to restricted share units that become payable in accordance with their terms and conditions shall, as determined by the compensation committee, be settled in cash, shares of common stock, or a combination of cash and shares.

Performance Awards.

Performance awards consist of performance shares or performance units. Performance awards entitle the recipient to payment in amounts determined by the compensation committee based upon the achievement of specified performance measures over a performance period. The performance period shall be one year, unless otherwise determined by the compensation committee. With respect to participants who are covered employees under Section 162(m) of the Internal Revenue Code, the performance measures are set by our compensation committee at the start of each performance period and are based on one or more or any combination of the following criteria: stock price; market share; sales; revenue; cash flow; sales volume; earnings per share; EBITDA; pre-tax income; return on equity; return on assets; return on sales; return on invested capital; economic value added; net earnings; total shareholder return; gross margin; and/or costs.

The performance measures may be described in terms of objectives that are related to the individual participant or objectives that are company-wide or related to a subsidiary, division, department, region, function, business unit or affiliate in which the participant is employed. In addition to selecting the performance targets, the compensation committee will also approve the level of attainment required to earn a payment under an award, which may be made relative to the performance of other corporations.

Other Stock-Based Awards.

The compensation committee is authorized to grant to eligible participants such other awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of common stock (including, without limitation, securities convertible into shares of common stock), as are deemed by the compensation committee to be consistent with the purpose of the Long-Term Incentive Plan. The shares of common stock or other securities delivered shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms (including, without limitation, cash, shares of common stock, other securities, other awards or other property or any combination thereof), as the compensation committee shall determine. The value of the consideration, as established by the compensation committee, shall not be less than 100% of the fair market value of such shares of common stock or other securities as of the date such purchase right is granted, unless otherwise determined by the compensation committee.

Dividend Equivalents.

The compensation committee is authorized to grant dividend equivalents to eligible participants under which the participant shall be entitled to receive payments (in cash, shares of common stock, other securities, other awards or other property as determined in the discretion of the compensation committee) equivalent to the amount of cash dividends paid by us to holders of shares of common stock with respect to a number of shares of common stock

determined by the compensation committee.

Acceleration of Awards, Lapse of Restrictions

Consistent with the terms of the Long-Term Incentive Plan, the compensation committee may accelerate vesting requirements, performance periods, and the expiration of the applicable term or restrictions, and adjust

performance measures and payments, upon such terms and conditions as are set forth in the participant's award agreement, or otherwise in the compensation committee's discretion. The Long-Term Incentive Plan provides for acceleration upon a change of control (as defined in the Long-Term Incentive Plan), unless the award provides otherwise.

Adjustments, Amendments, Terminations

In the event of any equity restructuring within the meaning of SFAS 123(R), such as a stock dividend, stock split, spin off, rights offering or recapitalization through a large, nonrecurring cash dividend, the Long-Term Incentive Plan requires the compensation committee to equitably adjust the number and type of shares available for awards or subject to outstanding awards, and the exercise price of such awards. In the event of any other change in corporate capitalization, such as a merger, consolidation, any reorganization, or any partial or complete liquidation of us, the compensation committee has the discretion to make such equitable adjustments similar to those described above as it deems appropriate to prevent enlargement or diminution of participants' rights.

The Long-Term Incentive Plan provides that all awards are subject to agreements containing the terms and conditions of the awards. Such agreements will be entered into by the recipients of the awards and us on or after the time the awards are granted and are subject to amendment, including unilateral amendment by the compensation committee, unless any such amendment is determined by the compensation committee to be materially adverse to the participant and not required as a matter of law. No amendment shall reduce the exercise price of, or reprice, any outstanding award, without shareholder approval. The Long-Term Incentive Plan also gives the board of directors the right to amend, modify, terminate or suspend the Long-Term Incentive Plan, except that amendments to the Long-Term Incentive Plan are subject to shareholder approval in certain circumstances, which generally require shareholder approval pursuant to applicable law or stock exchange rules.

The Long-Term Incentive Plan will remain in effect until April 24, 2018.

Awards to Non-Employee Directors

Non-employee directors are eligible to receive any and all types of awards other than incentive stock options under the Long-Term Incentive Plan. The board must approve all awards to non-employee directors. If a non-employee director ceases to be a member of the board for any reason other than death, total disability or retirement prior to the granting of an award in respect of the fiscal year in which the event occurred, the non-employee director's rights to any award in respect of the fiscal year during which such cessation occurred will terminate unless the board determines otherwise.

Each stock option granted to a non-employee director shall have an exercise price equal to the fair market value on the grant date and shall vest in accordance with the terms of an award agreement and shall have a term of ten years. In the event a non-employee director terminates membership on the board prior to the vesting date, or lapsing of any restrictions, of an award, then (A) if such termination is the result of such non-employee director's death, total disability or retirement, such award shall immediately vest or, as applicable, the restrictions shall lapse, and, in the case of options, be exercisable, and (B) if such termination is the result of an event other than death, total disability or retirement, such award shall immediately terminate and expire. No options granted to a non-employee director may be exercised after he or she ceases to be a member of the board, except that: (A) if such cessation occurs by reason of death, the options then held by the non-employee director may be exercised by his or her designated beneficiary (or, if none, his or her legal representative) until the expiration of such options in accordance with the terms hereof; (B) if such cessation occurs by reason of the non-employee director incurring a total disability, the options then held by the non-employee director may be exercised by him or her until the expiration of such options in accordance with its terms; and (C) if such cessation occurs by reason of the non-employee director's retirement, the options then held by the non-employee director may be exercised by him or her until the expiration of such options in accordance with the

terms hereof.

Federal Tax Considerations

The following summary sets forth the tax events generally expected for United States citizens under current United States federal income tax laws in connection with awards under the Long-Term Incentive Plan.

Incentive Stock Options.

A recipient will realize no taxable income, and we will not be entitled to any related deduction, at the time an incentive stock option is granted under the Long-Term Incentive Plan. If certain statutory employment and holding period conditions are satisfied before the recipient disposes of shares acquired pursuant to the exercise of such an option, then no taxable income will result upon the exercise of such option, and we will not be entitled to any deduction in connection with such exercise. Upon disposition of the shares after expiration of the statutory holding periods, any gain or loss realized by a recipient will be a long-term capital gain or loss. We will not be entitled to a deduction with respect to a disposition of the shares by a recipient after the expiration of the statutory holding periods.

Except in the event of death, if shares acquired by a recipient upon the exercise of an incentive stock option are disposed of by such recipient before the expiration of the statutory holding periods (a disqualifying disposition), such recipient will be considered to have realized as compensation, taxable as ordinary income in the year of disposition, an amount, not exceeding the gain realized on such disposition, equal to the difference between the exercise price and the fair market value of the shares on the date of exercise of the option. We will be entitled to a deduction at the same time and in the same amount as the recipient is deemed to have realized ordinary income. Any gain realized on the disposition in excess of the amount treated as compensation or any loss realized on the disposition will constitute capital gain or loss, respectively. Such capital gain or loss will be long-term or short-term based upon how long the shares were held. If the recipient pays the option price with shares that were originally acquired pursuant to the exercise of an incentive stock option and the statutory holding periods for such shares have not been met, the recipient will be treated as having made a disqualifying disposition of such shares, and the tax consequence of such disqualifying disposition will be as described above.

The foregoing discussion applies only for regular tax purposes. For alternative minimum tax purposes, an incentive stock option will be treated as if it were a non-qualified stock option, the tax consequences of which are discussed below.

Non-Qualified Stock Options.

A recipient will realize no taxable income, and we will not be entitled to any related deduction, at the time a non-qualified stock option is granted under the Long-Term Incentive Plan. At the time of exercise of a non-qualified stock option, the recipient will realize ordinary income, and we will be entitled to a deduction, equal to the excess of the fair market value of the stock on the date of exercise over the option price. Upon disposition of the shares, any additional gain or loss realized by the recipient will be taxed as a capital gain or loss, long-term or short-term, based upon how long the shares are held.

Stock Appreciation Rights and Performance Units.

Generally: (a) the recipient will not realize income upon the grant of a stock appreciation right or performance unit award; (b) the recipient will realize ordinary income, and we will be entitled to a corresponding deduction, in the year cash or shares of common stock are delivered to the recipient upon exercise of a stock appreciation right or in payment of the performance unit award; and (c) the amount of such ordinary income and deduction will be the amount of cash received plus the fair market value of the shares of common stock received on the date of issuance. The federal income tax consequences of a disposition of unrestricted shares received by the recipient upon exercise of a stock

appreciation right or in payment of a performance unit award are the same as described below with respect to a disposition of unrestricted shares.

Restricted and Unrestricted Stock; Restricted Stock Units.

Unless the recipient files an election to be taxed under Section 83(b) of the Internal Revenue Code: (a) the recipient will not realize income upon the grant of restricted stock; (b) the recipient will realize ordinary income, and we will be entitled to a corresponding deduction, when the restrictions have been removed or expire; and (c) the amount of such ordinary income and deduction will be the fair market value of the restricted stock on the date the restrictions are removed or expire. If the recipient files an election to be taxed under Section 83(b) of the Internal Revenue Code, the tax consequences to the recipient will be determined as of the date of the grant of the restricted stock rather than as of the date of the removal or expiration of the restrictions.

With respect to awards of unrestricted stock: (a) the recipient will realize ordinary income, and we will be entitled to a corresponding deduction upon the grant of the unrestricted stock and (b) the amount of such ordinary income and deduction will be the fair market value of such unrestricted stock on the date of grant. When the recipient disposes of restricted or unrestricted stock, the difference between the amount received upon such disposition and the fair market value of such shares on the date the recipient realizes ordinary income will be treated as a capital gain or loss, long-term or short-term, based upon how long the shares are held.

A recipient will not realize income upon the grant of restricted stock units, but will realize ordinary income, and we will be entitled to a corresponding deduction, when the restricted stock units have vested and been settled in cash and/or shares of our common stock. The amount of such ordinary income and deduction will be the amount of cash received plus the fair market value of the shares of our common stock received on the date of issuance.

Withholding.

The Long-Term Incentive Plan permits us to withhold from awards an amount sufficient to cover any required withholding taxes.

Plan Benefits

The specific individuals who will be granted awards under the Long-Term Incentive Plan and the type and amount of any such awards will be determined by the compensation committee, subject to annual limits on the maximum amounts that may be awarded to any individual, as described above. Accordingly, future awards to be received by or allocated to particular individuals under the Long-Term Incentive Plan are not presently determinable.

Our board of directors recommends that the shareholders vote for the approval of the amendment to the Amended and Restated Life Time Fitness, Inc. 2004 Long-Term Incentive Plan.

SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our common stock as of February 26, 2009 by:

each person who is known by us to own beneficially more than 5% of our voting securities;

each current director;

each director nominee;

each of the named executive officers; and

all directors and executive officers as a group.

Beneficial ownership is determined in accordance with the Securities and Exchange Commission's rules. In computing percentage ownership of each person, shares of common stock subject to options held by that person that are currently exercisable, or exercisable within 60 days of February 26, 2009, are deemed to be outstanding and beneficially owned by that person. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

Except as indicated in the notes to this table and pursuant to applicable community property laws, each shareholder named in the table has sole voting and investment power with respect to the shares set forth opposite such shareholder's name. Percentage of ownership is based on 39,612,775 shares of our common stock outstanding on February 26, 2009. The address for each executive officer and director is 2902 Corporate Place, Chanhassen, MN 55317.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Common Stock
Principal Shareholders:		
Green Equity Investors V, L.P.(1) 11111 Santa Monica Boulevard, Suite 2000 Los Angeles, CA 90025	3,632,408	9.2%
Thornburg Investment Management Inc.(2) 2300 Ridgetop Rd. Santa Fe, NM 87506-8361	3,387,516	8.6%
EARNEST Partners, LLC(3) 1180 Peachtree Street NE, Suite 2300 Atlanta, GA 30309	2,896,535	7.3%
Barclays Global Investors, NA(4) 400 Howard Street San Francisco, CA 94105	2,832,686	7.2%
Wasatch Advisors, Inc.(5) 150 Social Hall Avenue Salt Lake City, UT 84111	2,084,260	5.3%
Capital Research Global Investors(6)	2,050,000	5.2%

333 South Hope Street
Los Angeles, CA 90071

Columbia Wanger Asset Management, L.P.(7)
227 West Monroe Street, Suite 3000
Chicago, IL 60606

1,992,500

5.0%

Non-Employee Directors:

Giles H. Bateman

9,406

*

Guy C. Jackson

13,812

*

Martha A. Morfitt

2,985

*

John B. Richards

6,158

*

Joseph S. Vassalluzzo

60,988

*

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Common Stock
Named Executive Officers:		
Bahram Akradi(8)	1,844,011	4.65%
Michael J. Gerend(9)	152,101	*
Michael R. Robinson(10)	198,840	*
Eric J. Buss(11)	69,431	*
Mark L. Zaebst(12)	43,945	*
All directors and executive officers as a group (12 persons)(13)(14)	2,469,227	6.25%

* Less than 1%

- (1) Based on information contained in a Schedule 13D filed with the Securities and Exchange Commission on November 24, 2008 reflecting the shareholder's beneficial ownership as of November 17, 2008. The securities are beneficially owned by Green Equity Investors V, L.P. (GEI V), Green Equity Investors Side V, L.P. (GEI Side V), GEI Capital V, LLC (Capital), Green V Holdings, LLC (Holdings), Leonard Green & Partners, L.P. (LGP) and LGP Management, Inc. (LGPM). GEI V is the record owner of 2,794,216 shares and GEI Side V is the record owner of 838,192 shares. Capital is the general partner of GEI V and GEI Side V, Holdings is a limited partner of GEI V, LGP is an affiliate of Capital and LGPM is the general partner of LGP. Accordingly, Capital, Holdings, LGP and LGPM all may be deemed to have shared voting and dispositive power for the 3,632,408 shares owned by GEI V and GEI Side V; however, each of Capital, Holdings, LGP and LGPM disclaims beneficial ownership of such shares.
- (2) Based on information contained in a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2009 reflecting the shareholder's beneficial ownership as of December 31, 2008.
- (3) Based on information contained in a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2009 reflecting the shareholder's beneficial ownership as of December 31, 2008. EARNEST Partners, LLC, had sole voting power for 953,365 shares, shared voting power for 779,270 shares, sole dispositive power for 2,896,535 shares and shared dispositive power for 0 shares.
- (4) Based on information contained in a Schedule 13G filed with the Securities and Exchange Commission on February 5, 2009 reflecting the shareholder's beneficial ownership as of December 31, 2008. The securities are beneficially owned by Barclays Global Investors, NA and related entities, including Barclays Global Fund Advisors, Barclays Global Investors, Ltd., Barclays Global Investors Japan Limited, Barclays Global Investors Canada Limited and Barclays Global Investors Australia Limited. Barclays Global Investors, NA reported beneficial ownership of 1,565,036 shares, Barclays Global Fund Advisors reported beneficial ownership of 1,161,156 shares, Barclays Global Investors, Ltd. reported beneficial ownership of 54,683 shares, Barclays Global Investors Japan Limited reported beneficial ownership of 38,963 shares, Barclays Global Investors Canada Limited reported beneficial ownership of 8,644 shares and Barclays Global Investors Australia Limited reported beneficial ownership of 4,204 shares. These funds have sole voting power for 2,381,081 shares and sole dispositive power for 2,832,686 shares.
- (5) Based on information contained in a Schedule 13G filed with the Securities and Exchange Commission on February 17, 2009 reflecting the shareholder's beneficial ownership as of December 31, 2009.

- (6) Based on information contained in a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2009 reflecting the shareholder's beneficial ownership as of December 31, 2009.
- (7) Based on information contained in a Schedule 13G filed with the Securities and Exchange Commission on February 5, 2009 reflecting the shareholder's beneficial ownership as of December 31, 2008. Columbia Wanger Asset Management, L.P. had sole voting power for 1,914,000 shares, shared voting power for 0 shares, sole dispositive power for 1,992,500 shares and shared dispositive power for 0 shares.

- (8) Includes 37,500 shares of common stock underlying options that are exercisable within 60 days of February 26, 2009.
- (9) Includes 114,000 shares of common stock underlying options that are exercisable within 60 days of February 26, 2009.
- (10) Includes 152,500 shares of common stock underlying options that are exercisable within 60 days of February 26, 2009.
- (11) Includes 41,600 shares of common stock underlying options that are exercisable within 60 days of February 26, 2009.
- (12) Includes 11,375 shares of common stock underlying options that are exercisable within 60 days of February 26, 2009.
- (13) Includes 367,975 shares of common stock underlying options issued to seven executive officers that are exercisable within 60 days of February 26, 2009.
- (14) Includes 33,000 shares owned by executive officer Jeffrey G. Zwiefel that are pledged as collateral for a line of credit.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Related Person Transaction Approval Policy

In February 2007, our board of directors adopted a formal related person transaction approval policy, which sets forth our company's policies and procedures for the review, approval or ratification of any transaction required to be reported in our company's filings with the Securities and Exchange Commission. Our policy applies to any financial transaction, arrangement or relationship or any series of similar transactions, arrangements or relationships in which our company is a participant and in which a related person has a direct or indirect interest, but exempts the following:

payment of compensation by our company to a related person for the related person's service to our company in the capacity or capacities that give rise to the person's status as a related person;

transactions available to all employees or all shareholders of our company on the same terms; and

transactions, which when aggregated with the amount of all other transactions between the related person and our company, involve less than \$120,000 in a fiscal year, which is the threshold for disclosure of related person transactions under applicable SEC rules.

The audit committee of our board of directors must approve any related person transaction subject to this policy before commencement of the related party transaction. The committee will analyze the following factors, in addition to any other factors the committee deems appropriate, in determining whether to approve a related party transaction:

whether the terms are fair to our company;

whether the transaction is material to our company;

the role the related person has played in arranging the related person transaction;

the structure of the related person transaction; and

the interests of all related persons in the related person transaction.

The committee may, in its sole discretion, approve or deny any related person transaction. Approval of a related person transaction may be conditioned upon our company and the related person taking such precautionary actions, as the committees deems appropriate.

Related Person Transaction Summary

In May 2008, we hired a construction company to complete an excavation project on the remodel of one of our centers. Mr. Akradi, our Chairman of the Board and Chief Executive Officer, owns 100% of the interests in such construction company. The total cost of the project was \$683,739, of which \$335,500 was paid by us to the construction company in 2008, and the balance was paid in 2009. The transaction was not submitted to the audit committee of our board of directors for approval prior to commencement. When the audit committee was advised of the transaction, the audit committee reviewed the terms of the transaction and concluded that the transaction satisfied the factors described above. In particular, the audit committee determined that the terms were fair to us, the transaction was not material to us, Mr. Akradi was not directly involved in the negotiation and the construction company received the contract as a result of a competitive bidding process in which we received one other similar bid at a higher cost. Accordingly, we believe that the transaction was on terms no less favorable than we could have obtained from unaffiliated parties.

Prior to the adoption of our related person transaction approval policy, our company entered into the transaction described below. We believe that the transaction set forth below was on terms no less favorable than we could have obtained from unaffiliated parties.

In October 2003, we leased a center located within a shopping center that is owned by a general partnership in which Mr. Akradi has a 50% interest. We paid rent pursuant to this lease of \$651,519 in 2008. The terms of the lease were negotiated by one of our independent directors on behalf of our company and were reviewed and approved by a majority of our independent and disinterested directors. To assist our board of directors in evaluating this transaction, a third-party expert was retained to review the terms of the lease. The third-party expert determined that the terms of the lease were at market rates.

Other than the transactions set forth above, our company had no other transactions during fiscal 2008 which required review, approval or ratification under our related person transaction approval policy or where the related person transaction approval policy's policies and procedures were not followed.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2008 for compensation plans under which securities may be issued:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Security Holders	980,929(1)	\$ 21.65	2,466,947(2)
Equity Compensation Plans Not Approved by Security Holders			

Total	980,929	\$	21.65	2,466,947
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- (1) This amount includes 220,625 shares issuable upon the exercise of outstanding stock options granted under the 1998 Plan and 760,304 shares issuable upon the exercise of outstanding stock options granted under the 2004 Plan. In addition to this amount, 43,274 shares were subject to purchase under the Life Time Fitness, Inc. Employee Stock Purchase Plan for the purchase period ended December 31, 2008.
- (2) This amount includes 1,024,291 shares available for issuance pursuant to equity awards that could be granted in the future under the 2004 Plan and 1,442,656 shares available for issuance under the Life Time Fitness, Inc. Employee Stock Purchase Plan.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the 1934 Act requires that our company's directors and executive officers file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. Directors and executive officers are required to furnish our company with copies of all Section 16(a) forms they file. Based solely on a review of the copies of such forms furnished to our company and written representations from our company's directors and executive officers, all Section 16(a) filing requirements were met for the fiscal year ended December 31, 2008, except for:

a Form 4 for Mr. Robinson to report his cash exercise of 12,500 options on November 20, 2006 that was reported on February 26, 2009; and

a Form 4 for Mr. Richards to report his acquisition of 200 shares on May 2, 2008 that was reported one day late on May 7, 2008 due to an administrative error that was not prompted by Mr. Richards.

ADDITIONAL INFORMATION

Our 2008 Annual Report and our Annual Report on Form 10-K for fiscal year 2008, including financial statements, are available on the Internet. Your Notice of Internet Availability of Proxy Materials contains instructions on how to access these materials.

As of the date of this proxy statement, management knows of no matters that will be presented for determination at the meeting other than those referred to herein. If any other matters properly come before the meeting calling for a vote of shareholders, it is intended that the persons named in the proxies solicited by our board of directors, in accordance with their best judgment, will vote the shares represented by these proxies.

Shareholders who wish to obtain an additional copy of our Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2008, may do so without charge by writing to Investor Relations, Life Time Fitness, Inc., 2902 Corporate Place, Chanhassen, MN 55317.

By Order of the Board of Directors,

Eric J. Buss
Secretary

Dated: March 9, 2009

**ARTICLES OF AMENDMENT
OF
AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
LIFE TIME FITNESS, INC.**

The undersigned, Eric J. Buss, Secretary of Life Time Fitness, Inc., a Minnesota corporation, (the Company), hereby certifies that:

(i) The name of the Company is Life Time Fitness, Inc.

(ii) Article III(a) of the Company's Amended and Restated Articles of Incorporation has been amended to read in its entirety as follows:

(a) General. The aggregate number of shares of stock that the Corporation is authorized to issue is 75,000,000 shares, par value \$.02 per share, of which 65,000,000 shares are designated as common stock (the Common Stock), and 10,000,000 shares are undesignated (the Undesignated Capital Stock). The shares of Common Stock and Undesignated Capital Stock are referred to collectively as the capital stock.

(iii) The foregoing amendment has been adopted pursuant to Chapter 302A of the Minnesota Statutes.

IN WITNESS WHEREOF, I have subscribed my name this day of April, 2009.

Eric J. Buss
Secretary

**AMENDED AND RESTATED
LIFE TIME FITNESS, INC.
2004 LONG-TERM INCENTIVE PLAN
(EFFECTIVE AS OF APRIL 23, 2009)**

1. PURPOSES.

The purposes of this Plan are to provide long-term incentives to those persons with responsibility for the success and growth of Life Time Fitness, Inc. (the Company) and its subsidiaries, divisions and affiliated businesses, to associate the interests of such persons with those of the Company's shareholders, to assist the Company in recruiting, retaining and motivating a diverse group of employees, consultants, advisors and non-employee directors on a competitive basis, and to ensure a pay-for-performance linkage for such employees and outside directors.

2. DEFINITIONS.

For purposes of this Plan:

- (a) *Affiliate* means any corporation that is a parent corporation or subsidiary corporation of the Company, as those terms are defined in Code Sections 424(e) and 424(f), or any successor provisions, and, for purposes other than the grant of Incentive Stock Options, any joint venture in which the Company or such parent corporation or subsidiary corporation owns an equity interest.
- (b) *Award* or *Awards* means a grant under this Plan in the form of Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units, Performance Awards, or any or all of them.
- (c) *Award Agreement* means any written or electronic agreement contract or other instrument or document evidencing the grant of an Award, which may but is not required to be signed by a Participant, in such form and including such terms as the Committee in its sole discretion shall determine.
- (d) *Board* means the Board of Directors of the Company.
- (e) *Cause* means, unless otherwise defined in an Individual Agreement, (i) dishonesty or violation of any duty owed to the Company; (ii) conviction of a felony crime; (iii) any material act or omission involving willful malfeasance or gross negligence in the performance of duties to the Company; (iv) willful damage to the Company's business and/or relationships with customers or suppliers; and, (v) failure, refusal or inability to perform duties in accordance with the directions, policies, and practices of the Company. The Committee shall, unless otherwise provided in an Individual Agreement with the Participant have the sole discretion to determine whether Cause exists, and its determination shall be final.
- (f) *Change in Control* is defined in Section 11(b).
- (g) *Code* means the Internal Revenue Code of 1986, as amended.
- (h) *Committee* means the Compensation Committee of the Board.
- (i) *Common Stock* means the common stock, par value \$.02 per share, of the Company.

(j) *Effective Date* shall have the meaning set forth in Section 13.

(k) *Eligible Participants* means any of the following individuals who is designated by the Committee as eligible to receive Awards, subject to the conditions set forth in this Plan: any officer, employee, non-employee director, consultant or advisor of the Company or its Affiliates. The term employee does not include any individual who is not, as of the grant date of an Award, classified by the Company or any Affiliate as an employee on its corporate books and records even if that individual is later reclassified (by the Company, such Affiliate, any court or any governmental or regulatory agency) as

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an employee as of the grant date. Except when referring to ISOs, all references in this Plan to employee, employment or similar words shall, with respect to consultants or advisors, refer to the consulting or advisory services provided by such consultants or advisors to the Company and shall, with respect to Non-Employee Directors, refer to service as a member of the Board.

(l) *Exchange Act* means the Securities Exchange Act of 1934, as amended from time to time and any successor thereto.

(m) *Fair Market Value* on any date means:

(i) the closing price of the stock as reported for composite transactions, if the Company's Common Stock is then traded on a national securities exchange;

(ii) the average of the closing representative bid and asked prices of the Company's Common Stock as reported on a quotation system on the date as of which fair market value is being determined, if the Company's Common Stock is then so traded; or

(iii) if the Common Stock of the Company is not publicly traded on the date of grant of any Award under this Plan, the Committee shall make a good faith attempt to determine the fair market value of a share of Common Stock using such criteria as it shall determine, in its sole discretion, to be appropriate for valuation.

(n) *Individual Agreement* means an employment, consulting or similar written agreement between a Participant and the Company or any one of its Affiliates.

(o) *ISO* means an Option satisfying the requirements of Section 422 of the Code and designated by the Committee as an ISO.

(p) *Non-Employee Director* means a member of the Board who is not an employee of the Company.

(q) *NQSO* or Non-Qualified Stock Option means any Option that is not designated as an ISO or even if so designated does not qualify as an ISO on or subsequent to its grant date.

(r) *Options* means the right to purchase shares of Common Stock at a specified price for a specified period of time.

(s) *Option Exercise Price* means the purchase price per share of Common Stock covered by an Option granted pursuant to this Plan.

(t) *Participant* means an individual who has received an Award under this Plan.

(u) *Performance Awards* means an Award of Performance Shares or Performance Units based on the achievement of Performance Goals during a Performance Period.

(v) *Performance Based Exception* means the performance-based exception set forth in Code Section 162(m)(4)(C) from the deductibility limitations of Code Section 162(m).

(w) *Performance Goals* means the goals established by the Committee under Section 7(d).

(x) *Performance Measures* means the criteria set out in Section 7(d) that may be used by the Committee as the basis for a Performance Goal.

(y) *Performance Period* means the period established by the Committee during which the achievement of Performance Goals is assessed in order to determine whether and to what extent a Performance Award has been earned.

(z) *Performance Shares* means shares of Common Stock awarded to a Participant based on the achievement of Performance Goals during a Performance Period.

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(aa) *Performance Units* means an Award denominated in shares of Common Stock, cash or a combination thereof, as determined by the Committee, awarded to a Participant based on the achievement of Performance Goals during a Performance Period.

(bb) *Plan* means the Life Time Fitness, Inc. 2004 Long-Term Incentive Plan, as amended and restated from time to time.

(cc) *Restriction Period* means, with respect to Restricted Shares or Restricted Share Units, the period during which any restrictions set by the Committee remain in place. Restrictions remain in place until such time as they have lapsed under the terms and conditions of the Restricted Shares or Restricted Share Units or as otherwise determined by the Committee.

(dd) *Restricted Shares* means shares of Common Stock that may not be traded or sold until the date that the restrictions on transferability imposed by the Committee with respect to such shares have lapsed.

(ee) *Restricted Share Units* means the right, as described in Section 7(c), to receive an amount, payable in either cash or shares of Common Stock, equal to the value of a specified number of shares of Common Stock.

(ff) *Retirement* with respect to a Non-Employee Director shall mean termination from the Board after such Non-Employee Director shall have attained at least age 70 or after such Non-Employee Director shall have satisfied the criteria for Retirement established by the Committee from time to time.

(gg) *Stock Appreciation Rights* or SARs means the right to receive the difference between the Fair Market Value of a share of Common Stock on the grant date and the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Right is exercised.

(hh) *Total Disability* shall have the meaning set forth in the long-term disability program of the Company, unless otherwise defined in an Individual Agreement.

3. ADMINISTRATION OF THIS PLAN.

(a) *Authority of Committee.* This Plan shall be administered by the Committee, which shall have all the powers vested in it by the terms of this Plan, such powers to include the authority (within the limitations described herein):

to select the persons to be granted Awards under this Plan,

to determine the type, size and terms of Awards to be made to each person selected,

to determine the time when Awards are to be made and any conditions which must be satisfied before an Award is made,

to establish objectives and conditions for earning Awards,

to determine whether an Award shall be evidenced by an agreement and, if so, to determine the terms of such agreement (which shall not be inconsistent with this Plan) and who must sign such agreement,

to determine whether the conditions for earning an Award have been met and whether an Award will be paid at the end of the Performance Period,

to determine if and when an Award may be deferred,

to determine the guidelines and/or procedures for the payment or exercise of Awards, and

to determine whether an Award should qualify, regardless of its amount, as deductible in its entirety for federal income tax purposes, including whether any Awards granted under this Plan comply with the Performance Based Exception under Code Section 162(m).

(b) *Interpretation of Plan.* The Committee shall have full power and authority to administer and interpret this Plan and to adopt or establish such rules, regulations, agreements, guidelines, procedures and

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instruments, which are not contrary to the terms of this Plan and which, in its opinion, may be necessary or advisable for the administration and operation of this Plan. The Committee's interpretations of this Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding on all parties concerned, including the Company, its shareholders and any person receiving an Award under this Plan.

(c) *Delegation of Authority.* To the extent not prohibited by law, the Committee may (i) delegate its authority and administrative powers hereunder to a subcommittee, (ii) allocate all or any portion of its responsibilities and powers to any one or more of its members and, (iii) grant authority to employees or designate employees of the Company to execute documents on behalf of the Committee or to otherwise assist the Committee in the administration and operation of this Plan, provided that no such delegation may be made that would cause Awards or other transactions under this Plan to cease to be exempt from Section 16(b) of the Exchange Act or cause an Award intended to qualify for the Performance Based Exception to cease to qualify for such exception. Any such allocation or delegation may be revoked by the Committee at any time.

(d) *Section 162(m) and Rule 16b-3 Compliance.* In the case of any grants made to insiders or Awards that are intended to qualify for the Performance Based Exception, the Committee shall delegate its authority to a subcommittee composed solely of two or more directors who qualify as an independent director within the meaning of the applicable stock exchange, as an outside director within the meaning of Section 162(m) of the Code, and as a non-employee director within the meaning of Rule 16b-3.

4. ELIGIBILITY.

Awards may be granted under this Plan to Eligible Participants.

5. SHARES OF COMMON STOCK SUBJECT TO THIS PLAN.

(a) *Authorized Number of Shares.* Unless otherwise authorized by the Company's shareholders and subject to the provisions of this Section 5 and Section 10, the maximum aggregate number of shares of Common Stock available for issuance under this Plan shall be 5,250,000. Subject to the provisions of this Section 5 and Section 10, the maximum number of shares of Common Stock that may be issued pursuant to Options intended to be ISO's shall be 5,250,000 shares.

(b) *Share Counting.* The following shall apply in determining the number of shares remaining available for grant under this Plan:

(i) In connection with the granting of an Option or other Award (other than a Performance Unit denominated in dollars), the number of shares of Common Stock available for issuance under this Plan shall be reduced by the number of shares in respect of which the Option or Award is granted or denominated; provided, however, that, in the case of Stock Appreciation Rights granted in tandem with Options (so that only one may be exercised with the other terminating upon such exercise), the number of shares of Common Stock shall only be taken into account once (and not as to both Awards) for purposes of this Section 5 and the limitations hereunder; and provided further where a SAR is settled in shares of Common Stock, the number of shares of Common Stock available for issuance under this Plan shall be reduced only by the number of shares issued in such settlement.

(ii) If any Option is exercised by tendering shares of Common Stock to the Company as full or partial payment of the exercise price, the number of shares available for issuance under this Plan shall be increased by the number of shares so tendered.

(iii) Whenever any outstanding Option or other Award (or portion thereof) expires, is cancelled, is settled in cash or is otherwise terminated for any reason without having been exercised or payment having been made in respect of the entire Option or Award, the shares allocable to the expired, cancelled, settled or otherwise terminated portion of the Option or Award may again be the subject of Options or Awards granted under this Plan.

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(iv) Awards granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who become employees as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company as a result of an acquisition will not count against the reserve of available shares under this Plan. The terms and conditions of the substitute or assumed Awards may vary from the terms and conditions set forth in this Plan to the extent the Committee at the time of the grant may deem appropriate to conform, in whole or in part, to the provisions of the Awards in substitution for which they are granted.

(c) *Shares to be Delivered.* Shares of Common Stock to be delivered by the Company under this Plan shall be determined by the Committee and may consist in whole or in part of authorized but unissued shares or shares acquired on the open market.

(d) *Fractional Shares.* No fractional shares of Common Stock may be issued under this Plan; however, cash shall be paid in lieu of any fractional shares in settlement of an Award.

6. AWARD LIMITATIONS.

The maximum number of Options, SARs and Restricted Shares that can be granted to any Eligible Participant during a single calendar year cannot exceed 750,000. The maximum per Eligible Participant, per calendar year amount of Awards other than Options, SARs and Restricted Shares shall not exceed two (2) times the Eligible Participant's base salary. The maximum Award that may be granted to any Eligible Participant for a Performance Period greater than one year shall not exceed the foregoing annual maximum multiplied by the number of full years in the Performance Period.

7. AWARDS TO ELIGIBLE PARTICIPANTS.

(a) *Options.*

(i) *Grants.* Subject to the terms and provisions of this Plan, Options may be granted to Eligible Participants. Options may consist of ISOs or NQSOs, as the Committee shall determine. Options may be granted alone or in tandem with SARs. With respect to Options granted in tandem with SARs, the exercise of either such Options or such SARs will result in the simultaneous cancellation of the same number of tandem SARs or Options, as the case may be. The grant of an Option shall occur on the date the Committee by resolution selects a Participant to receive a grant of an Option, determines the number of shares of Common Stock to be subject to such Option to be granted to such Participant and specifies the terms and provisions of the Option. The Company shall notify a Participant of any grant of an Option, and such Award shall be confirmed by, and subject to the terms of, an Award Agreement.

(ii) *Option Exercise Price.* The Option Exercise Price shall be equal to or greater than the Fair Market Value on the date the Option is granted, unless the Option was granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who became employees of the Company or any Affiliate as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company or such Affiliate.

(iii) *ISO Limits.* ISOs may only be granted to employees of the Company and its Affiliates and may only be granted to an employee who, at the time the Option is granted, does not own stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Affiliate. The aggregate Fair Market Value of all shares with respect to which ISOs are exercisable by a Participant for the first time during any year shall not exceed \$100,000; provided, however, that any Options or portions thereof that exceed such limit shall be treated as NQSOs notwithstanding any other provisions of the Award Agreement, but only to the extent of such excess. The aggregate Fair Market Value of such shares shall be determined at the time the Option is granted.

(iv) *No Repricing.* Except for adjustments made pursuant to Section 10, the Option Exercise Price for any outstanding Option granted under this Plan may not be decreased after the date of grant nor may any outstanding Option granted under this Plan be surrendered to the Company as consideration for the grant of a

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new Option with a lower Option Exercise Price or otherwise be subject to any action that would be treated, for accounting purposes, as a repricing of such Option without the approval of the Company's shareholders.

(v) *Buy Out of Option Gains.* In the event of a Change of Control, the Committee shall have the right to elect, in its sole discretion and without the consent of the holder thereof, to (1) accelerate the vesting of each outstanding Option, (2) cancel each outstanding Option and (3) cause the Company to pay to the Participant, with respect to each share of Common Stock covered by the Option immediately prior to its cancellation, the excess of the Fair Market Value of a share of Common Stock over the Option Exercise Price for a share of Common Stock covered by such Option at the date the Committee provides written notice (the Buy Out Notice) of its intention to exercise such right. Buyouts pursuant to this provision shall be effected by the Company as promptly as possible after the date of the Buy Out Notice. Payments of buy out amounts may be made in cash, in shares of Common Stock, or partly in cash and partly in Common Stock, as the Committee deems advisable. To the extent payment is made in shares of Common Stock, the number of shares shall be determined by dividing the amount of the payment to be made by the Fair Market Value of a share of Common Stock at the date of the Buy Out Notice. For purposes of this Section 7(a)(v) only, if the Change of Control is of the nature described in clause (B) of Section 11(b)(i) or clause (C) of 11(b)(ii) or the result of a tender offer or exchange offer that constitutes a Change of Control under clause (B) of Section 11(b)(ii), Fair Market Value of a share of Common Stock means the fair market value, as determined in good faith by the Committee, of the consideration to be received per share of Common Stock by those shareholders of the Company electing to, or required to, receive such consideration upon the occurrence of such Change of Control, notwithstanding anything to the contrary provided in this Agreement.

(b) *Stock Appreciation Rights.*

(i) *Grants.* Subject to the terms and provisions of this Plan, SARs may be granted to Eligible Participants. SARs may be granted alone or in tandem with Options. With respect to SARs granted in tandem with Options, the exercise of either such Options or such SARs will result in the simultaneous cancellation of the same number of tandem SARs or Options, as the case may be.

(ii) *Purchase Price.* The purchase price per share of Common Stock covered by a SAR granted pursuant to this Plan shall be equal to or greater than Fair Market Value on the date the SAR is granted, unless the SAR was granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who became employees of the Company of any Affiliate as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company or such Affiliate.

(iii) *Form of Payment.* The Committee may authorize payment of a SAR in the form of cash, Common Stock valued at its Fair Market Value on the date of the exercise, a combination thereof, or by any other method as the Committee may determine.

(iv) *No Repricing.* Except for adjustments pursuant to Section 10, in no event may any Stock Appreciation Right granted under this Plan be amended to decrease the purchase price per share of Common Stock covered thereby, cancelled in conjunction with the grant of any new Stock Appreciation Right with a lower purchase price per share, or otherwise be subject to any action that would be treated, for accounting purposes, as a repricing of such Stock Appreciation Right, without the approval of the Company's shareholders.

(c) *Restricted Shares/Restricted Share Units.*

(i) *Grants.* Subject to the terms and provisions of this Plan, Restricted Shares or Restricted Share Units may be granted to Eligible Participants.

(ii) *Restrictions.* The Committee shall impose such terms, conditions and/or restrictions on any Restricted Shares or Restricted Share Units granted pursuant to this Plan as it may deem advisable including, without limitation: a requirement that Participants pay a stipulated purchase price for each Restricted Share or each Restricted Share Unit; restrictions based upon the achievement of specific performance goals (Company-wide, divisional, and/or individual); time-based restrictions on vesting; and/or restrictions under applicable Federal or state securities laws. Unless otherwise determined by the Committee at the time of grant, any time-

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based restriction period shall be for a minimum of three years. To the extent the Restricted Shares or Restricted Share Units are intended to be deductible under Code Section 162(m), the applicable restrictions shall be based on the achievement of Performance Goals over a Performance Period, as described in Section 7(d) below.

(iii) *Payment of Units.* Restricted Share Units that become payable in accordance with their terms and conditions shall be settled in cash, shares of Common Stock, or a combination of cash and shares, as determined by the Committee.

(iv) *No Disposition During Restriction Period.* During the Restriction Period, Restricted Shares may not be sold, assigned, transferred or otherwise disposed of, or mortgaged, pledged or otherwise encumbered. In order to enforce the limitations imposed upon the Restricted Shares, the Committee may (a) cause a legend or legends to be placed on any certificates relating to such Restricted Shares, and/or (b) issue stop transfer instructions, to its transfer agent as it deems necessary or appropriate.

(v) *Dividend and Voting Rights.* Unless otherwise determined by the Committee, during the Restriction Period, Participants who hold Restricted Shares and Restricted Share Units shall have the right to receive dividends in cash or other property or other distribution or rights in respect of such shares, and Participants who hold Restricted Shares shall have the right to vote such shares as the record owner thereof. Unless otherwise determined by the Committee, any dividends payable to a Participant during the Restriction Period shall be distributed to the Participant only if and when the restrictions imposed on the applicable Restricted Shares or Restricted Share Units lapse.

(vi) *Share Certificates.* Each certificate issued for Restricted Shares shall be registered in the name of the Participant and deposited with the Company or its designee. At the end of the Restriction Period, a certificate representing the number of shares to which the Participant is then entitled shall be delivered to the Participant free and clear of the restrictions. No certificate shall be issued with respect to a Restricted Share Unit unless and until such unit is paid in shares of Common Stock.

(d) *Performance Awards.*

(i) *Grants.* Subject to the provisions of this Plan, Performance Awards consisting of Performance Shares or Performance Units may be granted to Eligible Participants. Performance Awards may be granted either alone or in addition to other Awards made under this Plan.

(ii) *Performance Goals.* Unless otherwise determined by the Committee, Performance Awards shall be conditioned on the achievement of Performance Goals (which shall be based on one or more Performance Measures, as determined by the Committee) over a Performance Period. The Performance Period shall be one year, unless otherwise determined by the Committee.

(iii) *Performance Measures.* The Performance Measure(s) to be used for purposes of Performance Awards may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a subsidiary, division, department, region, function, business unit or Affiliate of the Company in which the Participant is employed, and may consist of one or more or any combination of the following criteria: stock price, market share, sales, revenue, cash flow, sales volume, earnings per share, EBITDA, pre-tax income, return on equity, return on assets, return on sales, return on invested capital, economic value added, net earnings, total shareholder return, gross margin, and/or costs. The Performance Goals based on these Performance Measures may be made relative to the performance of other corporations. The Performance Measures to be used for Performance Awards that are not intended to satisfy the conditions for the Performance Based Exception under Code Section 162(m) may consist of other criteria determined by the Committee.

(iv) *Extraordinary Events.* At, or at any time after, the time an Award is granted, and to the extent permitted under Code Section 162(m) and the regulations thereunder without adversely affecting the treatment of the Award under the Performance Based Exception, the Committee may provide for the manner in which performance will be measured against the Performance Goals (or may adjust the Performance Goals) to reflect

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the impact of specific corporate transactions, accounting or tax law changes and other extraordinary and nonrecurring events.

(v) *Interpretation.* With respect to any Award that is intended to satisfy the conditions for the Performance Based Exception under Code Section 162(m): (A) the Committee shall interpret this Plan and this Section 7 in light of Code Section 162(m) and the regulations thereunder; (B) the Committee shall have no discretion to amend the Award in any way that would adversely affect the treatment of the Award under Code Section 162(m) and the regulations thereunder; and (C) such Award shall not be paid until the Committee shall first have certified that the Performance Goals have been achieved.

(e) *Other Stock-Based Awards.* The Committee is hereby authorized to grant to Eligible Participants, subject to the terms of this Plan, such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock (including, without limitation, securities convertible into shares of Common Stock), as are deemed by the Committee to be consistent with the purpose of this Plan. Shares of Common Stock or other securities delivered pursuant to a purchase right granted under this Section 7(e) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms (including, without limitation, cash, shares of Common Stock, other securities, other Awards or other property or any combination thereof), as the Committee shall determine, the value of which consideration, as established by the Committee, shall not be less than 100% of the Fair Market Value of such shares of Common Stock or other securities as of the date such purchase right is granted, unless otherwise determined by the Committee.

(f) *Dividend Equivalents.* The Committee is hereby authorized to grant dividend equivalents to Eligible Participants under which the Participant shall be entitled to receive payments (in cash, shares of Common Stock, other securities, other Awards or other property as determined in the discretion of the Committee) equivalent to the amount of cash dividends paid by the Company to holders of shares of Common Stock with respect to a number of shares of Common Stock determined by the Committee. Subject to the terms of this Plan, such dividend equivalents may have such terms and conditions as the Committee shall determine.

(g) *Termination of Awards.* Unless otherwise provided in an Award Agreement, Awards shall terminate in accordance with this Section 7(g).

(i) *Options and SARs Granted to Eligible Participants.* Each Option and SAR granted to an Eligible Participant pursuant to this Section 7 shall terminate:

If the Participant is then living, at the earliest of the following times:

(A) ten (10) years after the date of grant of the Option or SAR, except in the event of death or Total Disability as provided below;

(B) ninety (90) days after termination of employment with the Company or any Affiliate other than termination because of death or Total Disability or through discharge for Cause; provided, however, that if any Option or SAR is not fully exercisable at the time of such termination of employment, such Option or SAR shall expire on the date of such termination of employment to the extent not then exercisable;

(C) immediately upon termination of Participant's employment through discharge for Cause; or

(D) any other time set forth in the Award Agreement describing and setting the terms of the Award.

In the event of death or Total Disability of the Participant while employed by the Company or any Affiliate, or if no longer so employed such Participant dies prior to termination of the entire Option or SAR under Section 7(g)(i)(B) or (D) hereof, the Participant's Option or SAR shall become exercisable in full on the date of such death or Total Disability and shall remain exercisable for a minimum period of one (1) year after the date of death or Total Disability, unless it terminates earlier pursuant to Section 7(g)(i)(A) or (D). To the extent an Option or SAR is exercisable after the death of the Participant, it may be exercised by the person or persons to whom the Participant's

rights under the agreement have passed by will or by the applicable laws of descent and distribution and to the extent an Option or SAR is exercisable after the Total Disability of the Participant who is incompetent, it may be exercised by the Participant's legal representative.

(ii) *Restricted Shares and Restricted Share Units.* Unless otherwise provided in the related Award Agreement, in the case of a Participant's death or Total Disability, the Participant shall be entitled to receive a number of shares of Common Stock under outstanding Restricted Shares, or in the case of Restricted Share Units, an amount of cash or number of shares of Common Stock, that has been prorated for the portion of the term of the Award during which the Participant was employed by the Company or any Affiliate, and, with respect to any shares, all restrictions shall lapse. Any Restricted Shares or Restricted Share Units as to which the restrictions do not lapse under the preceding sentence shall terminate at the date of the Participant's termination of employment and such Restricted Shares or Restricted Share Units shall be forfeited to the Company; provided, however, that Awards of Restricted Shares or Restricted Share Units subject to Performance Measures shall be treated the same as Performance Awards according to Section 7(g)(iii).

(iii) *Performance Awards.* If a Participant's employment or other relationship with the Company or any Affiliate terminates during a Performance Period applicable to a Performance Award because of death or Total Disability, or under other circumstances provided by the Committee in its discretion in the related Award Agreement or otherwise, the Participant, unless the Committee shall otherwise provide in the Award Agreement, shall be entitled to a payment with respect to such Performance Awards at the end of the Performance Period based upon the extent to which achievement of the Performance Measures was satisfied at the end of such period (as determined at the end of the Performance Period) and prorated for the portion of the Performance Period during which the Participant was employed by the Company or any Affiliate. Except as provided in this paragraph, if a Participant's employment with the Company or any Affiliate terminates during a Performance Period, then such Participant shall not be entitled to any payment with respect to that Performance Award.

8. AWARDS TO NON-EMPLOYEE DIRECTORS.

(a) *Awards.* Non-Employee Directors are eligible to receive any and all types of Awards under this Plan other than ISOs. The Board must approve all Awards to Non-Employee Directors. Any Award to a Non-Employee Director shall be subject to the terms of Section 7 of this Plan, provided that to the extent the provisions of this Section 8 conflict with the terms of Section 7, this Section 8 shall prevail with respect to Awards to Non-Employee Directors.

(b) *Death, Total Disability and Retirement.* In the event of the death, Total Disability or Retirement of a Non-Employee Director prior to the granting of an Award in respect of the fiscal year in which such event occurred, an Award may, in the discretion of the Board, be granted in respect of such fiscal year to the retired or disabled Non-Employee Director or his or her estate. If any Non-Employee Director ceases to be a member of the Board for any reason other than death, Total Disability or Retirement prior to the granting of an Award in respect of the fiscal year in which such event occurred, his or her rights to any Award in respect of the fiscal year during which such cessation occurred will terminate unless the Board determines otherwise.

(c) *Terms of Awards Granted to Non-Employee Directors.*

(i) Each Option granted to a Non-Employee Director shall have an Option Exercise Price equal to the Fair Market Value on the grant date.

(ii) Each Option granted to a Non-Employee Director shall vest in accordance with the terms of an Award Agreement and shall have a term of ten years.

(iii) In the event a Non-Employee Director terminates membership on the Board prior to the vesting date, or lapsing of any restrictions, of an Award, then (A) if such termination is the result of such Non-Employee Director's death, Total Disability or Retirement, such Award shall immediately vest or, as applicable, the restrictions shall lapse, and, in the case of Options, be exercisable, and (B) if such termination is the result of an event other than death, Total Disability or Retirement, such Award shall immediately terminate and expire.

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(iv) No Options granted to a Non-Employee Director may be exercised after he or she ceases to be a member of the Board, except that: (A) if such cessation occurs by reason of death, the Options then held by the Non-Employee Director may be exercised by his or her designated beneficiary (or, if none, his or her legal representative) until the expiration of such Options in accordance with the terms hereof; (B) if such cessation occurs by reason of the Non-Employee Director incurring a Total Disability, the Options then held by the Non-Employee Director may be exercised by him or her until the expiration of such Options in accordance with its terms; and (C) if such cessation occurs by reason of the Non-Employee Director's Retirement, the Options then held by the Non-Employee Director may be exercised by him or her until the expiration of such Options in accordance with the terms hereof.

(d) *Exercise of Options Granted to Non-Employee Directors.*

(i) To exercise an Option, a Non-Employee Director must provide to the Company (A) a written notice specifying the number of Options to be exercised and (B) to the extent applicable, any required payments due upon exercise.

(ii) Non-Employee Directors may exercise Options under either of the following methods:

(A) *Cashless Exercise.* To the extent permitted by law, Non-Employee Directors may exercise Options through a registered broker-dealer pursuant to cashless exercise procedures that are, from time to time, approved by the Committee. Proceeds from any such exercise shall be used to pay the exercise costs, which include the Option Exercise Price, applicable taxes and brokerage commissions. Any remaining proceeds from the sale shall be delivered to the Non-Employee Director in cash or stock, as specified by the Non-Employee Director.

(B) *Standard Exercise.* Non-Employee Directors may exercise Options by paying to the Company an amount in cash from his or her own funds equal to the Option Exercise Price and any taxes required at exercise. A certificate representing the shares of Common Stock that the Non-Employee Director purchased shall be delivered to him or her only after the Option Exercise Price and the applicable taxes have been paid.

9. DEFERRED PAYMENTS.

Subject to the terms of this Plan, the Committee may determine that all or a portion of any Award to a Participant, whether it is to be paid in cash, shares of Common Stock or a combination thereof, shall be deferred or may, in its sole discretion, approve deferral elections made by Participants. Deferrals shall be for such periods and upon such terms as the Committee may determine in its sole discretion.

10. DILUTION AND OTHER ADJUSTMENTS.

In the event of any equity restructuring (within the meaning of Financial Accounting Standards No. 123 (revised 2004)) that causes the per share value of shares of Common Stock to change, such as a stock dividend, stock split, spin off, rights offering, or recapitalization through a large, nonrecurring cash dividend, the Committee shall make equitable adjustments in the class and aggregate number of shares which may be delivered under this Plan as described in Section 5, the individual award maximums under Section 6, the class, number, and Option Exercise Price of outstanding Options and the class and number of shares subject to any other Awards granted under this Plan (provided the number of shares of any class subject to any Award shall always be a whole number), as may be determined to be appropriate by the Committee, and any such adjustment may, in the sole discretion of the Committee, take the form of Options covering more than one class of Common Stock; provided, in each case, that with respect to ISOs, no such adjustment shall be authorized to the extent that such adjustment would cause such options to violate Section 422(b) of the Code or any successor provision; provided further, with respect to all Awards, no such adjustment shall be authorized to the extent that such adjustment would cause the Awards to be subject to adverse tax consequences under Section 409A of the Code. In the event of any other change in corporate

capitalization, such as a merger, consolidation, any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code), or any partial or complete liquidation of the Company,

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such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of benefits or potential benefits. In either case, any such adjustment shall be conclusive and binding for all purposes of the Plan. Unless otherwise determined by the Committee, the number of shares of Common Stock subject to an Award shall always be a whole number. In no event shall an outstanding Option be amended for the sole purpose of reducing the Option Exercise Price thereof, except in accordance with Section 7(a)(iv) of the Plan.

11. CHANGE IN CONTROL.

(a) *Impact of Change in Control.* Notwithstanding any other provision of this Plan to the contrary, unless otherwise provided by the Committee in any Award Agreement, in the event of a Change in Control:

(i) Any Options and SARs outstanding as of the date of such Change in Control, and which are not then exercisable and vested, shall become fully exercisable and vested.

(ii) The restrictions and deferral limitations applicable to any Restricted Shares and Restricted Share Units shall lapse, and such Restricted Shares and Restricted Share Units shall become free of all restrictions and become fully vested.

(iii) All Performance Awards shall be considered to be earned and payable in full, and any deferral or other restriction shall lapse and such Performance Awards shall be settled in cash or shares of Common Stock, as determined by the Committee, as promptly as is practicable.

(iv) All restrictions on other Awards shall lapse and such Awards shall become free of all restrictions and become fully vested.

(b) *Definition.*

(i) With respect to Awards granted before the Restatement Effective Date, *Change in Control* means (A) a change in the composition of the Board such that the individuals who, as of the Original Effective Date (as defined below), constituted the Board (such Board shall be hereinafter referred to as the *Incumbent Board*) cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this definition, that any individual who became or becomes a member of the Board subsequent to the Original Effective Date, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board at the time of the approval and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board shall not be so considered as a member of the Incumbent Board; (B) consummation of a merger, tender offer or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 45% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (C) consummation of a sale of all or substantially all of the assets of the Company, other than in connection with the sale-leaseback of the Company's real estate.

(ii) With respect to Awards granted on or after the Restatement Effective Date, *Change in Control* means (A) a change in the composition of the Board such that the individuals who, as of the Restatement Effective Date (as defined below), constitute the Board (such Board shall be hereinafter referred to as the *Incumbent Board*) cease for any reason

to constitute at least 50% of the Board; provided, however, for purposes of this definition, that any individual who becomes a member of the Board subsequent to the Restatement Effective Date, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual

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whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board shall not be so considered as a member of the Incumbent Board; (B) an acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a Person), of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) which, together with other acquisitions by such Person, results in the aggregate beneficial ownership by such Person of 30% or more of either (x) the then outstanding shares of Common Stock of the Company (the Outstanding Company Common Stock) or (y) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the Outstanding Company Voting Securities); provided, however, that the following acquisitions will not result in a Change of Control (1) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (2) an acquisition by any entity pursuant to a transaction that complies with the exemption in clause (C) below; (C) consummation of a merger or consolidation of the Company with any other corporation or other entity, a statutory share exchange involving the capital stock of the Company, or a sale or other disposition (in one transaction or a series of transactions) of all or substantially all of the assets of the Company (except in connection with the sale-leaseback of the Company's real estate), other than a merger, consolidation, statutory share exchange, or disposition of all or substantially all assets that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into or exchanged for voting securities of the surviving or acquiring entity or its direct or indirect parent entity) beneficial ownership, directly or indirectly, of more than 50% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity (including, without limitation, such beneficial ownership of an entity that as a result of such transaction beneficially owns 100% of the outstanding shares of common stock and the combined voting power of the then outstanding voting securities (or comparable equity securities) or all or substantially all of the Company's assets either directly or indirectly) outstanding immediately after such merger, consolidation, statutory share exchange or disposition of all or substantially all assets in substantially the same proportions (as compared to other holders of the Outstanding Company Common Stock and Outstanding Company Voting Securities prior to the transaction as their respective ownership, immediately prior to such transaction; or (D) consummation or, if earlier, shareholder approval, of a definitive agreement or plan to liquidate or dissolve the Company.

12. MISCELLANEOUS PROVISIONS.

(a) *Misconduct.* Except as otherwise provided in agreements covering Awards hereunder, a Participant shall forfeit all rights in his or her outstanding Awards under this Plan, whether or not such Awards have been earned or are vested or remain unearned or unvested, and all such outstanding Awards shall automatically terminate and lapse, if the Committee determines that such Participant has (i) used for profit or disclosed to unauthorized persons, confidential information or trade secrets of the Company, (ii) breached any contract with or violated any fiduciary obligation to the Company, including, without limitation, a violation of any Company code of conduct, (iii) engaged in unlawful trading in the securities of the Company or of another company based on information gained as a result of that Participant's employment or other relationship with the Company, or (iv) committed a felony or other serious crimes include corporate and municipal bonds, which trade infrequently);

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

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

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

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

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in the transfer of certain investments within the fair value hierarchy from period to period.

The following table summarizes the levels in the fair value hierarchy that our portfolio investments fall into as of December 31, 2018:

(in thousands)	Total	Level I	Level II	Level III
First lien	\$ 1,173,459	\$	\$ 185,931	\$ 987,528
Second lien	662,556		355,741	306,815
Subordinated	65,297		25,210	40,087
Equity and other	440,641			440,641
Total investments	\$ 2,341,953	\$	\$ 566,882	\$ 1,775,071

We generally use the following framework when determining the fair value of investments where there are little, if any, market activity or observable pricing inputs. We typically determine the fair value of our performing debt investments utilizing an income approach. Additional consideration is given using a market based approach, as well as reviewing the overall underlying portfolio

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company's performance and associated financial risks. The following outlines additional details on the approaches considered:

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

For debt investments, we may employ the Market Based Approach (as described below) to assess the total enterprise value of the portfolio company, in order to evaluate the enterprise value coverage of our debt investment. For equity investments or in cases where the Market Based Approach implies a lack of enterprise value coverage for the debt investment, we may additionally employ a discounted cash flow analysis based on the free cash flows of the portfolio company to assess the total enterprise value.

After enterprise value coverage is demonstrated for our debt investments through the method(s) above, the Income Based Approach (as described below) may be employed to estimate the fair value of the investment.

Market Based Approach: We may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. We consider numerous factors when selecting the appropriate companies whose trading multiples are used to value our portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, and relevant risk factors, as well as size, profitability and growth expectations. We may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of December 31, 2018, we used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of our portfolio companies. We believe these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

Income Based Approach: We also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the

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fair value measurement. In applying the income based approach as of December 31, 2018, we used the discount ranges set forth in the table below to value investments in our portfolio companies.

The unobservable inputs used in the fair value measurement of our Level III investments as of December 31, 2018 were as follows:

(in thousands)

Type	Fair Value as of		Unobservable Input	Range		Weighted Average
	December 31, 2018	Approach		Low	High	
First lien	\$ 797,985	Market & income approach	EBITDA multiple	2.0x	32.0x	12.1x
			Revenue multiple	3.5x	6.5x	5.8x
			Discount rate	7.0%	15.3%	9.6%
	129,837	Market quote	Broker quote	N/A	N/A	N/A
	59,706	Other	N/A ⁽¹⁾	N/A	N/A	N/A
Second lien	102,963	Market & income approach	EBITDA multiple	8.5x	15.0x	11.1x
			Discount rate	10.0%	19.7%	12.8%
			Broker quote	N/A	N/A	N/A
	203,852	Market quote	Broker quote	N/A	N/A	N/A
Subordinated	40,087	Market & income approach	EBITDA multiple	5.0x	13.0x	10.2x
			Discount rate	10.9%	21.4%	16.3%
			Broker quote	N/A	N/A	N/A
Equity and other	439,977	Market & income approach	EBITDA multiple	0.4x	18.0x	10.3x
			Discount rate	6.5%	25.8%	13.5%
			Expected life in years	7.3	7.3	7.3
	664	Black Scholes analysis	Volatility	37.9%	37.9%	37.9%
			Discount rate	2.9%	2.9%	2.9%
	\$ 1,775,071					

(1)

Fair value was determined based on transaction pricing or recent acquisition or sale as the best measure of fair value with no material changes in operations of the related portfolio company since the transaction date.

NMFC Senior Loan Program I LLC

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by us. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I is subject to restrictions, and as a result, such interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until August 31, 2021, subject to earlier termination pursuant to certain terms of the SLP I Agreement. The term may be extended pursuant to certain terms of the SLP I Agreement. SLP I's re-investment period was through July 31, 2018. In September 2018, the re-investment period was extended until August 31, 2019. SLP I invests in senior secured loans issued by companies within our core industry

verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with \$93.0 million of capital commitments and \$265.0 million of debt from a revolving credit facility and is managed by us. Our capital commitment is \$23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of December 31, 2018, SLP I had total investments with an aggregate fair value of approximately \$327.2 million, debt outstanding of \$242.6 million and capital that had been called and funded of \$93.0 million. As of December 31, 2017, SLP I had total investments with an aggregate fair value of approximately \$348.7 million, debt outstanding of \$223.7 million and capital that had been called and funded of \$93.0 million. Our investment in SLP I is disclosed on our Consolidated Schedule of Investments as of December 31, 2018 and December 31, 2017.

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We, as an investment adviser registered under the Advisers Act, act as the collateral manager to SLP I and are entitled to receive a management fee for our investment management services provided to SLP I. As a result, SLP I is classified as our affiliate. No management fee is charged on our investment in SLP I in connection with the administrative services provided to SLP I. For the years ended December 31, 2018, December 31, 2017 and December 31, 2016, we earned approximately \$1.2 million, \$1.2 million and \$1.2 million, respectively, in management fees related to SLP I, which is included in other income. As of December 31, 2018 and December 31, 2017, approximately \$0.3 million and \$0.3 million, respectively, of management fees related to SLP I was included in receivable from affiliates. For the years ended December 31, 2018, December 31, 2017 and December 31, 2016, we earned approximately \$3.2 million, \$3.5 million and \$3.7 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of December 31, 2018 and December 31, 2017, approximately \$0.8 million and \$0.8 million, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

NMFC Senior Loan Program II LLC

NMFC Senior Loan Program II LLC ("SLP II") was formed as a Delaware limited liability company on March 9, 2016 and commenced operations on April 12, 2016. SLP II is structured as a private joint venture investment fund between us and SkyKnight Income, LLC ("SkyKnight") and operates under a limited liability company agreement (the "SLP II Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within our core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP II, which has equal representation from us and SkyKnight. SLP II has a three year investment period and will continue in existence until April 12, 2021. The term may be extended for up to one year pursuant to certain terms of the SLP II Agreement.

SLP II is capitalized with equity contributions which were called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP II to call down on capital commitments requires approval by the board of managers of SLP II. As of December 31, 2018, we and SkyKnight have committed and contributed \$79.4 million and \$20.6 million, respectively, of equity to SLP II. Our investment in SLP II is disclosed on our Consolidated Schedule of Investments as of December 31, 2018 and December 31, 2017.

On April 12, 2016, SLP II closed its \$275.0 million revolving credit facility with Wells Fargo Bank, National Association, which matures on April 12, 2021 and bears interest at a rate of the LIBOR plus 1.75% per annum. Effective April 1, 2018, SLP II's revolving credit facility bears interest at a rate of LIBOR plus 1.60% per annum. As of December 31, 2018 and December 31, 2017, SLP II had total investments with an aggregate fair value of approximately \$336.9 million and \$382.5 million, respectively, and debt outstanding under its credit facility of \$243.2 million and \$266.3 million, respectively. As of December 31, 2018 and December 31, 2017, none of SLP II's investments were on non-accrual. Additionally, as of December 31, 2018 and December 31, 2017, SLP II had unfunded commitments in the form of delayed draws of \$5.9 million and \$4.9 million.

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respectively. Below is a summary of SLP II's portfolio, along with a listing of the individual investments in SLP II's portfolio as of December 31, 2018 and December 31, 2017:

(in thousands)	December 31, 2018	December 31, 2017
First lien investments ⁽¹⁾	348,577	386,100
Weighted average interest rate on first lien investments ⁽²⁾	6.84%	6.05%
Number of portfolio companies in SLP II	31	35
Largest portfolio company investment ⁽¹⁾	17,150	17,369
Total of five largest portfolio company investments ⁽¹⁾	80,766	81,728

(1) Reflects principal amount or par value of investments.

(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.

The following table is a listing of the individual investments in SLP II's portfolio as of December 31, 2018:

Portfolio Company and Type of Investment	Industry	Interest Rate(1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value(2)
				(in thousands)	(in thousands)	(in thousands)
Funded Investments						
First lien						
Access CIG, LLC	Business Services	6.46% (L + 3.75%)	2/27/2025	\$ 8,825	\$ 8,785	\$ 8,605
ADG, LLC	Healthcare Services	7.63% (L + 4.75%)	9/28/2023	16,862	16,740	16,609
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.62% (L + 4.00%)	8/21/2023	14,664	14,492	14,517
Brave Parent Holdings, Inc.	Software	6.52% (L + 4.00%)	4/18/2025	15,422	15,369	14,902
CentralSquare Technologies, LLC	Software	6.27% (L + 3.75%)	8/29/2025	15,000	14,964	14,648
CHA Holdings, Inc.	Business Services	7.30% (L + 4.50%)	4/10/2025	10,805	10,760	10,774
CommerceHub, Inc.	Software	6.27% (L + 3.75%)	5/21/2025	2,488	2,476	2,419
Drilling Info Holdings, Inc.	Business Services	6.77% (L + 4.25%)	7/30/2025	12,242	12,190	12,196
Greenway Health, LLC	Software	6.56% (L + 3.75%)	2/16/2024	14,775	14,718	14,406
GOBP Holdings, Inc.	Retail	6.55% (L + 3.75%)	10/22/2025	2,500	2,494	2,438

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		7.03%				
Idera, Inc.	Software	(L + 4.50%)	6/28/2024	12,492	12,388	12,242
J.D. Power (fka J.D. Power and Associates)	Business Services	6.27% (L + 3.75%)	9/7/2023	14,962	14,920	14,588
Keystone Acquisition Corp.	Healthcare Services	8.05% (L + 5.25%)	5/1/2024	5,332	5,289	5,226
LSCS Holdings, Inc.	Healthcare Services	6.86% (L + 4.25%)	3/17/2025	5,321	5,312	5,294
LSCS Holdings, Inc.	Healthcare Services	6.89% (L + 4.25%)	3/17/2025	1,374	1,371	1,367
Market Track, LLC	Business Services	6.87% (L + 4.25%)	6/5/2024	11,820	11,772	11,347
Medical Solutions Holdings, Inc.	Healthcare Services	6.27% (L + 3.75%)	6/14/2024	4,432	4,413	4,343
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	2,116	2,109	2,116
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	600	597	600
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	12,285	12,238	12,285
NorthStar Financial Services Group, LLC	Software	6.10% (L + 3.50%)	5/25/2025	7,463	7,428	7,313
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	8.06% (L + 5.25%)	4/29/2024	10,342	10,301	10,084
Poseidon Intermediate, LLC	Software	6.78% (L + 4.25%)	8/15/2022	14,729	14,727	14,644
Premise Health Holding Corp.	Healthcare Services	6.55% (L + 3.75%)	7/10/2025	1,386	1,380	1,369
Project Accelerate Parent, LLC	Business Services	6.64% (L + 4.25%)	1/2/2025	14,887	14,821	14,663
PSC Industrial Holdings Corp.	Industrial Services	6.21% (L + 3.75%)	10/11/2024	10,395	10,307	10,161
Quest Software US Holdings Inc.	Software	6.78% (L + 4.25%)	5/16/2025	15,000	14,930	14,535
Salient CRGT Inc.	Federal Services	8.27% (L + 5.75%)	2/28/2022	13,509	13,418	13,306
Sierra Acquisition, Inc.	Food & Beverage	6.02% (L + 3.50%)	11/11/2024	3,713	3,696	3,685
SSH Group Holdings, Inc.	Education	6.77% (L + 4.25%)	7/30/2025	8,978	8,956	8,753
Wirepath LLC	Distribution & Logistics	6.71% (L + 4.00%)	8/5/2024	14,963	14,963	14,738
WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 3.50%)	6/7/2024	10,823	10,801	10,620
YI, LLC	Healthcare Services	6.80% (L + 4.00%)	11/7/2024	15,064	15,053	14,971
Zywave, Inc.	Software	7.52% (L + 5.00%)	11/17/2022	17,150	17,091	17,150
				\$ 342,719	\$ 341,269	\$ 336,914

**Total Funded
Investments**

Unfunded Investments		First lien				
Access CIG, LLC	Business Services		2/27/2019	\$ 1,108	\$	(28)
CHA Holdings, Inc.	Business Services		10/10/2019	2,143	(11)	(6)
Drilling Info Holdings, Inc.	Business Services		7/30/2020	1,230	(5)	(10)
Ministry Brands, LLC	Software		10/18/2019	1,267	(6)	
Premise Health Holding Corp.	Healthcare Services		7/10/2020	110		(1)
Total Unfunded Investments				\$ 5,858	(22)	(45)
Total Investments				\$ 348,577	\$ 341,247	\$ 336,869

(1)

All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2018.

(2)

Represents the fair value in accordance with ASC 820. Our board of directors does not determine the fair value of the investments held by SLP II.

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The following table is a listing of the individual investments in SLP II's portfolio as of December 31, 2017:

Portfolio Company and Type of Investment	Industry	Interest Rate(1)	Maturity Date	Principal Amount or Par Value (in thousands)	Cost (in thousands)	Fair Value(2) (in thousands)
Funded Investments First lien						
ADG, LLC	Healthcare Services	6.32% (L + 4.75%)	9/28/2023	\$ 17,034	\$ 16,890	\$ 16,779
ASG Technologies Group, Inc.	Software	6.32% (L + 4.75%)	7/31/2024	7,481	7,446	7,547
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.69% (L + 5.00%)	8/21/2023	14,812	14,688	14,813
DigiCert, Inc.	Business Services	6.13% (L + 4.75%)	10/31/2024	10,000	9,951	10,141
Emerald 2 Limited	Business Services	5.69% (L + 4.00%)	5/14/2021	1,266	1,211	1,267
Evo Payments International, LLC	Business Services	5.57% (L + 4.00%)	12/22/2023	17,369	17,292	17,492
Explorer Holdings, Inc.	Healthcare Services	5.13% (L + 3.75%)	5/2/2023	2,940	2,917	2,973
Globallogic Holdings Inc.	Business Services	6.19% (L + 4.50%)	6/20/2022	9,677	9,611	9,755
Greenway Health, LLC	Software	5.94% (L + 4.25%)	2/16/2024	14,925	14,858	15,074
Idera, Inc.	Software	6.57% (L + 5.00%)	6/28/2024	12,619	12,499	12,556
J.D. Power (fka J.D. Power and Associates)	Business Services	5.94% (L + 4.25%)	9/7/2023	13,357	13,308	13,407
Keystone Acquisition Corp.	Healthcare Services	6.94% (L + 5.25%)	5/1/2024	5,386	5,336	5,424
Market Track, LLC	Business Services	5.94% (L + 4.25%)	6/5/2024	11,940	11,884	11,940
McGraw-Hill Global Education Holdings, LLC	Education	5.57% (L + 4.00%)	5/4/2022	9,850	9,813	9,844
Medical Solutions Holdings, Inc.	Healthcare Services	5.82% (L + 4.25%)	6/14/2024	6,965	6,932	7,043
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	2,138	2,128	2,138
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	7,768	7,735	7,768
Navex Global, Inc.	Software	5.82% (L + 4.25%)	11/19/2021	14,897	14,724	14,971

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Navicare, Inc.	Healthcare Services	5.11% (L + 3.75%)	11/1/2024	15,000	14,926	15,000
OEConnection LLC	Business Services	5.69% (L + 4.00%)	11/22/2024	15,000	14,925	14,981
Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	6,963	6,929	6,980
Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	291	290	292
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	6.95% (L + 5.25%)	4/29/2024	10,448	10,399	10,526
Poseidon Intermediate, LLC	Software	5.82% (L + 4.25%)	8/15/2022	14,881	14,877	14,955
Project Accelerate Parent, LLC	Business Services	5.94% (L + 4.25%)	1/2/2025	15,000	14,925	15,038
PSC Industrial Holdings Corp.	Industrial Services	5.71% (L + 4.25%)	10/11/2024	10,500	10,398	10,500
Quest Software US Holdings Inc.	Software	6.92% (L + 5.50%)	10/31/2022	9,899	9,775	10,071
Salient CRGT Inc.	Federal Services	7.32% (L + 5.75%)	2/28/2022	14,433	14,310	14,559
Severin Acquisition, LLC	Software	6.32% (L + 4.75%)	7/30/2021	14,888	14,827	14,813
Shine Acquisitoin Co. S.à.r.l / Boing US Holdco Inc.	Consumer Services	4.88% (L + 3.50%)	10/3/2024	15,000	14,964	15,108
Sierra Acquisition, Inc.	Food & Beverage	5.68% (L + 4.25%)	11/11/2024	3,750	3,731	3,789
TMK Hawk Parent, Corp.	Distribution & Logistics	4.88% (L + 3.50%)	8/28/2024	1,671	1,667	1,686
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	5.82% (L + 4.25%)	7/6/2022	1,875	1,875	1,900
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	6.44% (L + 4.75%)	11/23/2019	10,686	10,673	10,835
WP CityMD Bidco LLC	Healthcare Services	5.69% (L + 4.00%)	6/7/2024	14,963	14,928	15,009
YI, LLC	Healthcare Services	5.69% (L + 4.00%)	11/7/2024	8,240	8,204	8,230
Zywave, Inc.	Software	6.61% (L + 5.00%)	11/17/2022	17,325	17,252	17,325
Total Funded Investments				\$ 381,237	\$ 379,098	\$ 382,529

**Unfunded
Investments First
lien**

Pathway Partners Vet Management Company LLC	Consumer Services	10/10/2019	\$ 2,728	\$ (14)	7
TMK Hawk Parent, Corp. YI, LLC	Distribution & Logistics Healthcare Services	3/28/2018	75		1
		11/7/2018	2,060	(9)	(3)

**Total Unfunded
Investments** \$ 4,863 \$ (23) \$ 5

Total Investments \$ 386,100 \$ 379,075 \$ 382,534

(1)

All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2017.

(2)

Represents the fair value in accordance with ASC 820. Our board of directors does not determine the fair value of the investments held by SLP II.

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Below is certain summarized financial information for SLP II as of December 31, 2018 and December 31, 2017 and for the years ended December 31, 2018, December 31, 2017 and December 31, 2016:

Selected Balance Sheet Information:	December 31, 2018		December 31, 2017	
	(in thousands)		(in thousands)	
Investments at fair value (cost of \$341,247 and \$379,075, respectively)	\$	336,869	\$	382,534
Cash and other assets		7,620		8,065
Total assets	\$	344,489	\$	390,599
Credit facility	\$	243,170	\$	266,270
Deferred financing costs		(1,374)		(1,966)
Payable for unsettled securities purchased				15,964
Distribution payable		3,250		3,500
Other liabilities		2,869		2,891
Total liabilities		247,915		286,659
Members' capital	\$	96,574	\$	103,940
Total liabilities and members' capital	\$	344,489	\$	390,599

Selected Statement of Operations Information:	Year Ended December 31,		
	2018	2017	2016 ⁽¹⁾
	(in thousands)		
Interest income	\$ 24,654	\$ 22,551	\$ 7,463
Other income	199	351	572
Total investment income	24,853	22,902	8,035
Interest and other financing expenses	10,474	8,356	3,558
Other expenses	681	697	650
Total expenses	11,155	9,053	4,208
Net investment income	13,698	13,849	3,827
Net realized gains on investments	782	2,281	599
Net change in unrealized (depreciation) appreciation of investments	(7,837)	(822)	4,281
Net increase in members' capital	\$ 6,643	\$ 15,308	\$ 8,707

(1)

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For the year ended December 31, 2016, amounts reported relate to the period from April 12, 2016 (commencement of operations) to December 31, 2016.

For the years ended December 31, 2018, December 31, 2017 and December 31, 2016, we earned approximately \$11.1 million, \$12.4 million and \$3.5 million, respectively, of dividend income related to SLP II, which is included in dividend income. As of December 31, 2018 and December 31, 2017, approximately \$2.6 million and \$2.8 million, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

We have determined that SLP II is an investment company under ASC 946; however, in accordance with such guidance, we will generally not consolidate our investment in a company other than a wholly-owned investment company subsidiary. Furthermore, Accounting Standards Codification Topic 810, *Consolidation* ("ASC 810"), concludes that in a joint venture where both members have equal decision making authority, it is not appropriate for one member to consolidate the joint venture since neither has control. Accordingly, we do not consolidate SLP II.

Table of Contents**NMFC Senior Loan Program III LLC**

NMFC Senior Loan Program III LLC ("SLP III") was formed as a Delaware limited liability company and commenced operations on April 25, 2018. SLP III is structured as a private joint venture investment fund between us and SkyKnight Income II, LLC ("SkyKnight II") and operates under a limited liability company agreement (the "SLP III Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within our core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP III, which has equal representation from us and SkyKnight II. SLP III has a five year investment period and will continue in existence until April 25, 2025. The investment period may be extended for up to one year pursuant to certain terms of the SLP III Agreement.

SLP III is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP III to call down on capital commitments requires approval by the board of managers of SLP III. As of December 31, 2018, we and SkyKnight II have committed \$80.0 million and \$20.0 million, respectively, of equity to SLP III. As of December 31, 2018, we and SkyKnight II have contributed \$78.4 million and \$19.6 million, respectively, of equity to SLP III. Our investment in SLP III is disclosed on our Consolidated Schedule of Investments as of December 31, 2018.

On May 2, 2018, SLP III closed its \$300.0 million revolving credit facility with Citibank, N.A., which matures on May 2, 2023 and bears interest at a rate of LIBOR plus 1.70% per annum. As of December 31, 2018, SLP III had total investments with an aggregate fair value of approximately \$365.4 million and debt outstanding under its credit facility of \$280.3 million. As of December 31, 2018, none of SLP III's investments were on non-accrual. Additionally, as of December 31, 2018, SLP III had unfunded commitments in the form of delayed draws of \$8.8 million. Below is a summary of SLP III's portfolio, along with a listing of the individual investments in SLP III's portfolio as of December 31, 2018:

(in thousands)	December 31, 2018
First lien investments ⁽¹⁾	383,289
Weighted average interest rate on first lien investments ⁽²⁾	6.50%
Number of portfolio companies in SLP III	39
Largest portfolio company investment ⁽¹⁾	18,958
Total of five largest portfolio company investments ⁽¹⁾	85,938

(1) Reflects principal amount or par value of investment.

(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.

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The following table is a listing of the individual investments in SLP III's portfolio as of December 31, 2018:

Portfolio Company and Type of Investment	Industry	Interest Rate(1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value(2)
				(in thousands)	(in thousands)	(in thousands)
Funded Investments First lien						
Access CIG, LLC	Business Services	6.46% (L + 3.75%)	2/27/2025	\$ 1,216	\$ 1,216	\$ 1,185
Affordable Care Holding Corp.	Healthcare Services	7.25% (L + 4.75%)	10/24/2022	1,025	1,030	1,005
Bracket Intermediate Holding Corp.	Healthcare Services	7.00% (L + 4.25%)	9/5/2025	14,963	14,890	14,813
Brave Parent Holdings, Inc.	Software	6.52% (L + 4.00%)	4/18/2025	14,925	14,874	14,421
CentralSquare Technologies, LLC	Software	6.27% (L + 3.75%)	8/29/2025	15,000	14,964	14,648
Certara Holdco, Inc.	Healthcare I.T.	6.30% (L + 3.50%)	8/15/2024	1,275	1,280	1,255
CHA Holdings, Inc.	Business Services	7.30% (L + 4.50%)	4/10/2025	997	997	995
CommerceHub, Inc.	Software	6.27% (L + 3.75%)	5/21/2025	14,925	14,856	14,515
CRCI Longhorn Holdings, Inc.	Business Services	5.89% (L + 3.50%)	8/8/2025	14,963	14,891	14,588
Dentalcorp Perfect Smile ULC	Healthcare Services	6.27% (L + 3.75%)	6/6/2025	11,940	11,912	11,701
Dentalcorp Perfect Smile ULC	Healthcare Services	6.27% (L + 3.75%)	6/6/2025	1,686	1,685	1,652
Drilling Info Holdings, Inc.	Business Services	6.77% (L + 4.25%)	7/30/2025	17,591	17,507	17,525
Financial & Risk US Holdings, Inc.	Business Services	6.27% (L + 3.75%)	10/1/2025	8,000	7,980	7,512
GOBP Holdings, Inc.	Retail	6.55% (L + 3.75%)	10/22/2025	15,000	14,963	14,625
Greenway Health, LLC	Software	6.56% (L + 3.75%)	2/16/2024	14,821	14,831	14,450
Heartland Dental, LLC	Healthcare Services	6.27% (L + 3.75%)	4/30/2025	17,329	17,249	16,593
HIG Finance 2 Limited	Business Services	6.06% (L + 3.50%)	12/20/2024	1,995	1,985	1,939
Idera, Inc.	Software	7.03% (L + 4.50%)	6/28/2024	2,294	2,289	2,248
J.D. Power (fka J.D. Power and Associates)	Business Services	6.27% (L + 3.75%)	9/7/2023	5,985	5,985	5,835

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Market Track, LLC	Business Services	6.87% (L + 4.25%)	6/5/2024	4,827	4,821	4,633
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	4,596	4,576	4,596
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	600	597	600
National Intergovernmental Purchasing Alliance Company	Business Services	6.55% (L + 3.75%)	5/23/2025	14,925	14,912	14,552
Navex Topco, Inc.	Software	5.78% (L + 3.25%)	9/5/2025	14,963	14,890	14,102
Navicure, Inc.	Healthcare Services	6.27% (L + 3.75%)	11/1/2024	2,985	2,985	2,925
Netsmart Technologies, Inc.	Healthcare I.T.	6.27% (L + 3.75%)	4/19/2023	10,437	10,437	10,307
Newport Group Holdings II, Inc.	Business Services	6.54% (L + 3.75%)	9/12/2025	4,988	4,963	4,875
NorthStar Financial Services Group, LLC	Software	6.10% (L + 3.50%)	5/25/2025	14,925	14,856	14,628
OEConnection LLC	Business Services	6.53% (L + 4.00%)	11/22/2024	1,830	1,843	1,789
Outcomes Group Holdings, Inc.	Healthcare Services	6.28% (L + 3.50%)	10/24/2025	6,500	6,484	6,394
Pelican Products, Inc.	Business Products	5.88% (L + 3.50%)	5/1/2025	4,975	4,963	4,726
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	8.06% (L + 5.25%)	4/29/2024	15,588	15,517	15,199
Premise Health Holding Corp.	Healthcare Services	6.55% (L + 3.75%)	7/10/2025	13,862	13,796	13,689
Quest Software US Holdings Inc.	Software	6.78% (L + 4.25%)	5/16/2025	15,000	14,930	14,535
Sierra Enterprises, LLC	Food & Beverage	6.02% (L + 3.50%)	11/11/2024	2,481	2,478	2,463
SSH Group Holdings, Inc.	Education	6.77% (L + 4.25%)	7/30/2025	14,963	14,927	14,588
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	6.03% (L + 3.50%)	7/17/2025	3,790	3,772	3,759
VT Topco, Inc.	Business Services	6.55% (L + 3.75%)	8/1/2025	7,980	7,961	7,882
VT Topco, Inc.	Business Services	6.55% (L + 3.75%)	8/1/2025	1,004	1,004	992
Wirepath LLC	Distribution & Logistics	6.71% (L + 4.00%)	8/5/2024	17,477	17,477	17,215
WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 3.50%)	6/7/2024	14,887	14,887	14,608
YI, LLC			11/7/2024	4,965	4,983	4,935

	Healthcare Services	6.80% (L + 4.00%)						
Total Funded Investments			\$	374,478	\$	373,443	\$	365,497
Unfunded Investments First lien								
Dentalcorp Perfect Smile ULC	Healthcare Services	6/6/2020	\$	1,308	\$	(3)	\$	(26)
Drilling Info Holdings, Inc.	Business Services	7/30/2020		1,367		(7)		(11)
Heartland Dental, LLC	Healthcare Services	4/30/2020		1,586				(67)
Ministry Brands, LLC	Software	10/18/2019		1,267		(6)		
Premise Health Holding Corp.	Healthcare Services	7/10/2020		1,103		(3)		(14)
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	7/17/2019		1,187				(10)
VT Topco, Inc.	Business Services	8/1/2020		993		(2)		(12)
Total Unfunded Investments			\$	8,811	\$	(21)	\$	(140)
Total Investments			\$	383,289	\$	373,422	\$	365,357

(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2018.

(2) Represents the fair value in accordance with ASC 820. Our board of directors does not determine the fair value of the investments held by SLP III.

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Below is certain summarized financial information for SLP III as of December 31, 2018 and for the year ended December 31, 2018:

Selected Balance Sheet Information:	December 31, 2018
	(in thousands)
Investments at fair value (cost of \$373,422)	\$365,357
Cash and other assets	9,138
Total assets	\$374,495
Credit facility	\$280,300
Deferred financing costs	(2,831)
Distribution payable	2,600
Other liabilities	4,415
Total liabilities	284,484
Members' capital	\$90,011
Total liabilities and members' capital	\$374,495

Selected Statement of Operations Information:	Year Ended December 31, 2018⁽¹⁾
	(in thousands)
Interest income	\$9,572
Other income	207
Total investment income	9,779
Interest and other financing expenses	5,402
Other expenses	509
Total expenses	5,911
Net investment income	3,868
Net realized gains on investments	9
Net change in unrealized appreciation (depreciation) of investments	(8,065)
Net decrease in members' capital	\$(4,188)

(1)
SLP III commenced operations on April 25, 2018.

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For the year ended December 31, 2018, we earned approximately \$3.0 million of dividend income related to SLP III, which is included in dividend income. As of December 31, 2018 approximately \$2.1 million of dividend income related to SLP III was included in interest and dividend receivable.

We have determined that SLP III is an investment company under ASC 946; however, in accordance with such guidance we will generally not consolidate our investment in a company other than a wholly-owned investment company subsidiary. Furthermore, ASC 810 concludes that in a joint venture where both members have equal decision making authority, it is not appropriate for one member to consolidate the joint venture since neither has control. Accordingly, we do not consolidate SLP III.

New Mountain Net Lease Corporation

NMNLC was formed to acquire commercial real estate properties that are subject to "triple net" leases. NMNLC's investments are disclosed on our Consolidated Schedule of Investments as of December 31, 2018.

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Below is certain summarized property information for NMNLC as of December 31, 2018:

Portfolio Company	Tenant	Lease Expiration Date	Location	Total Square Feet	Fair Value as of December 31, 2018
				(in thousands)	(in thousands)
NM NL Holdings LP / NM GP Holdco LLC	Various	Various	Various	Various	\$33,703
NM GLCR LP	Arctic Glacier U.S.A.	2/28/2038	CA	214	20,343
NM CLFX LP	Victor Equipment Company	8/31/2033	TX	423	12,770
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Canada	436	9,727
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	AL / OH	261	5,912
NM DRVT Jonesboro, LLC	FMH Conveyors, LLC	10/31/2031	AR	195	5,619
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	MD	95	4,205
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	MI	88	2,537
					\$94,816

Collateralized agreements or repurchase financings

We follow the guidance in Accounting Standards Codification Topic 860, Transfers and Servicing *Secured Borrowing and Collateral*, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of December 31, 2018 and December 31, 2017, we held one collateralized agreement to resell with a cost basis of \$30.0 million and \$30.0 million, respectively, and a fair value of \$23.5 million and \$25.2 million, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from us at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. The default by the private hedge fund did not release the collateral to us, therefore, we do not have full rights and title to the collateral. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter. The joint official liquidators have recognized our contractual rights under the collateralized agreement. We continue to exercise our rights under the collateralized agreement and continue to monitor the liquidation process of the private hedge fund. The fair value of the collateralized agreement to resell is reflective of the increased risk of the position.

PPVA Black Elk (Equity) LLC

On May 3, 2013, we entered into a collateralized securities purchase and put agreement (the "SPP Agreement") with a private hedge fund. Under the SPP Agreement, we purchased twenty million Class E Preferred Units of Black Elk Energy Offshore Operations, LLC ("Black Elk") for \$20.0 million with a corresponding obligation of the private hedge fund to repurchase the preferred units for \$20.0 million plus other amounts due under the SPP Agreement. The majority owner of Black Elk was the private hedge fund. In August 2014, we received a payment of \$20.5 million, the full amount due under the SPP Agreement.

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In August 2017, a trustee (the "Trustee") for Black Elk informed us that the Trustee intended to assert a fraudulent conveyance claim (the "Claim") against us and one of its affiliates seeking the return of the \$20.5 million repayment. Black Elk filed a Chapter 11 bankruptcy petition pursuant to the United States Bankruptcy Code in August 2015. The Trustee alleges that individuals affiliated with the private hedge fund conspired with Black Elk and others to improperly use proceeds from the sale of certain Black Elk assets to repay, in August 2014, the private hedge fund's obligation to

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us under the SPP Agreement. We were unaware of these claims at the time the repayment was received. The private hedge fund is currently in liquidation under the laws of the Cayman Islands.

On December 22, 2017, we settled the Trustee's \$20.5 million Claim for \$16.0 million and filed a claim with the Cayman Islands joint official liquidators of the private hedge fund for \$16.0 million that is owed to us under the SPP Agreement. The SPP Agreement was restored and is in effect since repayment has not been made. We continue to exercise our rights under the SPP Agreement and continue to monitor the liquidation process of the private hedge fund. During the year ended December 31, 2018, we received a \$1.5 million payment from our insurance carrier in respect to the settlement. As of December 31, 2018, the SPP Agreement has a cost basis of \$14.5 million and a fair value of \$11.4 million, which is reflective of the higher inherent risk in this transaction.

Revenue Recognition

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

Interest and dividend income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. We have loans and certain preferred equity investments in the portfolio that contain a payment-in-kind ("PIK") interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and are generally due at maturity or when redeemed by the issuer. For the years ended December 31, 2018, December 31, 2017 and December 31, 2016, we recognized PIK and non-cash interest from investments of \$8.6 million, \$6.4 million and \$4.3 million, respectively, and PIK and non-cash dividends from investments of and \$24.9 million, \$17.8 million and \$3.2 million, respectively.

Dividend income on common equity is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies. Dividend income on preferred securities is recorded as dividend income on an accrual basis to the extent that such amounts are deemed collectible.

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

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

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Structuring fees and upfront fees are recognized as income when earned, usually when paid at the closing of the investment, and are non-refundable.

Monitoring of Portfolio Investments

We monitor the performance and financial trends of our portfolio companies on at least a quarterly basis. We attempt to identify any developments within the portfolio company, the industry or the macroeconomic environment that may alter any material element of our original investment strategy.

We use an investment rating system to characterize and monitor the credit profile and expected level of returns on each investment in the portfolio. We use a four-level numeric rating scale as follows:

Investment Rating 1 Investment is performing materially above expectations;

Investment Rating 2 Investment is performing materially in-line with expectations. All new loans are rated 2 at initial purchase;

Investment Rating 3 Investment is performing materially below expectations, where the risk of loss has materially increased since the original investment; and

Investment Rating 4 Investment is performing substantially below expectations and risks have increased substantially since the original investment. Payments may be delinquent. There is meaningful possibility that we will not recoup our original cost basis in the investment and may realize a substantial loss upon exit.

The following table shows the distribution of our investments on the 1 to 4 investment rating scale at fair value as of December 31, 2018:

(in millions)

As of December 31, 2018

Investment Rating	Cost	Percent	Fair Value	Percent
Investment Rating 1	\$ 147.1	6.3%	\$ 147.9	6.3%
Investment Rating 2	2,181.1	93.6%	2,194.0	93.7%
Investment Rating 3		%		%
Investment Rating 4	1.5	0.1%	0.1	0.0%
	\$ 2,329.7	100.0%	\$ 2,342.0	100.0%

As of December 31, 2018, all investments in our portfolio had an Investment Rating of 1 or 2 with the exception of one portfolio company, which had an Investment Rating of 4.

During the second quarter of 2018, we placed a portion of our second lien position in National HME, Inc. on non-accrual status and wrote down the aggregate fair value of our preferred shares in TW-NHME Holdings Corp. (together with our second lien position, "NHME") to \$0. In November of 2018, NHME completed a restructuring which resulted in a material modification of the original terms and an extinguishment of our original investments in NHME. Prior to the extinguishment in November 2018, our original investments in NHME had an aggregate cost of \$30.1 million, an aggregate fair value of \$15.3 million and total unearned interest income of \$1.1 million for the year ended December 31, 2018. The extinguishment resulted in a realized loss of \$15.0 million. As a result of the restructuring, we received second lien debt in NHME and common shares in NHME Holdings Corp. In addition, we funded additional second lien debt and received warrants to purchase common shares

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for this additional funding. Post restructuring, our investments in NHME have been restored to full accrual status. As of December 31, 2018, our investments in NHME had an aggregate cost basis of \$22.8 million and an aggregate fair value of \$22.7 million.

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During the first quarter of 2018, we placed our first lien positions in Education Management II LLC on non-accrual status as the portfolio company announced its intention to wind down and liquidate the business. Our first lien positions and our preferred and common shares in Education Management Corporation ("EDMC") have an investment rating of 4. As of December 31, 2018, our investment in EDMC with an Investment Rating of 4 had an aggregate cost basis of \$1.5 million, an aggregate fair value of \$0.1 million and total unearned interest income of \$0.2 million for the year then ended.

Portfolio and Investment Activity

The fair value of our investments was approximately \$2,342.0 million in 92 portfolio companies at December 31, 2018, approximately \$1,825.7 million in 84 portfolio companies at December 31, 2017 and approximately \$1,558.8 million in 78 portfolio companies at December 31, 2016.

The following table shows our portfolio and investment activity for the years ended December 31, 2018, December 31, 2017 and December 31, 2016:

(in millions)	Year Ended December 31,		
	2018	2017	2016
New investments in 67, 64 and 43 portfolio companies, respectively	\$ 1,321.6	\$ 999.7	\$ 558.1
Debt repayments in existing portfolio companies	592.4	696.6	479.5
Sales of securities in 14, 17 and 10 portfolio companies, respectively	210.5	70.7	67.6
Change in unrealized appreciation on 25, 58 and 71 portfolio companies, respectively	14.8	66.1	76.5
Change in unrealized depreciation on 88, 43 and 24 portfolio companies, respectively	(37.0)	(15.3)	(36.4)

Recent Accounting Standards Updates

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The standard will modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period. The Company is permitted to early adopt any removed or modified disclosures upon issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective date. The Company has elected to early adopt ASU 2018-13 as of December 31, 2018.

Results of Operations

Under GAAP, our IPO did not step-up the cost basis of the Predecessor Operating Company's existing investments to fair market value at the IPO date. Since the total value of the Predecessor Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, and different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold, repaid or mature in the future. We track the transferred (or fair market) value of each of the Predecessor Operating Company's investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts income as if each investment was purchased at the date of the IPO (or stepped up to fair market value). The respective "Adjusted Net Investment Income" (defined as net investment income adjusted to reflect income as if the cost basis of investments held at the IPO

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date had stepped-up to fair market value as of the IPO date) is used in calculating both the incentive fee and dividend payments. See Note 5. Agreements to our consolidated financial statements included in this prospectus for additional details.

As of December 31, 2017, all predecessor investments have been sold or matured. For the years ended December 31, 2017 and December 31, 2018, no cost basis adjustment is necessary.

The following table for the year ended December 31, 2016 is adjusted to reflect the step-up to fair market value and the allocation of the incentive fees related to hypothetical capital gains out of the adjusted post-incentive fee net investment income.

(in thousands)	Year Ended December 31, 2016	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments(1)	Adjusted Year Ended December 31, 2016
Investment income				
Interest income	\$ 147,425	\$ (65)		\$ 147,360
Total dividend income	11,200			11,200
Other income	9,459			9,459
Total investment income⁽²⁾	168,084	(65)		168,019
Total expenses pre-incentive fee ⁽³⁾	57,965			57,965
Pre-Incentive Fee Net Investment Income	110,119	(65)		110,054
Incentive fee	22,011			22,011
Post-Incentive Fee Net Investment Income	88,108	(65)		88,043
Net realized losses on investments ⁽⁴⁾	(16,717)	(151)		(16,868)
Net change in unrealized appreciation (depreciation) of investments ⁽⁴⁾	40,131	216		40,347
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(486)			(486)
Benefit for taxes	642			642
Capital gains incentive fees				
Net increase in net assets resulting from operations	\$ 111,678			\$ 111,678

(1) For the year ended December 31, 2016, we incurred total incentive fees of \$22.0 million, none of which was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.

(2) Includes income from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

- (3) Includes expense waivers and reimbursements of \$0.7 million and management fee waivers of \$4.8 million.
- (4) Includes net realized gains (losses) on investments and net change in unrealized appreciation (depreciation) of investments from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

For the year ended December 31, 2016, we had a \$0.1 million adjustment to interest income for amortization, a decrease of \$0.2 million to net realized losses and an increase of \$0.2 million to net change in unrealized appreciation (depreciation) to adjust for the stepped-up cost basis of the transferred investments as discussed above.

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In accordance with GAAP, for the year ended December 31, 2016, we did not have an accrual for hypothetical capital gains incentive fee based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of the period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value. As of December 31, 2016, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

Results of Operations for the Years Ended December 31, 2018, December 31, 2017 and December 31, 2016**Revenue**

	Year Ended December 31,		
(in thousands)	2018	2017	2016
Interest income	\$ 161,899	\$ 149,800	\$ 147,425
Total dividend income	53,824	37,250	11,200
Other income	15,742	10,756	9,459
 Total investment income	 \$ 231,465	 \$ 197,806	 \$ 168,084

Our total investment income increased by approximately \$33.7 million, 17%, for the year ended December 31, 2018 as compared to the year ended December 31, 2017. For the year ended December 31, 2018, total investment income of \$231.5 million consisted of approximately \$143.6 million in cash interest from investments, approximately \$8.6 million in PIK and non-cash interest from investments, approximately \$4.5 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$5.2 million, approximately \$28.9 million in cash dividends from investments, approximately \$24.9 million in PIK and non-cash dividends from investments and approximately \$15.8 million in other income. The increase in dividend income of approximately \$16.6 million during the year ended December 31, 2018 as compared to the year ended December 31, 2017 was primarily attributable to distributions from our investments in NMNLC, SLP III and PIK and non-cash dividend income from six portfolio companies where we hold equity positions. The increase in interest income of approximately \$12.1 million from the year ended December 31, 2017 to the year ended December 31, 2018, is attributable to larger invested balances and rising LIBOR rates. Our larger invested balances were driven by the proceeds from our August 2018 Convertible Notes issuance and our January 2018, July 2018 and September 2018 unsecured notes issuances, as well as, our use of leverage from our revolving credit facilities to originate new investments. The increase in other income, which represents fees that are generally non-recurring in nature, of approximately \$5.0 million during the year ended December 31, 2018 as compared to the year ended December 31, 2017 was primarily attributable to upfront, amendment and consent fees received from forty-nine different portfolio companies.

Our total investment income increased by approximately \$29.7 million, 18%, for the year ended December 31, 2017 as compared to the year ended December 31, 2016. For the year ended December 31, 2017, total investment income of \$197.8 million consisted of approximately \$129.3 million in cash interest from investments, approximately \$6.4 million in PIK and non-cash interest from investments, approximately \$4.9 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$9.2 million, approximately \$19.4 million in

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cash dividends from investments, approximately \$17.8 million in PIK and non-cash dividends from investments and approximately \$10.8 million in other income. For the year ended December 31, 2016, total adjusted investment income of \$168.0 million consisted of approximately \$135.2 million in cash interest from investments, approximately \$4.3 million in PIK and non-cash interest from investments, approximately \$4.9 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$3.0 million, approximately \$8.0 million in cash dividends from investments, approximately \$3.2 million in PIK and non-cash dividends from investments and approximately \$9.4 million in other income. The increase in interest income of approximately \$2.4 million from the year ended December 31, 2016 to the year ended December 31, 2017 is attributable to larger invested balances and prepayment fees received associated with the early repayments of eleven different portfolio companies held as of December 31, 2016. Our larger invested balances were driven by the proceeds from the April 2017 primary offering of our common stock, our June 2017 unsecured notes issuance, as well as, our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. The increase in dividend income of approximately \$26.1 million during the year ended December 31, 2017 as compared to the year ended December 31, 2016 was primarily attributable to distributions from our investments in SLP II and NMNLC and PIK non-cash dividend income from five equity positions. The increase in other income, which represents fees that are generally non-recurring in nature, of approximately \$1.3 million during the year ended December 31, 2017 as compared to the year ended December 31, 2016 was primarily attributable to structuring, upfront, amendment, consent and commitment fees received from 46 different portfolio companies.

Operating Expenses

(in thousands)	Year Ended December 31,		
	2018	2017	2016
Management fee	\$ 38,530	\$ 32,694	\$ 27,551
Less: management fee waiver	(6,709)	(5,642)	(4,824)
Total management fee	31,821	27,052	22,727
Incentive fee	26,508	25,101	22,011
Less: incentive fee waiver		(1,800)	
Total incentive fee	26,508	23,301	22,011
Interest and other financing expenses	57,050	37,094	28,452
Professional fees	4,497	3,658	3,087
Administrative fees	3,629	2,779	2,683
Other general and administrative expenses	1,913	1,636	1,589
Total expenses	125,418	95,520	80,549
Less: expenses waived and reimbursed	(276)	(474)	(725)
Net expenses before income taxes	125,142	95,046	79,824
Income tax expense	291	556	152
Net expenses after income taxes	\$ 125,433	\$ 95,602	\$ 79,976

Our total net operating expenses increased by approximately \$29.8 million for the year ended December 31, 2018 as compared to the year ended December 31, 2017. Our management fee increased by approximately \$4.8 million, net of a management fee waiver, and incentive fees increased by approximately \$3.2 million, net of an incentive fee waiver, for the year ended December 31, 2018 as compared to the year ended December 31, 2017. The increase in management and incentive fees from the year ended December 31, 2017 to the year ended December 31, 2018 was attributable to larger invested balances, driven by the proceeds from our

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April 2017 primary offering of our common stock, our convertible notes issuance, our unsecured notes issuances and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. In addition, our increase in incentive fees was attributable to an incentive fee waiver by the Investment Adviser for the year ended December 31, 2017 of approximately \$1.8 million. No capital gains incentive fee was accrued for the year ended December 31, 2018.

Interest and other financing expenses increased by approximately \$20.0 million during the year ended December 31, 2018, primarily due to our issuances of convertible and unsecured notes, higher drawn balances on our SBA-guaranteed debentures, Holdings Credit Facility and NMFC Credit Facility and rising LIBOR rates. Our increase in total professional fees, administrative fees, net of expenses waived and reimbursed, and other general and administrative expenses for the year ended December 31, 2018 as compared to the year ended December 31, 2017 was mainly attributable to an increase in professional fees relating to evaluating and making investments, as well as on-going monitoring of investments.

Our total net operating expenses increased by approximately \$15.6 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016. Our management fee increased by approximately \$4.3 million, net of a management fee waiver, and incentive fees increased by approximately \$1.3 million, net of an incentive fee waiver, for the year ended December 31, 2017 as compared to the year ended December 31, 2016. The increase in management and incentive fees from the year ended December 31, 2016 to the year ended December 31, 2017 was attributable to larger invested balances, driven by the proceeds from our April 2017 primary offering of our common stock, our unsecured notes issuances and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. No capital gains incentive fee was accrued for the year ended December 31, 2017.

Interest and other financing expenses increased by approximately \$8.6 million during the year ended December 31, 2017, primarily due to our issuance of our unsecured notes, higher drawn balances on our SBA-guaranteed debentures and an increase in LIBOR rates. Our total professional fees, administrative fees, net of expenses waived and reimbursed, and other general and administrative expenses remained relatively flat for the year ended December 31, 2017 as compared to the year ended December 31, 2016.

Net Realized Gains (Losses) and Net Change in Unrealized Appreciation (Depreciation)

(in thousands)	Year Ended December 31,		
	2018	2017	2016
Net realized losses on investments	\$ (9,657)	\$ (39,734)	\$ (16,717)
Net change in unrealized (depreciation) appreciation of investments	(22,206)	50,794	40,131
Net change in unrealized depreciation of securities purchased under collateralized agreements to resell	(1,704)	(4,006)	(486)
(Provision) benefit for taxes	(112)	140	642
Net realized and unrealized (losses) gains	\$ (33,679)	\$ 7,194	\$ 23,570

Our net realized and unrealized losses resulted in a net loss of approximately \$33.7 million for the year ended December 31, 2018 compared to the net realized losses and unrealized gains resulting in a net gain of approximately \$7.2 million for the same period in 2017. As movement in unrealized appreciation or depreciation can be the result of realizations, we look at net realized and unrealized gains or losses together. The net loss for the year ended December 31, 2018 was

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primarily driven by the overall decrease in the market prices of our investments during the period. Also contributing to our net loss were the realized loss on our investment in American Tire Distributors, Inc. ("ATD"), which was sold during the quarter ended June 30, 2018 due to ATD's reported loss of its largest supplier and by the realized loss on our investment in NHME during the quarter ended December 31, 2018 due to the material modification of the original terms and extinguishment of our original investment in the company. This was partially offset by the realized gain on the sale of our investment in HI Technology Corp. The provision for income taxes was attributable to equity investments that are held as of December 31, 2018 in three of our corporate subsidiaries.

Our net realized losses and unrealized gains resulted in a net gain of approximately \$7.2 million for the year ended December 31, 2017 compared to the net realized losses and unrealized gains resulting in a net gain of approximately \$23.6 million for the same period in 2016. As movement in unrealized appreciation or depreciation can be the result of realizations, we look at net realized and unrealized gains or losses together. The net gain for the year ended December 31, 2017 was primarily driven by the overall increase in market prices of our investments during the period. With the completion of the Transtar and Sierra restructurings in April 2017 and July 2017, respectively, \$27.6 million and \$14.5 million, respectively, of previously recorded unrealized depreciation related to these investments were realized during the year ended December 31, 2017. The benefit for income taxes was primarily attributable to equity investments that are held in three of our corporate subsidiaries as of December 31, 2017.

The net gain for the year ended December 31, 2016 was primarily driven by the overall increase in the market prices of our investments during the period and sales or repayments of investments with fair values in excess of December 31, 2015 valuations, resulting in net realized gains being greater than the reversal of the cumulative net unrealized gains for those investments. The net gain was offset by a \$17.9 million realized loss on an investment resulting from the modification of terms on a portfolio company that was accounted for as an extinguishment. The benefit for income taxes was primarily attributable to equity investments that are held in three of our corporate subsidiaries as of December 31, 2016.

Liquidity and Capital Resources

The primary use of existing funds and any funds raised in the future is expected to be for repayment of indebtedness, investments in portfolio companies, cash distributions to our stockholders or for other general corporate purposes.

Since our IPO, and through December 31, 2018, we raised approximately \$614.6 million in net proceeds from additional offerings of common stock.

Our liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, and, we expect, through periodic follow-on equity offerings. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the 1940 Act, is at least 150.0% after such borrowing (which means we can borrow \$2 for every \$1 of our equity). On March 23, 2018, the SBCA was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150.0% from 200.0% under certain circumstances. On April 12, 2018, our board of directors, including a "required majority" (as such

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term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCA, and recommended the submission of a proposal for stockholders to approve the application of the 150.0% minimum asset coverage ratio to us at a special meeting of stockholders, which was held on June 8, 2018. The stockholder proposal was approved by the required votes of our stockholders at such special meeting of stockholders, and thus we became subject to the 150.0% minimum asset coverage ratio on June 9, 2018 (which means we can borrow \$2 for every \$1 of our equity). As a result of our exemptive relief received on November 5, 2014, we are permitted to exclude our SBA-guaranteed debentures from the 150.0% asset coverage ratio that we are required to maintain under the 1940 Act. The agreements governing the NMFC Credit Facility, the 2018 Convertible Notes and the Unsecured Notes (as defined below) contain certain covenants and terms, including a requirement that we not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that we not exceed a secured debt ratio of 0.70 to 1.00 at any time. As of December 31, 2018, our asset coverage ratio was 181.37%.

At December 31, 2018, December 31, 2017 and December 31, 2016, we had cash and cash equivalents of approximately \$49.7 million, \$34.9 million and \$45.9 million, respectively. Our cash (used in) provided by operating activities during the years ended December 31, 2018, December 31, 2017 and December 31, 2016, was approximately \$(393.5) million, \$(166.3) million and \$60.5 million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

Borrowings

Holdings Credit Facility On December 18, 2014, we entered into the Second Amended and Restated Loan and Security Agreement among us, as the Collateral Manager, NMF Holdings, as the Borrower, Wells Fargo Securities, LLC, as the Administrative Agent and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian (as amended from time to time, the "Holdings Credit Facility"). As of the most recent amendment on November 19, 2018, the maturity date of the Holdings Credit Facility is October 24, 2022, and the maximum facility amount is the lesser of \$695.0 million and the actual commitments of the lenders to make advances as of such date.

As of December 31, 2018, the maximum amount of revolving borrowings available under the Holdings Credit Facility is \$615.0 million. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by Wells Fargo Bank, National Association. The Holdings Credit Facility is non-recourse to us and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires us to maintain a minimum asset coverage ratio of 150.0%. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

As of the amendment entered into on April 1, 2018, the Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.25% per annum for all other investments. The Holdings Credit Facility also charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

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The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

(in millions)	Year Ended December 31,		
	2018	2017	2016
Interest expense	\$ 16.1	\$ 11.6	\$ 9.5
Non-usage fee	\$ 0.6	\$ 0.7	\$ 0.8
Amortization of financing costs	\$ 2.5	\$ 1.8	\$ 1.6
Weighted average interest rate	4.2%	3.3%	2.8%
Effective interest rate	5.0%	4.1%	3.5%
Average debt outstanding	\$ 384.4	\$ 345.2	\$ 341.1

As of December 31, 2018, December 31, 2017 and December 31, 2016, the outstanding balance on the Holdings Credit Facility was \$512.6 million, \$312.4 million and \$333.5 million, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

NMFC Credit Facility The Senior Secured Revolving Credit Agreement, (as amended from time to time, and together with the related guarantee and security agreement, the "NMFC Credit Facility"), dated June 4, 2014, among us, as the Borrower, Goldman Sachs Bank USA, as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, as Lenders, is structured as a senior secured revolving credit facility. The NMFC Credit Facility is guaranteed by certain of our domestic subsidiaries and proceeds from the NMFC Credit Facility may be used for general corporate purposes, including the funding of portfolio investments. As of the most recent amendment on July 5, 2018, the maturity date of the NMFC Credit Facility is June 4, 2022 and the NMFC Credit Facility includes the financial covenants related to the asset coverage discussed above.

As of December 31, 2018, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$135.0 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment as outlined in the related Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to the asset coverage and liquidity and other maintenance covenants.

The NMFC Credit Facility generally bears interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum, and charges a commitment fee, based on the unused facility amount multiplied by 0.375% per annum (as defined in the Senior Secured Revolving Credit Agreement).

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The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

(in millions)	Year Ended December 31,		
	2018	2017	2016
Interest expense	\$ 5.4	\$ 2.0	\$ 2.0
Non-usage fee	\$ 0.1	\$ 0.3	\$ 0.2
Amortization of financing costs	\$ 0.5	\$ 0.4	\$ 0.4
Weighted average interest rate	4.6%	3.6%	3.0%
Effective interest rate	5.1%	4.8%	3.8%
Average debt outstanding	\$ 117.7	\$ 54.9	\$ 66.9

As of December 31, 2018, December 31, 2017 and December 31, 2016, the outstanding balance on the NMFC Credit Facility was \$60.0 million, \$122.5 million and \$10.0 million, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

DB Credit Facility The Loan Financing and Servicing Agreement (the "DB Credit Facility") dated December 14, 2018, among NMFDB as the borrower, Deutsche Bank AG, New York Branch ("Deutsche Bank") as the facility agent, Lender and other agent from time to time party thereto and U.S. Bank National Association, as collateral agent and collateral custodian, is structured as a secured revolving credit facility and matures on December 14, 2023.

As of December 31, 2018, the maximum amount of revolving borrowings available under the DB Credit Facility was \$100.0 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Loan Financing and Servicing Agreement. The DB Credit Facility is non-recourse to us and is collateralized by all of the investments of NMFDB on an investment by investment basis. All fees associated with the origination of the DB Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the DB Credit Facility. The DB Credit Facility contains certain customary affirmative and negative covenants and events of default. The covenants are generally not tied to mark to market fluctuations in the prices of NMFDB investments, but rather to the performance of the underlying portfolio companies.

The advances under the DB Credit Facility accrue interest at a per annum rate equal to the Applicable Margin plus the lender's Cost of Funds Rate. The "Applicable Margin" is equal to 2.85% during the Revolving Period and then increases by 0.20% during an Event of Default. The "Cost of Funds Rate" for a conduit lender is the lower of its commercial paper rate and the Base Rate plus 0.50%, and for any other lender is the Base Rate. The "Base Rate" is the three-months LIBOR Rate but may become an alternative base rate based on Deutsche Bank's base lending rate if certain LIBOR disruption events occur. We are also charged a non-usage fee, based on the unused facility amount multiplied by the Undrawn Fee Rate (as defined in the Loan Financing and Servicing Agreement).

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The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the DB Credit Facility for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

	Year Ended December 31,		
	2018 ⁽¹⁾	2017 ⁽²⁾	2016 ⁽²⁾
Interest expense	\$ 0.1	\$	\$
Non-usage fee	\$ (3)	\$	\$
Amortization of financing costs	\$ (3)	\$	\$
Weighted average interest rate	5.7%	%	%
Effective interest rate	6.7%	%	%
Average debt outstanding	\$ 49.8	\$	\$

- (1) For the year ended December 31, 2018, amounts reported relate to the period from December 14, 2018 (commencement of the DB Credit Facility) to December 31, 2018.
- (2) Not applicable as the DB Credit Facility commenced on December 14, 2018.
- (3) For the year ended December 31, 2018, non-usage fees and amortization of financing costs were less than \$50 thousand.

As of December 31, 2018, the outstanding balance on the DB Credit Facility was \$57.0 million and NMFDB was in compliance with the applicable covenants in the DB Credit Facility on such date.

NMNL Credit Facility The Revolving Credit Agreement (together with the related guarantee and security agreement, the "NMNLC Credit Facility"), dated September 21, 2018, among NMNLC, as the Borrower, and KeyBank National Association, as the Administrative Agent and Lender, is structured as a senior secured revolving credit facility and matures on September 23, 2019. The NMNLC Credit Facility is guaranteed by us and proceeds from the NMNLC Credit Facility may be used for funding of additional acquisition properties.

The NMNLC Credit Facility generally bears interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum, and charges a commitment fee, based on the unused facility amount multiplied by 0.15% per annum (as defined in the Revolving Credit Agreement).

As of December 31, 2018, the maximum amount of revolving borrowings available under the NMNLC Credit Facility was \$30.0 million. For the year ended December 31, 2018, interest expense, non-usage fees and amortization of financing costs were all less than \$50 thousand. As of December 31, 2018, the outstanding balance on the NMNLC Credit Facility was \$0 and NMNLC was in compliance with the applicable covenants in the NMNLC Credit Facility on such dates.

Convertible Notes

2014 Convertible Notes On June 3, 2014, we closed a private offering of \$115.0 million aggregate principal amount of unsecured convertible notes (the "2014 Convertible Notes"), pursuant to an indenture, dated June 3, 2014 (the "2014 Indenture"). The 2014 Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). As of June 3, 2015, the restrictions under Rule 144A under the Securities Act were removed, allowing the 2014 Convertible Notes to be eligible and freely tradable without restrictions for resale pursuant to Rule 144(b)(1) under the Securities Act. On September 30, 2016, we closed a public offering of an additional \$40.3 million aggregate principal amount of the 2014 Convertible Notes. These additional 2014 Convertible Notes constitute a further issuance of, rank equally in right of payment with, and form a

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single series with the \$115.0 million aggregate principal amount of 2014 Convertible Notes that we issued on June 3, 2014.

The 2014 Convertible Notes bear interest at an annual rate of 5.0%, payable semi-annually in arrears on June 15 and December 15 of each year, which commenced on December 15, 2014. The 2014 Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option.

We may not redeem the 2014 Convertible Notes prior to maturity. No sinking fund is provided for the 2014 Convertible Notes. In addition, if certain corporate events occur, holders of the 2014 Convertible Notes may require us to repurchase for cash all or part of their 2014 Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the 2014 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

The 2014 Indenture contains certain covenants, including covenants requiring us to provide financial information to the holders of the 2014 Convertible Notes and the Trustee if we cease to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the 2014 Indenture.

2018 Convertible Notes On August 20, 2018, we closed a registered public offering of \$100.0 million aggregate principal amount of unsecured convertible notes (the "2018 Convertible Notes" and together with the 2014 Convertible Notes, the "Convertible Notes"), pursuant to an indenture, dated August 20, 2018, as supplemented by a first supplemental indenture thereto, dated August 20, 2018 (together the "2018A Indenture"). On August 30, 2018, in connection with the registered public offering, we issued an additional \$15.0 million aggregate principal amount of the 2018 Convertible Notes pursuant to the exercise of an overallotment option by the underwriter of the 2018 Convertible Notes.

The 2018 Convertible Notes bear interest at an annual rate of 5.75%, payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2019. The 2018 Convertible Notes will mature on August 15, 2023 unless earlier converted, repurchased or redeemed pursuant to the terms of the 2018A Indenture. We may not redeem the 2018 Convertible Notes prior to May 15, 2023. On or after May 15, 2023, we may redeem the 2018 Convertible Notes for cash, in whole or from time to time in part, at our option at a redemption price, subject to an exception for redemption dates occurring after a record date but on or prior to the interest payment date, equal to the sum of (i) 100% of the principal amount of the 2018 Convertible Notes to be redeemed, (ii) accrued and unpaid interest thereon to, but excluding, the redemption date and (iii) a make-whole premium.

No sinking fund is provided for the 2018 Convertible Notes. Holders of 2018 Convertible Notes may, at their option, convert their 2018 Convertible Notes into shares of our common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date of the 2018 Convertible Notes. In addition, if certain corporate events occur, holders of the 2018 Convertible Notes may require us to repurchase for cash all or part of their 2018 Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the 2018 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

The 2018A Indenture contains certain covenants, including covenants requiring us to provide certain financial information to the holders of the 2018 Convertible Notes and the trustee if we cease to be subject to the reporting requirements of the Exchange Act. The 2018A Indenture also includes additional financial covenants related to our asset coverage ratio. These covenants are subject to limitations and exceptions that are described in the 2018A Indenture.

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The following table summarizes certain key terms related to the convertible features of our Convertible Notes as of December 31, 2018.

	2014 Convertible Notes	2018 Convertible Notes
Initial conversion premium	12.5%	10.0%
Initial conversion rate ⁽¹⁾	62.7746	65.8762
Initial conversion price	\$ 15.93	\$ 15.18
Conversion premium at December 31, 2018	11.7%	10.0%
Conversion rate at December 31, 2018 ⁽¹⁾⁽²⁾	63.2794	65.8762
Conversion price at December 31, 2018 ⁽²⁾⁽³⁾	\$ 15.80	\$ 15.18
Last conversion price calculation date	June 3, 2018	August 20, 2018

- (1) Conversion rates denominated in shares of common stock per \$1.0 thousand principal amount of the Convertible Notes converted.
- (2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.
- (3) The conversion price in effect at December 31, 2018 was calculated on the last anniversary of the issuance and will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in distributions in excess of \$0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in distributions, are subject to a conversion price floor of \$14.05 per share for the 2014 Convertible Notes and \$13.80 per share for the 2018 Convertible Notes. In no event will the total number of shares of common stock issuable upon conversion exceed 71.1893 per \$1.0 thousand principal amount of the 2014 Convertible Notes or 72.4637 per \$1 principal amount of the 2018 Convertible Notes. We have determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The Convertible Notes are unsecured obligations and rank senior in right of payment to our existing and future indebtedness, if any, that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries and financing vehicles. As reflected in Note 12. *Earnings Per Share* to our consolidated financial statements included in this prospectus, the issuance is considered part of the if-converted method for calculation of diluted earnings per share.

The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Convertible Notes for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

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(in millions)	Year Ended December 31,		
	2018 ⁽¹⁾	2017	2016
Interest expense	\$ 10.2	\$ 7.8	\$ 6.3
Amortization of financing costs	\$ 1.3	\$ 1.2	\$ 0.9
Amortization of premium ⁽²⁾	\$ (0.1)	\$ (0.1)	\$
Weighted average interest rate	5.2%	5.0%	5.0%
Effective interest rate	5.7%	5.7%	5.7%
Average debt outstanding	\$ 197.1	\$ 155.3	\$ 125.2

(1)

For the year ended December 31, 2018, amounts reported include interest and amortization of financing costs related to the 2018 Convertible Notes for the period from August 20, 2018 (issuance of the 2018 Convertible Notes) to December 31, 2018.

(2)

For the year ended December 31, 2016, the total amortization of premium was less than \$50 thousand.

As of December 31, 2018, December 31, 2017 and December 31, 2016, the outstanding balance on the Convertible Notes was \$270.3 million, \$155.3 million and \$155.3 million, respectively, and NMFC was in compliance with the terms of the 2014 Indenture and 2018A Indenture on such dates, as applicable.

Unsecured Notes

On May 6, 2016, we issued \$50.0 million in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the "2016 Unsecured Notes"), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, we entered into an amended and restated note purchase agreement (the "NPA") and issued an additional \$40.0 million in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, we issued \$55.0 million in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the "2017A Unsecured Notes"), pursuant to the NPA and a supplement to the NPA. On January 30, 2018, we issued \$90.0 million in aggregate principal amount of five year unsecured notes that mature on January 30, 2023 (the "2018A Unsecured Notes") pursuant to the NPA and a second supplement to the NPA. On July 5, 2018, we issued \$50.0 million in aggregate principal amount of five year unsecured notes that mature on June 28, 2023 (the "2018B Unsecured Notes") pursuant to the NPA and a third supplement to the NPA (the "Third Supplement"). The NPA provides for future issuances of unsecured notes in separate series or tranches.

The 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2018. The 2018A Unsecured Notes bear interest at an annual rate of 4.870%, payable semi-annually on February 15 and August 15 of each year, which commenced on August 15, 2018. The 2018B Unsecured Notes bear interest at an annual rate of 5.360%, payable semi-annually on January 15 and July 15 of each year, which commences on January 15, 2019. These interest rates are subject to increase in the event that: (i) subject to certain exceptions, the underlying unsecured notes or we cease to have an investment grade rating or (ii) the aggregate amount of our unsecured debt falls below \$150.0 million. In each such event, we have the option to offer to prepay the underlying unsecured notes at par, in which case holders of the underlying unsecured notes who accept the offer would not receive the increased interest rate. In addition, we are obligated to offer to prepay the underlying unsecured notes at par if the Investment Adviser, or an affiliate thereof, ceases to be our investment adviser or if certain change in control events occur with respect to the Investment Adviser.

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The NPA contains customary terms and conditions for unsecured notes issued, including, without limitation, an option to offer to prepay all or a portion of the unsecured notes under its governance at par (plus a make-whole amount if applicable), affirmative and negative covenants such as information reporting, maintenance of our status as a BDC under the 1940 Act and a RIC under the Code, minimum stockholders' equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes at NMFC or any subsidiary guarantor, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under other indebtedness of NMFC or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy. The Third Supplement includes additional financial covenants related to asset coverage as well as other terms.

On September 25, 2018, we closed a registered public offering of \$50.0 million in aggregate principal amount of five-year 5.75% Unsecured Notes (together with the 2016 Unsecured Notes, 2017A Unsecured Notes, 2018A Unsecured Notes and 2018B Unsecured Notes, the "Unsecured Notes"), pursuant to an indenture, dated August 20, 2018, as supplemented by a second supplemental indenture thereto, dated September 25, 2018 (together, the "2018B Indenture"). On October 17, 2018, in connection with the registered public offering, we issued an additional \$1.8 million aggregate principal amount of the 5.75% Unsecured Notes pursuant to the exercise of an overallotment option by the underwriters of the 5.75% Unsecured Notes.

The 5.75% Unsecured Notes bear interest at an annual rate of 5.75%, payable quarterly on January 1, April 1, July 1 and October 1 of each year, which commenced on January 1, 2019. The 5.75% Unsecured Notes will mature on October 1, 2023 unless earlier redeemed. The 5.75% Unsecured Notes are listed on the New York Stock Exchange and trade under the trading symbol "NMFY."

We may redeem the 5.75% Unsecured Notes, in whole or in part, at any time, or from time to time, at our option on or after October 1, 2020, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption.

No sinking fund is provided for the 5.75% Unsecured Notes and holders of the 5.75% Unsecured Notes have no option to have their 5.75% Unsecured Notes repaid prior to the stated maturity date.

The 2018B Indenture contains certain covenants, including covenants requiring us to (i) comply with the asset coverage requirements set forth in Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to us by the SEC and (ii) provide certain financial information to the holders of the 5.75% Unsecured Notes and the trustee if we cease to be subject to the reporting requirements of the Exchange Act. The 2018B Indenture also includes additional financial covenants related to asset coverage. These covenants are subject to limitations and exceptions that are described in the 2018B Indenture.

The 2018B Indenture provides for customary events of default and further provides that the trustee or the holders of 25% in aggregate principal amount of the outstanding 5.75% Unsecured Notes may declare such 5.75% Unsecured Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

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The Unsecured Notes are unsecured obligations and rank senior in right of payment to our existing and future indebtedness, if any, that is expressly subordinated in right of payment to the Unsecured Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries and financing vehicles. The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

(in millions)	Year Ended December 31,		
	2018 ⁽¹⁾	2017 ⁽²⁾	2016 ⁽³⁾
Interest expense	\$ 13.5	\$ 6.1	\$ 2.3
Amortization of financing costs	\$ 0.8	\$ 0.5	\$ 0.2
Weighted average interest rate	5.1%	5.2%	5.3%
Effective interest rate	5.4%	5.6%	5.8%
Average debt outstanding	\$ 266.3	\$ 117.9	\$ 65.5

(1)

For the year ended December 31, 2018, amounts reported include interest and amortization of financing costs related to the 2018A Unsecured Notes for the period from January 30, 2018 (issuance of the 2018A Unsecured Notes) to December 31, 2018, the 2018B Unsecured Notes for the period from July 5, 2018 (issuance of the 2018B Unsecured Notes) to December 31, 2018 and the 5.75% Unsecured Notes for the period from September 25, 2018 (issuance of the 5.75% Unsecured Notes) to December 31, 2018.

(2)

For the year ended December 31, 2017, amounts reported include interest and amortization of financing costs related to the 2017A Unsecured Notes for the period from June 30, 2017 (issuance of the 2017A Unsecured Notes) to December 31, 2018.

(3)

For the year ended December 31, 2016 amounts reported include interest and amortization of financing costs for the period from May 6, 2016 (issuance of the 2016 Unsecured Notes) to December 31, 2016.

As of December 31, 2018, December 31, 2017 and December 31, 2016, the outstanding balance on the Unsecured Notes was \$336.8 million, \$145.0 million and \$90.0 million, respectively, and we were in compliance with the terms of the NPA and the 2018B Indenture as of such dates, as applicable.

SBA-guaranteed debentures On August 1, 2014 and August 25, 2017, respectively, SBIC I and SBIC II received SBIC licenses from the SBA to operate as SBICs.

The SBIC license allows SBICs to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse to us, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with ten year maturities. The SBA, as a creditor, will have a superior claim to the assets of SBIC I and SBIC II over our stockholders in the event SBIC I and SBIC II are liquidated or the SBA exercises remedies upon an event of default.

The maximum amount of borrowings available under current SBA regulations for a single licensee is \$150.0 million as long as the licensee has at least \$75.0 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. In June 2018, legislation amended the 1958 Act by increasing the individual leverage limit from \$150.0 million to \$175.0 million, subject to SBA approvals. As of December 31, 2018 and December 31, 2017, SBIC I had regulatory capital of \$75.0 million and

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\$75.0 million, respectively, and SBA-guaranteed debentures outstanding of \$150.0 million and \$150.0 million, respectively. As of December 31, 2018 and December 31, 2017, SBIC II had regulatory capital of \$42.5 million and \$2.5 million, respectively, and SBA-guaranteed debentures outstanding of \$15.0 million and \$0.0 million, respectively. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes our SBA-guaranteed debentures as of December 31, 2018.

(in millions) Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
Fixed SBA-guaranteed debentures⁽¹⁾:				
March 25, 2015	March 1, 2025	\$ 37.5	2.517%	0.355%
September 23, 2015	September 1, 2025	37.5	2.829%	0.355%
September 23, 2015	September 1, 2025	28.8	2.829%	0.742%
March 23, 2016	March 1, 2026	13.9	2.507%	0.742%
September 21, 2016	September 1, 2026	4.0	2.051%	0.742%
September 20, 2017	September 1, 2027	13.0	2.518%	0.742%
March 21, 2018	March 1, 2028	15.3	3.187%	0.742%
Fixed SBA-guaranteed debentures⁽²⁾:				
September 19, 2018	September 1, 2028	15.0	3.548%	0.222%
Total SBA-guaranteed debentures		\$ 165.0		

(1) SBA-guaranteed debentures are held in SBIC I.

(2) SBA-guaranteed debentures are held in SBIC II.

Prior to pooling, the SBA-guaranteed debentures bear interest at an interim floating rate of LIBOR plus 0.30%. Once pooled, which occurs in March and September each year, the SBA-guaranteed debentures bear interest at a fixed rate that is set to the current 10-year treasury rate plus a spread at each pooling date.

The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

(in millions)	Year Ended December 31,		
	2018	2017	2016
Interest expense	\$ 5.1	\$ 4.2	\$ 3.8
Amortization of financing costs	\$ 0.5	\$ 0.4	\$ 0.4
Weighted average interest rate	3.2%	3.1%	3.1%
Effective interest rate	3.6%	3.5%	3.5%
Average debt outstanding	\$ 158.5	\$ 132.6	\$ 119.8

The SBIC program is designed to stimulate the flow of private investor capital into eligible smaller enterprises as defined by the SBA. Under SBA regulations, SBICs are subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible smaller businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in small businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to us. SBICs are subject to an annual periodic examination by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared on a basis of

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accounting other than GAAP (such as ASC 820) by an independent auditor. As of December 31, 2018, December 31, 2017, and December 31, 2016, SBIC I was in compliance with SBA regulatory requirements and as of December 31, 2018 and December 31, 2017, SBIC II was in compliance with SBA regulatory requirements.

Off-Balance Sheet Arrangements

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of December 31, 2018 and December 31, 2017, we had outstanding commitments to third parties to fund investments totaling \$137.9 million and \$77.4 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

We may from time to time enter into financing commitment letters or bridge financing commitments, which could require funding in the future. As of December 31, 2018 and December 31, 2017, we had commitment letters to purchase investments in aggregate par amount of \$27.5 million and \$13.9 million, respectively. As of December 31, 2018 and December 31, 2017, we had not entered into any bridge financing commitments which could require funding in the future.

As of December 31, 2018, we had unfunded commitments related to our equity investment in SLP III of \$1.6 million, which may be funded at our discretion.

Contractual Obligations

A summary of our significant contractual payment obligations as of December 31, 2018 is as follows:

Contractual Obligations Payments Due by Period

(in millions)	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Holdings Credit Facility ⁽¹⁾	\$ 512.6	\$	\$	\$ 512.6	\$
Convertible Notes ⁽²⁾	270.3	155.3		115.0	
SBA-guaranteed debentures ⁽³⁾	165.0				165.0
Unsecured Notes ⁽⁴⁾	336.8		90.0	246.8	
NMFC Credit Facility ⁽⁵⁾	60.0			60.0	
DB Credit Facility ⁽⁶⁾	57.0			57.0	
Total Contractual Obligations	\$ 1,401.7	\$ 155.3	\$ 90.0	\$ 991.4	\$ 165.0

- (1) Under the terms of the \$615.0 million Holdings Credit Facility, all outstanding borrowings under that facility (\$512.6 million as of December 31, 2018) must be repaid on or before October 24, 2022. As of December 31, 2018, there was approximately \$102.4 million of possible capacity remaining under the Holdings Credit Facility.
- (2) \$155.3 million of the 2014 Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option and the \$115.0 million of the 2018 Convertible Notes will mature on August 15, 2023 unless earlier converted or repurchased at the holder's option or redeemed by us.
- (3) Our SBA-guaranteed debentures will begin to mature on March 1, 2025.

(4)

\$90.0 million of the 2016 Unsecured Notes will mature on May 15, 2021 unless earlier repurchased,
\$55.0 million of the 2017A Unsecured Notes will mature on July 15, 2022 unless earlier repurchased,
\$90.0 million of the 2018A Unsecured Notes will mature on January 30, 2023 unless earlier repurchased and
\$50.0 million of the 2018B Unsecured Notes will mature on June 28, 2023 unless earlier repurchased.
\$51.8 million of the 5.75% Unsecured Notes will mature on October 1, 2023 unless earlier repurchased.

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- (5) Under the terms of the \$135.0 million NMFC Credit Facility, all outstanding borrowings under that facility (\$60.0 million as of December 31, 2018) must be repaid on or before June 4, 2022. As of December 31, 2018, there was approximately \$75.0 million of possible capacity remaining under the NMFC Credit Facility.
- (6) Under the terms of the \$100.0 million DB Credit Facility, all outstanding borrowings under that facility (\$57.0 million as of December 31, 2018) must be repaid on or before December 14, 2023. As of December 31, 2018, there was approximately \$43.0 million of possible capacity remaining under the DB Credit Facility.

We have entered into the Investment Management Agreement with the Investment Adviser in accordance with the 1940 Act. Under the Investment Management Agreement, the Investment Adviser has agreed to provide us with investment advisory and management services. We have agreed to pay for these services (1) a management fee and (2) an incentive fee based on our performance.

We have also entered into the administration agreement, as amended and restated (the "Administration Agreement") with the Administrator. Under the Administration Agreement, the Administrator has agreed to arrange office space for us and provide office equipment and clerical, bookkeeping and record keeping services and other administrative services necessary to conduct our respective day-to-day operations. The Administrator has also agreed to maintain, or oversee the maintenance of, our financial records, our reports to stockholders and reports filed with the SEC.

If any of the contractual obligations discussed above are terminated, our costs under any new agreements that are entered into may increase. In addition, we would likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under the Investment Management Agreement and the Administration Agreement.

Distributions and Dividends

Distributions declared and paid to stockholders for the year ended December 31, 2018 totaled \$103.4 million.

The following table reflects cash distributions, including dividends and returns of capital, if any, per share that have been declared by our board of directors for the years ended December 31, 2018 and December 31, 2017:

Fiscal Year Ended	Date Declared	Record Date	Payment Date	Per Share Amount
<i>December 31, 2018</i>				
Fourth Quarter	November 1, 2018	December 14, 2018	December 28, 2018	\$ 0.34
Third Quarter	August 1, 2018	September 14, 2018	September 28, 2018	0.34
Second Quarter	May 2, 2018	June 15, 2018	June 29, 2018	0.34
First Quarter	February 21, 2018	March 15, 2018	March 29, 2018	0.34
				\$ 1.36
<i>December 31, 2017</i>				
Fourth Quarter	November 2, 2017	December 15, 2017	December 28, 2017	\$ 0.34
Third Quarter	August 4, 2017	September 15, 2017	September 29, 2017	0.34
Second Quarter	May 4, 2017	June 16, 2017	June 30, 2017	0.34
First Quarter	February 23, 2017	March 17, 2017	March 31, 2017	0.34
				\$ 1.36

Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. For the years ended December 31, 2018 and December 31, 2017, total distributions were \$103.4 million and \$100.9 million, respectively, of which the distributions were comprised of approximately 83.74% and 71.50%, respectively, of ordinary income, 0.00% and

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0.00%, respectively, of long-term capital gains and approximately 16.26% and 28.50%, respectively, of a return of capital. Future quarterly distributions, if any, will be determined by our board of directors.

We intend to pay quarterly distributions to our stockholders in amounts sufficient to maintain our status as a RIC. We intend to distribute approximately all of our net investment income on a quarterly basis and substantially all of our taxable income on an annual basis, except that we may retain certain net capital gains for reinvestment.

We maintain an "opt out" dividend reinvestment plan on behalf of our common stockholders, pursuant to which each of our stockholders' cash distributions will be automatically reinvested in additional shares of common stock, unless the stockholder elects to receive cash. See *Note 2. Summary of Significant Accounting Policies* to our consolidated financial statements included in this prospectus for additional details regarding our dividend reinvestment plan.

Related Parties

We have entered into a number of business relationships with affiliated or related parties, including the following:

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

We have entered into the Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges our office space and provides office equipment and administrative services necessary to conduct our respective day-to-day operations pursuant to the Administration Agreement. We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of our chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further restricted by us, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the year ended December 31, 2018, approximately \$2.4 million of indirect administrative expenses were included in administrative expenses, of which \$0.3 million were waived by the Administrator. As of December 31, 2018, \$0.7 million of indirect administrative expenses were included in payable to affiliates.

We, the Investment Adviser and the Administrator have entered into a royalty-free Trademark License Agreement, as amended, with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant us, the Investment Adviser and the Administrator, a

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non-exclusive, royalty-free license to use the name "New Mountain" and "New Mountain Finance".

In addition, we have adopted a formal code of ethics that governs the conduct of our officers and directors, which is available on our website at <http://www.newmountainfinance.com>. These officers and directors also remain subject to the duties imposed by the 1940 Act, the Delaware General Corporation Law and the Delaware Limited Liability Company Act.

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole or in part, to our investment mandates, including Guardian II. The Investment Adviser and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with the Investment Adviser's allocation procedures. On December 18, 2017, the SEC issued an exemptive order (the "Exemptive Order"), which superseded a prior order issued on June 5, 2017, which permits us to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the Exemptive Order, we are permitted to co-invest with our affiliates if a "required majority" (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

Table of Contents**SENIOR SECURITIES**

Information about our senior securities as of December 31, 2018, 2017, 2016, 2015 and 2014 and information about NMF Holdings' senior securities as of December 31, 2013, 2012, 2011, 2010 and 2009 are shown in the following table. The report of Deloitte & Touche LLP, an independent registered public accounting firm, on the senior securities table as of December 31, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010 and 2009 is attached as an exhibit to the registration statement of which this prospectus is a part.

Class and Year⁽¹⁾	Total Amount Outstanding Exclusive of Treasury Securities⁽²⁾ (in millions)	Asset Coverage Per Unit⁽³⁾	Involuntary Liquidating Preference Per Unit⁽⁴⁾	Average Market Value Per Unit⁽⁵⁾
December 31, 2018				
Holdings Credit Facility	\$ 512.6	\$ 1,814		N/A
2014 Convertible Notes	155.3	1,814		N/A
2018 Convertible Notes	115.0	1,814		N/A
Unsecured Notes (not including the 5.75% Unsecured Notes)	285.0	1,814		N/A
5.75% Unsecured Notes	51.8	1,814	\$	24.7
NMFC Credit Facility	60.0	1,814		N/A
DB Credit Facility	57.0	1,814		N/A
December 31, 2017				
Holdings Credit Facility	312.4	2,408		N/A
2014 Convertible Notes	155.3	2,408		N/A
Unsecured Notes	145.0	2,408		N/A
NMFC Credit Facility	122.5	2,408		N/A
December 31, 2016				
Holdings Credit Facility	333.5	2,593		N/A
2014 Convertible Notes	155.3	2,593		N/A
Unsecured Notes	90.0	2,593		N/A
NMFC Credit Facility	10.0	2,593		N/A
December 31, 2015				
Holdings Credit Facility	419.3	2,341		N/A
2014 Convertible Notes	115.0	2,341		N/A
NMFC Credit Facility	90.0	2,341		N/A
December 31, 2014				
Holdings Credit Facility	468.1	2,267		N/A
2014 Convertible Notes	115.0	2,267		N/A
NMFC Credit Facility	50.0	2,267		N/A
December 31, 2013				
Holdings Credit Facility	221.8	2,577		N/A
SLF Credit Facility	214.7	2,577		N/A
December 31, 2012				
Holdings Credit Facility	206.9	2,353		N/A
SLF Credit Facility	214.3	2,353		N/A
December 31, 2011				
Holdings Credit Facility	129.0	2,426		N/A
SLF Credit Facility	165.9	2,426		N/A
December 31, 2010⁽⁶⁾				
Holdings Credit Facility	59.7	3,074		N/A
SLF Credit Facility	56.9	3,074		N/A
December 31, 2009⁽⁶⁾				
Holdings Credit Facility	77.7	4,080		N/A

(1)

We have excluded our SBA-guaranteed debentures from this table as a result of the SEC exemptive relief that permits us to exclude such debentures from the definition of senior securities in the 150.0% asset coverage ratio we are required to maintain under the 1940 Act. At December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015 and December 31, 2014, we had \$165.0 million, \$150.0 million, \$121.7 million, 117.7 million and

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\$37.5 million, respectively, in SBA-guaranteed debentures outstanding. At December 31, 2013, 2012, 2011, 2010 and 2009, we had no outstanding SBA-guaranteed debentures. Total asset coverage per unit including the SBA-guaranteed debentures as of December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015 and December 31, 2014 is \$1,718, \$2,169, \$2,320, \$2,128 and \$2,196, respectively, and unchanged for the prior years.

(2)

Total amount of each class of senior securities outstanding at the end of the period presented.

(3)

Asset coverage per unit is the ratio of the carrying value of our total assets, less all liabilities excluding indebtedness represented by senior securities in this table, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness and is calculated on a consolidated basis.

(4)

The amount to which such class of senior security would be entitled upon the voluntary liquidation of the issuer in preference to any security junior to it. The " " in this column indicates that the SEC expressly does not require this information to be disclosed for certain types of senior securities.

(5)

Not applicable for any of the senior securities (except the 5.75% Unsecured Notes) as they are not registered for public trading. For the 5.75% Unsecured Notes, the amounts represent the average of the daily closing prices on the New York Stock Exchange for the period from September 28, 2018 (date of listing) through December 31, 2018.

(6)

Prior to NMFC's IPO on May 19, 2011, these credit facilities existed at the Predecessor Entities.

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BUSINESS

The Company

We are a Delaware corporation that was originally incorporated on June 29, 2010. We are a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. As such, we are obligated to comply with certain regulatory requirements. We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. NMFC is also registered as an investment adviser under the Advisers Act. Since our IPO, and through December 31, 2018, we raised approximately \$614.6 million in net proceeds from additional offerings of our common stock.

The Investment Adviser is a wholly-owned subsidiary of New Mountain Capital. New Mountain Capital is a firm with a track record of investing in the middle market. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. The Investment Adviser manages our day-to-day operations and provides us with investment advisory and management services. The Administrator, a wholly-owned subsidiary of New Mountain Capital, provides the administrative services necessary to conduct our day-to-day operations.

We have established the following wholly-owned direct and indirect subsidiaries:

NMF Holdings and NMFDB, whose assets are used secure the NMF Holdings' credit facility and NMFDB's credit facility, respectively;

SBIC I and SBIC II, who have received licenses from the SBA to operate as SBICs under Section 301(c) of the 1958 Act' and their general partners, SBIC I GP and SBIC II GP, respectively;

NMNLC, which acquires commercial real properties that are subject to "triple net" leases and intends to qualify as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code;

NMF Ancora, NMF QID and NMF YP, which serve as tax blocker corporations by holding equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities); we consolidate our tax blocker corporations for accounting purposes but the tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of the portfolio companies; and

NMF Servicing, which serves as the administrative agent on certain investment transactions.

Our investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. The first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose us to the risks associated with second lien and subordinated loans to the extent we invest in the "last out" tranche. In some cases, our investments may also include equity interests.

Our 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. Similar to us, SBIC I's and SBIC II's investment objective is to generate current income and capital appreciation under our

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investment criteria. However, SBIC I's and SBIC II's investments must be in SBA eligible small businesses. Our portfolio may be concentrated in a limited number of industries. As of December 31, 2018, our top five industry concentrations were business services, software, healthcare services, education and investment funds (which includes our investments in our joint ventures).

The investments that we invest in are almost entirely rated below investment grade or may be unrated, which are often referred to as "leveraged loans", "high yield" or "junk" debt investments, and may be considered "high risk" or speculative compared to debt investments that are rated investment grade. Such issuers are considered more likely than investment grade issuers to default on their payments of interest and principal and such risk of default could reduce our net asset value and income distributions. Our investments are also primarily floating rate debt investments that contain interest reset provisions that may make it more difficult for borrowers to make debt repayments to us if interest rates rise. In addition, some of our debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity. Our debt investments may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these securities. This illiquidity may make it more difficult to value our investments.

As of December 31, 2018, our net asset value was \$1,006.3 million and our portfolio had a fair value of approximately \$2,342.0 million in 92 portfolio companies, with a weighted average yield to maturity at cost for income producing investments ("YTM at Cost") and a weighted average yield to maturity at cost for all investments ("YTM at Cost for Investments") of approximately 10.4% and 10.4%, respectively.

The following table summarizes our indebtedness as of December 31, 2018:

Borrowing	Maturity Date	Permitted Borrowing	Total Outstanding
		(in millions)	(in millions)
Holdings Credit Facility	October 24, 2022	\$615.0	\$512.6
NMFC Credit Facility	June 4, 2022	135.0	60.0
DB Credit Facility	December 14, 2023	100.0	57.0
NMNL Credit Facility	September 23, 2019	30.0	
2014 Convertible Notes	June 15, 2019	n/a	155.3
2018 Convertible Notes	August 15, 2023	n/a	115.0
2016 Unsecured Notes	May 15, 2021	n/a	90.0
2017A Unsecured Notes	July 15, 2022	n/a	55.0
2018A Unsecured Notes	January 30, 2023	n/a	90.0
2018B Unsecured Notes	June 28, 2023	n/a	50.0
5.75% Unsecured Notes	October 1, 2023	n/a	51.8
SBA-guaranteed debentures	Beginning March 1, 2025	n/a	165.0
			\$1,401.7

n/a not applicable

For a detailed discussion of the Holdings Credit Facility, the NMFC Credit Facility, the NMNL Credit Facility, the DB Credit Facility, the Convertible Notes, the SBA-guaranteed debentures and the Unsecured Notes, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Liquidity and Capital Resources".

We expect to continue to finance our investments using both debt and equity, including proceeds from equity and debt securities issued.

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New Mountain Capital

New Mountain Capital manages private equity, public equity and credit investment vehicles. New Mountain Capital's first private equity fund, the \$770.0 million New Mountain Partners, L.P., or "Fund I", began its investment period in January 2000. New Mountain Capital's second private equity fund, the \$1.6 billion New Mountain Partners II, L.P., or "Fund II", began its investment period in January 2005. New Mountain Capital's third private equity fund, New Mountain Partners III, L.P., or "Fund III", with over \$5.1 billion of aggregate commitments, began its investment period in August 2007. New Mountain Capital's fourth private equity fund, New Mountain Partners IV, L.P., or "Fund IV", with over \$4.1 billion of aggregate commitments, began its investment period in July 2013. New Mountain Capital's fifth private equity fund, New Mountain Partners V, L.P., or "Fund V", with over \$6.15 billion of aggregate commitments, began its investment period in June 2017. New Mountain Capital manages public equity portfolios through New Mountain Vantage Advisers, L.L.C., which is designed to apply New Mountain Capital's established strengths toward non-control positions in the U.S. public equity markets generally. New Mountain Capital manages its debt portfolio through us, and Guardian II.

New Mountain Capital's mission is to be "best in class" in the new generation of investment managers as measured by returns, control of risk, service to investors and the quality of the businesses in which New Mountain Capital invests. All of New Mountain Capital's efforts emphasize intensive fundamental research and the proactive creation of proprietary investment advantages in carefully selected industry sectors. New Mountain Capital is a generalist firm but has developed particular competitive advantages in what New Mountain Capital believes to be particularly attractive sectors, such as education, healthcare, distribution & logistics, business and industrial services, federal information technology services, media, software, insurance, consumer products, financial services and technology, infrastructure and energy. New Mountain Capital is focused on systematically establishing expertise in new sectors in which it believes it will have a competitive advantage over time.

The Investment Adviser

The Investment Adviser, a wholly-owned subsidiary of New Mountain Capital, manages our day-to-day operations and provides us with investment advisory and management services. In particular, the Investment Adviser is responsible for identifying attractive investment opportunities, conducting research and due diligence on prospective investments, structuring our investments and monitoring and servicing our investments. We currently do not have, and do not intend to have, any employees. The Investment Adviser also manages Guardian II, which commenced operations in April 2017. As of December 31, 2018, the Investment Adviser was supported by supported by over 145 employees and senior advisors.

The Investment Adviser is managed by a five member Investment Committee, which is responsible for approving purchases and sales of our 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. Peter N. Masucci served on the Investment Committee from August 2017 to July 2018. Beginning in August 2018, Andre V. Moura was appointed to the Investment Committee for a one year term. In addition, our executive officers and certain investment professionals of the Investment Adviser are invited to all Investment Committee meetings. Purchases and dispositions below \$10.0 million may be approved by our Chief Executive Officer. These approval thresholds are subject to change over time. We expect to benefit from the extensive and varied relevant experience of the investment professionals serving on the Investment

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Committee, which includes expertise in private equity, primary and secondary leveraged credit, private mezzanine finance and distressed debt.

Investment Objective and Portfolio

Our investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. Our first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose us to the risks associated with second lien and subordinated loans to the extent we invest in the "last out" tranche. In some cases, our investments may also include equity interests such as preferred stock, common stock, warrants or options received in connection with our debt investments or may include a direct investment in the equity of private companies.

We make investments through both primary originations and open-market secondary purchases. We primarily target loans to, and invest in, the U.S. middle market businesses, a market segment we believe continues to be underserved by other lenders. We define middle market businesses as those businesses with annual earnings before interest, taxes, depreciation, and amortization ("EBITDA") between \$10.0 million and \$200.0 million. Our 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. Similar to us, each of SBIC I's and SBIC II's investment objective is to generate current income and capital appreciation under our investment criteria. However, SBIC I's and SBIC II's investments must be in SBA eligible small businesses. Our portfolio may be concentrated in a limited number of industries. As of December 31, 2018, our top five industry concentrations were business services, software, healthcare services, education and investment funds (which includes our investments in our joint ventures). Our targeted investments typically have maturities of between five and ten years and generally range in size between \$10.0 million and \$125.0 million. This investment size may vary proportionately as the size of our capital base changes. At December 31, 2018, our portfolio consisted of 92 portfolio companies and was invested 50.1% in first lien loans, 28.3% in second lien loans, 2.8% in subordinated debt and 18.8% in equity and other, as measured at fair value.

The following table shows our portfolio and investment activity for the years ended December 31, 2018, 2017 and 2016.

(in millions)	Year Ended December 31,		
	2018	2017	2016
New investments in 67, 64 and 43 portfolio companies, respectively	\$ 1,321.6	\$ 999.7	\$ 558.1
Debt repayments in existing portfolio companies	592.4	696.6	479.5
Sales of securities in 14, 17 and 10 portfolio companies, respectively	210.5	70.7	67.6
Change in unrealized appreciation on 25, 58 and 71 portfolio companies, respectively	14.8	66.1	76.5
Change in unrealized depreciation on 88, 43 and 24 portfolio companies, respectively	(37.0)	(15.3)	(36.4)

At December 31, 2018, our weighted average Yield to Maturity at Cost was approximately 10.4% and our Yield to Maturity at Cost for Investments was approximately 10.4%.

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The following summarizes our ten largest portfolio company investments and the top ten industries in which we were invested as of December 31, 2018, calculated as a percentage of total assets as of December 31, 2018:

Portfolio Company	Percent of Total Assets
UniTek Global Services, Inc.	3.4%
NMFC Senior Loan Program II LLC	3.2%
NMFC Senior Loan Program III LLC	3.2%
Benevis Holding Corp.	3.2%
Integro Parent Inc.	2.6%
Avatar Topco, Inc.	2.5%
Kronos Incorporated	2.3%
CentralSquare Technologies, LLC	2.3%
Dealer Tire, LLC	2.1%
Tenawa Resource Holdings, LLC	2.0%
Total	26.8%

Industry Type	Percent of Total Assets
Business Services	22.6%
Software	19.5%
Healthcare Services	14.2%
Education	8.6%
Investment Fund	7.4%
Consumer Services	4.9%
Energy	4.3%
Net Lease	3.9%
Distribution & Logistics	3.3%
Federal Services	3.0%
Total	91.7%

Competitive Advantages

We believe that we have the following competitive advantages over other capital providers to middle market companies:

Proven and Differentiated Investment Style With Areas of Deep Industry Knowledge

In making its investment decisions, the Investment Adviser applies New Mountain Capital's long-standing, consistent investment approach that has been in place since its founding in 1999. We focus on companies in less well followed defensive growth niches of the middle market space where we believe few debt funds have built equivalent research and operational size and scale.

We benefit directly from New Mountain Capital's private equity investment strategy that seeks to identify attractive investment sectors from the top down and then works to become a well positioned investor in these sectors. New Mountain Capital focuses on companies and industries with sustainable strengths in all economic cycles, particularly ones that are defensive in nature, that are secular and can maintain pricing power in the midst of a recessionary and/or inflationary environment. New Mountain Capital focuses on companies within sectors in

which it has significant expertise (examples include federal services, software, education, niche healthcare, business

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services, energy and distribution & logistics) while typically avoiding investments in companies with products or services that serve markets that are highly cyclical, have the potential for long-term decline, are overly-dependent on consumer demand or are commodity-like in nature.

In making its investment decisions, the Investment Adviser has adopted the approach of New Mountain Capital, which is based on three primary investment principles:

1. A generalist approach, combined with proactive pursuit of the highest quality opportunities within carefully selected industries, identified via an intensive and structured ongoing research process;
2. Emphasis on strong downside protection and strict risk controls; and
3. Continued search for superior risk adjusted returns, combined with timely, intelligent exits and outstanding return performance.

Experienced Management Team and Established Platform

The Investment Adviser's team members have extensive experience in the leveraged lending space. Steven B. Klinsky, New Mountain Capital's Founder, Chief Executive Officer and Managing Director and Chairman of our board of directors, was a general partner of Forstmann Little & Co., a manager of debt and equity funds totaling multiple billions of dollars in the 1980s and 1990s. He was also a co-founder of Goldman, Sachs & Co.'s Leverage Buyout Group in the period from 1981 to 1984. Robert A. Hamwee, our Chief Executive Officer and Managing Director of New Mountain Capital, was formerly President of GSC Group, Inc. ("GSC"), where he was the portfolio manager of GSC's distressed debt funds and led the development of GSC's CLOs. John R. Kline, our President and Chief Operating Officer and Managing Director of New Mountain Capital, worked at GSC as an investment analyst and trader for GSC's control distressed and corporate credit funds and at Goldman, Sachs & Co. in the Credit Risk Management and Advisory Group.

Many of the debt investments that we have made to date have been in the same companies with which New Mountain Capital has already conducted months of intensive acquisition due diligence related to potential private equity investments. We believe that private equity underwriting due diligence is usually more robust than typical due diligence for loan underwriting. In its underwriting of debt investments, the Investment Adviser is able to utilize the research and hands-on operating experience that New Mountain Capital's private equity underwriting teams possess regarding the individual companies and industries. Business and industry due diligence is led by a team of investment professionals of the Investment Adviser that generally consists of three to seven individuals, typically based on their relevant company and/or industry specific knowledge. Additionally, the Investment Adviser is also able to utilize its relationships with operating management teams and other private equity sponsors. We believe this differentiates us from many of our competitors.

Significant Sourcing Capabilities and Relationships

We believe the Investment Adviser's ability to source attractive investment opportunities is greatly aided by both New Mountain Capital's historical and current reviews of private equity opportunities in the business segments we target. To date, a significant majority of the investments that we have made are in the debt of companies and industry sectors that were first identified and reviewed in connection with New Mountain Capital's private equity efforts, and the majority of our current pipeline reflects this as well. Furthermore, the Investment Adviser's investment professionals have deep and longstanding relationships in both the private equity sponsor community and the lending/agency community which they have and will continue to utilize to generate investment opportunities.

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Risk Management through Various Cycles

New Mountain Capital has emphasized tight control of risk since its inception and long before the recent global financial distress began. To date, New Mountain Capital has never experienced a bankruptcy of any of its portfolio companies in its private equity efforts. The Investment Adviser seeks to emphasize tight control of risk with our investments in several important ways, consistent with New Mountain Capital's historical approach. In particular, the Investment Adviser:

Emphasizes the origination or purchase of debt in what the Investment Adviser believes are defensive growth companies, which are less likely to be dependent on macro-economic cycles;

Targets investments in companies that are preeminent market leaders in their own industries, and when possible, investments in companies that have strong management teams whose skills are difficult for competitors to acquire or reproduce; and

Targets investments in companies with significant equity value in excess of our debt investments.

Access to Non Mark to Market, Seasoned Leverage Facilities

The amount available under our Holdings Credit Facility and DB Credit Facility are generally not subject to reduction, as a result of mark to market fluctuations in our portfolio investments. None of our credit facilities mature prior to June 2022 with the exception of the NMNLC Credit Facility which matures in September 2019. For a detailed discussion of our credit facilities, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations – Liquidity and Capital Resources."

Market Opportunity

We believe that the size of the market for investments that we target, coupled with the demands of middle market companies for flexible sources of capital at competitive terms and rates, create an attractive investment environment for us.

Large pool of uninvested private equity capital available for new buyouts. We expect that private equity firms will continue to pursue acquisitions and will seek to leverage their equity investments with mezzanine loans and/or senior loans (including traditional first and second lien, as well as unitranche loans) provided by companies such as ours.

The leverage finance market has a high level of financing needs over the next several years due to significant bank debt maturities. We believe that the large dollar volume of loans that need to be refinanced will present attractive opportunities to invest capital in a manner consistent with our stated objectives.

Middle market companies continue to face difficulties in accessing the capital markets. We believe opportunities to serve the middle market will continue to exist. While many middle market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult as institutional investors have sought to invest in larger, more liquid offerings.

Increased regulatory scrutiny of banks has reduced middle market lending. We believe that many traditional bank lenders to middle market businesses have either exited or de-emphasized their service and product offerings in the middle market. These traditional lenders have instead focused on lending and providing other services to large corporate clients. We believe this has resulted in fewer key players and the reduced availability of debt capital to the companies we target.

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Conservative loan to value. As a result of the credit crisis, many lenders are requiring larger equity contributions from financial sponsors. Larger equity contributions create an enhanced margin of safety for lenders because leverage is a lower percentage of the implied enterprise value of the company.

Attractive pricing. Reduced access to, and availability of, debt capital typically increases the interest rates, or pricing, of loans for middle market lenders. Recent primary debt transactions in this market often include upfront fees, original issue discount, prepayment protections and, in some cases, warrants to purchase common stock, all of which should enhance the profitability of new loans to lenders.

Investment Criteria

The Investment Adviser has identified the following investment criteria and guidelines for use in evaluating prospective portfolio companies. However, not all of these criteria and guidelines were, or will be, met in connection with each of our investments.

Defensive growth industries. We seek to invest in industries that can succeed in both robust and weak economic environments but which are also sufficiently large and growing to achieve high valuations providing enterprise value cushion for our targeted debt securities.

High barriers to competitive entry. We target industries and companies that have well defined industries and well established, understandable barriers to competitive entry.

Recurring revenue. Where possible, we focus on companies that have a high degree of predictability in future revenue.

Flexible cost structure. We seek to invest in businesses that have limited fixed costs and therefore modest operating leverage.

Strong free cash flow and high return on assets. We focus on businesses with a demonstrated ability to produce meaningful free cash flow from operations. We typically target companies that are not asset intensive and that have minimal capital expenditure and minimal working capital growth needs.

Sustainable business and niche market dominance. We seek to invest in businesses that exert niche market dominance in their industry and that have a demonstrated history of sustaining market leadership over time.

Established companies. We seek to invest in established companies with sound historical financial performance. We do not intend to invest in start-up companies or companies with speculative business plans.

Private equity sponsorship. We generally seek to invest in companies in conjunction with private equity sponsors who we know and trust and who have proven capabilities in building value.

Seasoned management team. We generally require that its portfolio companies have a seasoned management team with strong corporate governance. Oftentimes we have a historical relationship with or direct knowledge of key managers from previous investment experience.

Investment Selection and Process

The Investment Adviser believes it has developed a proven, consistent and replicable investment process to execute our investment strategy. The Investment Adviser seeks to identify the

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most attractive investment sectors from the top down and then works to become the most advantaged investor in these sectors. The steps in the Investment Adviser's process include:

Identifying attractive investment sectors top down: The Investment Adviser works continuously and in a variety of ways to proactively identify the most attractive sectors for investment opportunities. The investment professionals of the Investment Adviser participate in this process through both individual and group efforts, formal and informal. The Investment Adviser has also worked with consultants, investment bankers and public equity managers to supplement its internal analyses, although the prime driver of sector ideas has been the Investment Adviser itself.

Creating competitive advantages in the selected industry sectors: Once a sector has been identified, the Investment Adviser works to make itself the most advantaged and knowledgeable investor in that sector. An internal working team is assigned to each project. The team may spend months confirming the sector thesis and building the Investment Adviser's leadership in this sector. In general, the Investment Adviser seeks to construct proprietary databases and to utilize the best specialized industry consultants. The Investment Adviser particularly stresses the establishment of close relationships with operating managers in each field in order to gain the deepest possible level of understanding. When advisable, industry executives have been placed on New Mountain Capital's Management Advisory Board or have been hired on salary as "executives in residence". When the Investment Adviser considers specific investment ideas in its chosen sectors, it can triangulate its own views against the views of its management relationships, consultants, brokers, bankers and others. The Investment Adviser believes this multi-front analysis leads to strong decision making and company identification. The Investment Adviser also believes that its "flexible specialization" approach gives us all the benefits of a narrow-based sector fund without forcing us to invest in any industry sector at an inappropriate time for that sector. The Investment Adviser can also become a leading investment expert in lesser known or smaller sectors that would not support an entire fund dedicated solely to them.

Targeting companies with leading market share and attractive business models in its chosen sectors: The Investment Adviser, consistent with New Mountain Capital's historical approach, typically follows a "good to great" approach, seeking to invest in debt securities of companies in its chosen sectors that it believes are already safe and successful but where the Investment Adviser sees an opportunity for further increases in enterprise value due to special circumstances existing at the time of the financing or through value that a sponsor can add. The investment professionals of the Investment Adviser have been successful in targeting companies with leading market shares, rapid growth, high free cash flows, high operating margins, high barriers to entry and which produce goods or services that are of value to their customers.

Utilizing this research platform, we have largely invested in the debt of companies and industries that have been researched by New Mountain Capital's private equity efforts. In many instances, we have studied the specific debt issuer with which New Mountain Capital has already conducted months of intensive acquisition due diligence related to a potential private equity investment. In other situations, while New Mountain Capital may not have specifically analyzed the issuer in the past, we have deep knowledge of the company's industry through New Mountain Capital's private equity work. We expect the Investment Adviser to continue this approach in the future.

Beyond the foregoing, the investment professionals of the Investment Adviser have deep and longstanding relationships in both the private equity sponsor community and the lending/agency community. We have sourced and we expect to continue sourcing new investment opportunities from both private equity sponsors and other lenders and agents. In private equity, we have strong, personal relationships with principals at a significant majority of relevant sponsors, and we expect that we will continue to utilize those relationships to generate investment opportunities. In the same

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fashion, we have an extensive relationship network with lenders and agents, including commercial banks, investment banks, loan funds, mezzanine funds and a wide range of smaller agents that seek debt capital on behalf of their clients. In addition to newly issued primary opportunities, we have extensive experience in sourcing investment opportunities from the secondary market, and will continue to actively monitor that large, and often volatile, area for appropriate investment opportunities.

This team performs the core underwriting function to determine the attractiveness of the target's business model, focusing on the investment criteria described above. The team ultimately develops a forecast of a target's likely operating and financial performance. Team members have diverse backgrounds in investment management, investment banking, consulting, and operations. We believe the presence within New Mountain Capital of numerous former CEOs and other senior operating executives, and their active involvement in our underwriting process, combined with New Mountain Capital's experience as a majority stockholder owning and directing a wide range of businesses and overseeing operating companies in the same or related industries, is a key differentiator for us versus typical debt investment vehicles.

In addition to performing rigorous business due diligence, the Investment Adviser also thoroughly reviews and/or structures the relevant credit documentation, including bank credit agreements and bond indentures, to ensure that any securities we invest in have appropriate credit rights, protections and remedies. There is a strong focus on appropriate covenant packages. This part of the process, as well as the determination of the appropriate price/yield parameters for individual securities, is led by Robert A. Hamwee, John R. Kline and James W. Stone III with significant input as needed from other professionals with extensive credit experience, such as Steven B. Klinsky, New Mountain Capital's Managing Director, Founder and Chief Executive Officer, and others.

Investment Committee

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. Peter N. Masucci served on the Investment Committee from August 2017 to July 2018. Beginning in August 2018, Andre V. Moura was appointed to the Investment Committee for a one year term. In addition, our executive officers and certain investment professionals of the Investment Adviser are invited to all Investment Committee meetings. The Investment Committee is responsible for approving purchases and sales of our investments above \$10.0 million in aggregate by issuer. Purchases and dispositions below \$10.0 million may be approved by our Chief Executive Officer. These approval thresholds are subject to change over time. We expect to benefit from the extensive and varied relevant experience of the investment professionals serving on the Investment Committee, which includes expertise in private equity, primary and secondary leveraged credit, private mezzanine finance and distressed debt.

The purpose of the Investment Committee is to evaluate and approve, as deemed appropriate, all investments by the Investment Adviser, subject to certain thresholds. The Investment Committee process is intended to bring the diverse experience and perspectives of the Investment Committee's members to the analysis and consideration of every investment. The Investment Committee also serves to provide investment consistency and adherence to the Investment Adviser's investment philosophies and policies. The Investment Committee also determines appropriate investment sizing and suggests ongoing monitoring requirements.

In addition to reviewing investments, the Investment Committee meetings serve as a forum to discuss credit views and outlooks. Potential transactions and investment opportunities are also

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reviewed on a regular basis. Members of our investment team are encouraged to share information and views on credits with the Investment Committee early in their analysis. This process improves the quality of the analysis and assists the deal team members to work more efficiently.

Investment Structure

We target debt investments that will yield meaningful current income and occasionally provide the opportunity for capital appreciation through equity securities. Our debt investments are typically structured with the maximum seniority and collateral that we can reasonably obtain while seeking to achieve our total return target.

Debt Investments

The terms of our debt investments are tailored to the facts and circumstances of the transaction and prospective portfolio company and structured to protect its rights and manage its risk while creating incentives for the portfolio company to achieve its business plan. A substantial source of return is the cash interest that we collect on our debt investments.

First Lien Loans and Bonds. First lien loans and bonds generally have terms of four to seven years, provide for a variable or fixed interest rate, may contain prepayment penalties and are secured by a first priority security interest in all existing and future assets of the borrower. First lien loans may also include unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose us to the risks associated with second lien and subordinated loans to the extent we invest in the "last out" tranche. These first lien loans and bonds may include PIK interest, which represents contractual interest accrued and added to the principal that generally becomes due at maturity.

Second Lien Loans and Bonds. Second lien loans and bonds generally have terms of five to eight years, provide for a variable or fixed interest rate, may contain prepayment penalties and are secured by a second priority security interest in all existing and future assets of the borrower. These second lien loans and bonds may include PIK interest.

Unsecured Senior, Subordinated and "Mezzanine" Loans and Bonds. Any unsecured investments are generally expected to have terms of five to ten years and provide for a fixed interest rate. Unsecured investments may include PIK interest and may have an equity component, such as warrants to purchase common stock in the portfolio company.

In addition, from time to time we may also enter into revolving credit facilities, bridge financing commitments, delayed draw commitments or other commitments which can result in providing future financing to a portfolio company.

Equity Investments

When we make a debt investment, we may be granted equity in the portfolio company in the same class of security as the sponsor receives upon funding. In addition, we may from time to time make non-control, equity co-investments in conjunction with private equity sponsors. We generally seek to structure our equity investments, such as direct equity co-investments, to provide us with minority rights provisions and event-driven put rights. We also seek to obtain limited registration rights in connection with these investments, which may include "piggyback" registration rights.

Portfolio Company Monitoring

We monitor the performance and financial trends of our portfolio companies on at least a quarterly basis. We attempt to identify any developments within the portfolio company, the industry

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or the macroeconomic environment that may alter any material element of our original investment strategy. We use several methods of evaluating and monitoring the performance of our investments, including but not limited to, the following:

review of monthly and/or quarterly financial statements and financial projections for portfolio companies provided by its management;

ongoing dialogue with and review of original diligence sources;

periodic contact with portfolio company management (and, if appropriate, the private equity sponsor) to discuss financial position, requirements and accomplishments; and

assessment of business development success, including product development, profitability and the portfolio company's overall adherence to its business plan.

We use an investment rating system to characterize and monitor the credit profile and expected level of returns on each investment in the portfolio. We use a four-level numeric rating scale as follows:

Investment Rating 1 Investment is performing materially above expectations;

Investment Rating 2 Investment is performing materially in-line with expectations. All new loans are rated 2 at initial purchase;

Investment Rating 3 Investment is performing materially below expectations, where the risk of loss has materially increased since the original investment; and

Investment Rating 4 Investment is performing substantially below expectations and risks have increased substantially since the original investment. Payments may be delinquent. There is meaningful possibility that we will not recoup our original cost basis in the investment and may realize a substantial loss upon exit.

The following table shows the distribution of our investments on the 1 to 4 investment rating scale at fair value as of December 31, 2018:

(in millions)

As of December 31, 2018

Investment Rating	Cost	Percent	Fair Value	Percent
Investment Rating 1	\$ 147.1	6.3%	\$ 147.9	6.3%
Investment Rating 2	2,181.1	93.6%	2,194.0	93.7%
Investment Rating 3		%		%
Investment Rating 4	1.5	0.1%	0.1	0.0%
	\$ 2,329.7	100.0%	\$ 2,342.0	100.0%

Exit Strategies/Refinancing

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We exit our investments typically through one of four scenarios: (i) the sale of the portfolio company itself resulting in repayment of all outstanding debt, (ii) the recapitalization of the portfolio company in which our loan is replaced with debt or equity from a third party or parties (in some cases, we may choose to participate in the newly issued loan(s)), (iii) the repayment of the initial or remaining principal amount of our loan then outstanding at maturity or (iv) the sale of the debt investment by us. In some investments, there may be scheduled amortization of some portion of our loan which would result in a partial exit of our investment prior to the maturity of the loan.

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Significant Managerial Assistance to Portfolio Companies

BDCs generally must offer to make available to the eligible issuers of its securities significant managerial assistance, except in circumstances where either (i) the BDC controls such issuer of securities or (ii) the BDC purchases such securities in conjunction with one or more other persons acting together and one of the other persons in the group makes available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. The Administrator or its affiliate provides such managerial assistance on our behalf to portfolio companies that request this assistance.

Competition

We compete for investments with a number of BDCs and investment funds (including private equity and hedge funds), as well as traditional financial services companies such as commercial banks and other sources of financing. Many of these entities have greater financial and managerial resources than we do. We believe we are able to be competitive with these entities primarily on the basis of the experience and contacts of our management team, our responsive and efficient investment analysis and decision-making processes, the investment terms we offer, the model that we employ to perform our due diligence with the broader New Mountain Capital team and our model of investing in companies and industries we know well.

We believe that some of our competitors may make investments with interest rates and returns that are comparable to or lower than the rates and returns that we target. Therefore, we do not seek to compete solely on the interest rates and returns that we offer to potential portfolio companies. For additional information concerning the competitive risks we face, see "Risk Factors – Risks Related to Our Business and Structure".

Employees

We do not have any employees. Day-to-day investment operations that are conducted by us are managed by the Investment Adviser. See "Investment Management Agreement". We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, including the compensation of our chief financial officer and chief compliance officer, and their respective staffs. For a more detailed discussion of the Administration Agreement, see "Administration Agreement".

Properties

Our executive office is located at 787 Seventh Avenue, 48th Floor, New York, New York 10019. We believe that our current office facilities are adequate for our business as we intend to conduct it.

Legal Proceedings

We and our consolidated subsidiaries, the Investment Adviser and the Administrator are not currently subject to any material legal proceedings, although these entities may, from time to time, be involved in litigation arising out of operations in the normal course of business or otherwise.

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The following table sets forth certain information as of December 31, 2018, for each portfolio company in which we had a debt or equity investment. Our portfolio companies are presented in three categories: (1)"Non-Controlled/Non-Affiliated Investments", which represent portfolio companies in which we own less than 5.0% of the outstanding voting securities of such portfolio company and have no other affiliations, (2)"Non-Controlled/Affiliated Investments", which denotes investments in which we are an "Affiliated Person", as defined in the 1940 Act, due to owning or holding the power to vote 5.0% or more of the outstanding voting securities of the investment but not controlling the portfolio company, and (3)"Controlled Investments", which denotes investments in which we "Control", as defined in the 1940 Act due to owning or holding the power to vote 25.0% or more of the outstanding voting securities of the investment. We may provide managerial assistance to our portfolio companies, if requested, and may receive rights to observe board meetings.

Address of Portfolio Company(1)	Industry	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Yield to Maturity At Cost(28)	Percent of Class Held(29)	Fair Value
Non-Controlled/Non-Affiliated Investments							
... Holding Corp.	Education	First lien(2)(9)	10.60% (L + 8.25%/M)	9/30/2020	11.84%		\$ 2
... Circle South Road ... TX 78745	Healthcare Services	Second lien(3)(9)	11.88% (L + 9.00%/S)	3/28/2024	12.52%		
... Telegraph Road, ... 000 ... field, MI 48034	Healthcare Services	First lien(2)(9)	8.57% (L + 6.00%/S)	9/15/2023	9.18%		
... y Dental ... ment, Inc. ... rk Street	Healthcare Services	First lien(3)(9)(10)	8.61% (L + 6.00%/S)	9/15/2023	9.14%		
... Springfield, MA 01089	Healthcare Services	Drawn First lien(3)(9)(10) Undrawn		3/15/2023			
... Knowledge Holdings ... ny, Inc. ... Piedmont Row Drive	Business Services	First Lien(4)	7.27% (L + 4.75%/Q)	7/23/2023	7.76%		
... te, NC 28287	Business Services	First lien(3)(10) Undrawn		7/21/2023			
... wco LLC**	Software	First lien(2)		5/31/2024	7.69%		1

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			7.14% (L + 4.75%/M)			
House, Portsmouth Road m, Surrey KT11 1TF Kingdom						
s Technologies Holdings	Healthcare Services	First lien(2)(9)	8.66% (L + 6.25%/Q)	9/5/2024	9.35%	1
rapelo Road m, MA 02451						
et Holdings, Inc.	Distribution & Logistics	First lien(4)(9)	10.52% (L + 8.00%/M)	7/15/2021	11.33%	
A NW 72nd Avenue	Distribution & Logistics	First lien(4)(9)	10.52% (L + 8.00%/M)	7/15/2021	11.33%	
FL 33122						1
Holdings, Inc.	Business Services	First lien(2)	8.27% (L + 5.75%/M)	12/20/2022	8.79%	2
ocust Street	Business Services	First lien(3)(10) Drawn	8.27% (L + 5.75%/M)	12/20/2022	8.57%	
is, MO 63103	Business Services	First lien(3)(10) Drawn	8.27% (L + 5.75%/M)	12/20/2022	8.57%	
						3
CG Holdings, Inc.	Education	Warrants(3)(9)		5/5/2026	0.00%	0.13%
Haggerty Road, Suite 300 MI 48375						
ations, Inc.	Consumer Services	First lien(2)(9)	9.40% (L + 4.00% + 3.00%	7/30/2024	10.17%	4
I. Central Expressway, 90 TX 75205			PIK/Q)* 9.40% (L + 4.00% + 3.00%			
	Consumer Services	First lien(3)(9)(10) Drawn	9.40% PIK/Q)*	7/30/2024	10.17%	
	Consumer Services	First lien(3)(9)(10) Drawn	9.40% (L + 4.00% + 3.00%	7/30/2024	10.17%	
	Consumer Services	First lien(3)(9)(10) Undrawn	PIK/Q)*	7/30/2024		
						4
pecial Limited (Bach ence Limited)**	Education	Preferred shares(3)(9)(21)			12.98%	1.04%
orge's Building, Level 12 house Street, Central, Kong						
		First lien(2)(9)		8/25/2023	14.04%	1

Office Associates gs, LLC severance Way is, MA 02601	Business		13.03%	
	Services		(L + 10.50%/M)	
		First	13.03%	
	Business	lien(3)(9)(10)	(L + 7.50% + 3.00%	
	Services	Drawn	PIK/M)*	8/25/2023
		First	13.03%	
	Business	lien(3)(9)(10)	(L + 7.50% + 3.00%	
	Services	Drawn	PIK/M)*	8/25/2023

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Address of Portfolio Company(1)	Industry	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Yield to Maturity At Cost(28)	Percent of Class Held(29)	Fair Value (in thousands)
Controlled/Non-Affiliated Investments (continued)							
Healthcare Services Holding Corp. 100 West Monroe Street Chicago, IL 60603	Healthcare Services	First lien(2)(9)	8.86% (L + 6.32%/Q)	3/15/2024	9.30%		\$ 6
	Healthcare Services	First lien(8)(9)	8.86% (L + 6.32%/Q)	3/15/2024	9.30%		
	Healthcare Services	First lien(3)(9)	8.86% (L + 6.32%/Q)	3/15/2024	9.30%		7
Parent Holdings, Inc. 100 Letterman Drive San Francisco, CA 94129	Software	Second lien(5)	10.02% (L + 7.50%/M)	4/17/2026	10.75%		2
	Software	Second lien(2)	10.02% (L + 7.50%/M)	4/17/2026	10.75%		1
	Software	Second lien(8)	10.02% (L + 7.50%/M)	4/17/2026	10.75%		4
Management Services LLC 100 West John Carpenter Way, Dallas, TX 75062	Business Services	First lien(2)(9)	8.87% (L + 6.25%/Q)	2/15/2024	9.34%		1
ISquare Technologies, LLC 100 Wenden Street Raleigh, HA 02116	Software	Second lien(3)	10.02% (L + 7.50%/M)	8/31/2026	10.86%		4
	Software	Second lien(3)	10.02% (L + 7.50%/M)	8/31/2026	10.86%		5
Holdings, Inc. 100 Broadway, Suite 301 New York, NY 12207	Business Services	Second lien(4)	11.55% (L + 8.75%/Q)	4/10/2026	12.16%		
	Business Services	Second lien(3)	11.55% (L + 8.75%/Q)	4/10/2026	12.16%		1
Bella Midco, LLC	Healthcare Services	Second lien(3)	9.27% (L + 6.75%/M)	12/29/2025	9.88%		

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Renaissance Boulevard, 00 f Prussia, PA 19406						
Longhorn Holdings, Inc.	Business Services	Second lien(3)	9.64% (L + 7.25%/M)	8/10/2026	10.41%	1
V Main, Suite 1500	Business Services	Second lien(8)	9.64% (L + 7.25%/M)	8/10/2026	10.41%	
nd, OR 97204						2
Investment Holding, LLC	Healthcare Services	First lien(2)(9)	8.05% (L + 5.25%/Q)	7/2/2021	8.39%	1
Lake Osprey Drive	Healthcare Services	First lien(3)(9)(10) Drawn	9.75% (P + 4.25%/Q)	7/2/2021	8.65%	
ta, FL 34240	Healthcare Services	First lien(3)(9)(10) Drawn	7.98% (L + 5.25%/Q)	7/2/2021	8.98%	2
Tire, LLC	Distribution & Logistics	First lien(2)	8.02% (L + 5.50%/M)	12/12/2025	8.96%	5
Euclid Avenue and, OH 44103						
Socket, Inc.	Software	First lien(2)	7.27% (L + 4.75%/M)	4/26/2023	7.81%	
venida La Pata emente, CA 92673	Software	First lien(3)(10) Undrawn		4/26/2023		
corp Perfect ULC**	Healthcare Services	Second lien(3)	10.02% (L + 7.50%/M)	6/8/2026	10.77%	1
Clair Avenue East #1420	Healthcare Services	Second lien(8)	10.02% (L + 7.50%/M)	6/8/2026	10.77%	
o, Ontario, M4T 1L9	Healthcare Services	Second lien(3)(10) Drawn	10.02% (L + 7.50%/M)	6/8/2026	10.70%	
	Healthcare Services	Second lien(3)(10) Undrawn	10.02% (L + 7.50%/M)	6/8/2026	10.70%	2
Investment Intermediate gs 2, Inc.	Business Services	Second lien(3)	9.27% (L + 6.75%/M)	2/2/2026	9.88%	
onvergent Technologies gs, LLC)						
ommerce Drive						

<p>burg, IL 60173 nt Corporation Broadway, 19th floor ork, NY 10018</p>	Software	First lien(3)(9)(10) Undrawn		12/19/2020			
<p>iTech Holdings, Inc. ugarloaf Parkway #100 GA 30097</p>	Distribution & Logistics	Second lien(3)	10.30% (L + 7.50%/Q)	6/2/2025	10.78%		1
	Distribution & Logistics	Second lien(8)	10.30% (L + 7.50%/Q)	6/2/2025	10.78%		
<p>Global, Inc. mbarcadero Center, loor ancisco, CA 94111</p>	Education	Second lien(3)	10.16% (L + 7.50%/Q)	11/17/2025	10.89%		1
	Education	Second lien(8)	10.16% (L + 7.50%/Q)	11/17/2025	10.89%		
	Education	Preferred shares(3)(9)(22)			12.47%	23.83%	3
<p>ion Management ation(12) xth Avenue, 33rd Floor rgh, PA 15222</p>							6
<p>ion Management II LLC</p>	Education	First Lien(2)	11.00% (P + 5.50%/Q)(24)	7/2/2020	0.00%		
	Education	First Lien(3)	11.00% (P + 5.50%/Q)(24)	7/2/2020	0.00%		
	Education	First Lien(2)	14.00% (P + 8.50%/Q)(24)	7/2/2020	0.00%		
	Education	First Lien(3)	14.00% (P + 8.50%/Q)(24)	7/2/2020	0.00%		

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Company / Address of Portfolio Company(1)	Industry	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Yield to Maturity At Cost(28)	Percent of Class Held(29)	Fair Value (in thousands)
Controlled/Non-Affiliated Investments (continued)							
Education Management Corporation	Education	Preferred shares(2)			0.00%	0.26%	\$
	Education	Preferred shares(3)			0.00%	0.26%	
	Education	Ordinary shares(2)			0.00%	0.19%	
	Education	Ordinary shares(3)			0.00%	0.19%	
Engineering, LLC	Business Services	First lien(2)(9)	7.02% (L + 4.50%/M)	6/30/2021	7.62%		23,
0 Torch Parkway	Business Services	First lien(2)(9)	7.02% (L + 4.50%/M)	6/30/2021	7.64%		1,
enville, IL 60555							24,
Amble S Merger Sub, Inc.	Software	Subordinated(3)	9.00%/S	9/30/2023	9.97%		2,
Fair Lakes Court							
ax, VA 22033							
Site Holdings, Inc.	Software	First lien(4)(9)	8.03% (L + 5.50%/Q)	9/25/2024	8.60%		22,
Winding Brook Drive	Software	First lien(2)(9)	8.03% (L + 5.50%/Q)	9/25/2024	8.60%		11,
onbury, CT 06033	Software	First lien(3)(9)(10)		9/25/2024			33,
	Software	Undrawn		9/25/2024			
American Payment	Business Services	First lien(2)	7.29% (L + 4.75%/Q)	1/5/2024	7.82%		6,
ems, L.P.							
Throckmorton Street,							
1800							
Worth, TX 76102							
Arsenal Holdings II Corp.	Business Services	First lien(2)(9)	10.06% (L + 7.25%/Q)	9/8/2022	10.55%		18,
N Eastman Road							
view, TX 75601							

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Online Technologies Group ings, LLC Eagleview Boulevard n, PA 19341	Education	First lien(4)(9)	9.02% (L + 6.50%/M)	9/18/2023	9.66%	22,
	Education	First lien(2)(9)	9.02% (L + 6.50%/M)	9/18/2023	9.66%	16,
	Education	First lien(3)(9)(10) Undrawn		9/18/2019		38,
Parent Corporation East 74th Avenue merce City, CO 80222	Business Services	First lien(2)	8.09% (L + 5.50%/M)	12/19/2025	8.55%	33,
/Systems Holdings, Inc. City West Parkway Prairie, MN 55344	Software	Second lien(5)	10.27% (L + 7.75%/M)	3/27/2026	10.97%	20,
International, Inc.** Lippincott Centre ton, NJ 08053	Business Services	First lien(2)(9)	8.55% (L + 5.75%/Q)	6/21/2023	8.79%	15,
IS, Inc. Crawfords Corner Road, 3-100 del, NJ 07733	Software	First lien(8)(9)	8.94% (L + 6.50%/M)	9/12/2024	9.73%	31,
	Software	First lien(3)(9)(10) Undrawn		9/12/2024		31,
, Inc. North Loop Freeway , Suite 700 ton, TX 77092	Software	Second lien(4)	11.53% (L + 9.00%/M)	6/27/2025	12.53%	8,
ral Ad Science, Inc. orton Street, 8th Floor York, NY 10014	Software	First lien(8)(9)	9.78% (L + 6.00% + 1.25% PIK/M)*	7/19/2024	10.53%	18,
	Software	First lien(3)(9)(10) Undrawn		7/19/2023		18,
ro Parent Inc. te Street Plaza, 9th Floor York, NY 10004	Business Services	First lien(2)(9)	8.48% (L + 5.75%/Q)	10/31/2022	8.87%	51,
	Business Services	Second lien(8)(9)	11.97% (L + 9.25%/Q)	10/30/2023	12.67%	10,
	Business Services	First lien(3)(9)(10)	7.23% (L + 4.50%/Q)	10/30/2021	7.57%	2,

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	Business Services	Drawn First lien(3)(9)(10) Undrawn	7.23% (L + 4.50%/Q)	10/30/2021	7.57%	63.
line, Inc. (Internet ine, Inc.) Valley Creek Boulevard, 300 n, PA 19341	Software	First lien(4)(9)	7.28% (L + 4.75%/M)	8/4/2022	7.81%	17.
	Software	First lien(4)(9)	7.28% (L + 4.75%/M)	8/4/2022	7.74%	4.
	Software	First lien(2)(9)	7.28% (L + 4.75%/M)	8/4/2022	7.75%	1.
	Software	First lien(4)(9)	7.28% (L + 4.75%/M)	8/4/2022	7.75%	
	Software	First lien(3)(9)(10) Undrawn		8/4/2021		23.
Power (fka J.D. Power and ciates) Park Center Drive, Floor a Mesa, CA 92626	Business Services	Second lien(3)	11.02% (L + 8.50%/M)	9/7/2024	11.91%	7.
F Holdings, Inc. Washington Ave S, 1100 neapolis, MN 55401	Software	First lien(8)(9)	10.61% (L + 8.00%/Q)	11/11/2022	11.38%	8.
	Software	First lien(3)(9)(10) Undrawn		11/11/2022		8.

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Company Name / Address of Portfolio Company(1)	Industry	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Yield to Maturity At Cost(28)	Percent of Class Held(29)	Fair Value
(in thousands)							
Non-Controlled/Non-Affiliated Investments (continued)							
Stonelyne Acquisition Corp. 100 East Park Drive Pittsburgh, PA 17111	Healthcare Services	First lien(2)	8.05% (L + 5.25%/Q)	5/1/2024	8.29%	\$	24,200
	Healthcare Services	Second lien(2)	12.05% (L + 9.25%/Q)	5/1/2025	12.70%		4,400
							28,600
De Kleinfelder Group, Inc. 100 W. C Street, Suite 1200 San Diego, CA 92101	Business Services	First lien(4)(9)	7.17% (L + 4.75%/M)	11/29/2024	7.75%		17,400
Phonos Incorporated 100 Billerica Road Belmsford, MA 01824	Software	Second lien(2)	10.79% (L + 8.25%/Q)	11/1/2024	11.58%		35,600
	Software	Second lien(3)	10.79% (L + 8.25%/Q)	11/1/2024	11.58%		20,900
							56,600
Energy Holdings, Inc. 100 North Dallas Parkway, Suite 260 Frisco, TX 75093	Business Services	Second lien(2)	10.31% (L + 7.50%/Q)	12/16/2024	10.69%		10,200
Micro Holding Corp.) 100 North Sepulveda Blvd, 10th Floor San Segundo, CA 90245	Software	Second lien(2)	10.00% (L + 7.50%/M)	9/15/2025	10.79%		6,500
Ministry Brands, LLC 10088 Old Stage Road Chattanooga, TN 37772	Software	First lien(2)	6.52% (L + 4.00%/M)	12/2/2022	6.93%		2,900
	Software	Second lien(8)(9)	11.77% (L + 9.25%/M)	6/2/2023	12.64%		7,800
	Software	Second lien(3)(9)	11.77% (L + 9.25%/M)	6/2/2023	12.64%		2,100
	Software	First lien(3)(10) Undrawn		12/2/2022			12,900

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vev Topco, Inc. 0 Meadows Road, Suite 200 ke Oswego, OR 97035	Software	Second lien(2)	9.53% (L + 7.00%/M)	9/4/2026	10.17%	16,2
vicure, Inc. 5 Sugarloaf Circle Suite 600 uth, GA 30097	Healthcare Services	Second lien(2)	10.02% (L + 7.50%/M)	10/31/2025	10.64%	25,5
	Healthcare Services	Second lien(2)	10.02% (L + 7.50%/M)	10/31/2025	10.64%	5,9
						31,4
smart Inc. / Netsmart chnologies, Inc. 0 College Boulevard erland Park, KS 66211	Healthcare I.T.	Second lien(2)	10.03% (L + 7.50%/Q)	10/19/2023	11.09%	14,9
M GRC Holdco, LLC 01 Colesville Road, Suite 700 ver Spring, MD 20910	Business Services	First lien(2)(9)	8.80% (L + 6.00%/Q)	2/9/2024	9.07%	38,5
	Business Services	First lien(2)(9)(10) Drawn	8.80% (L + 6.00%/Q)	2/9/2024	9.08%	10,7
	Business Services	First lien(2)(9)(10) Undrawn	8.80% (L + 6.00%/Q)	2/9/2024	9.08%	49,2
mad Buyer, Inc. 0 Westwood Place, Suite 400 ntwood, TN 37027	Healthcare Services	First lien(2)	7.38% (L + 5.00%/M)	8/1/2025	8.52%	46,3
thStar Financial Services oup, LLC 05 Wright Street aha, NE 68130	Software	Second lien(5)	10.10% (L + 7.50%/M)	5/25/2026	10.65%	13,3
Connection LLC 5 Highlander Parkway hfield, OH 44286	Business Services	Second lien(3)	10.53% (L + 8.00%/M)	11/22/2025	11.41%	7,6
	Business Services	Second lien(8)	10.53% (L + 8.00%/M)	11/22/2025	11.41%	7,4
						15,0
aton Holding Corp. (fka VC Acquisition Corp.) 75 Worldgate Drive, te 700 ndon, VA 20170	Federal Services	First lien(2)	8.06% (L + 5.25%/Q)	4/29/2024	8.26%	36,3
Net Dermatology LLC 0 Cool Springs Boulevard, te 150	Healthcare Services	First lien(2)(9)	8.02% (L + 5.50%/M)	8/16/2024	8.66%	50,3
	Healthcare Services	First lien(3)(9)(10)		8/16/2020		(2

Franklin, TN 37067		Undrawn					50,1
VA Black Elk (Equity) LLC	Business Services	Subordinated(3)(9) Collateralized Financing(25)			8.25%		11,3
Project Accelerate Parent, LLC	Business Services	Second lien(8)(9)	10.89% (L + 8.50%/M)	1/2/2026	11.93%		7,4
100 Montgomery Street, 20th Floor San Francisco, CA 94111	Business Services	Second lien(3)(9)	10.89% (L + 8.50%/M)	1/2/2026	11.93%		5,8
McKissock Investment, LLC(14) 100 Liberty Street Harrisburg, PA 16365	Education	First lien(2)(9)	8.55% (L + 5.75%/Q)	8/5/2021	8.83%		3,0
McKissock Investment, LLC	Education	First lien(2)(9)	8.55% (L + 5.75%/Q)	8/5/2021	8.85%		6,3
McKissock, LLC	Education	First lien(2)(9)	8.55% (L + 5.75%/Q)	8/5/2021	9.37%		5
	Education	First lien(2)(9)	8.55% (L + 5.75%/Q)	8/5/2021	9.11%		8
	Education	First lien(2)(9)	8.55% (L + 5.75%/Q)	8/5/2021	9.11%		3,6
	Education	First lien(2)(9)	8.55% (L + 5.75%/Q)	8/5/2021	8.85%		9
							15,4

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Company / Address of Portfolio	Industry	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Yield to Maturity At Cost(28)	Percent of Class Held(29)	Fair Value
(in thousands)							
Non-Controlled/Non-Affiliated Investments (continued)							
West Software US Holdings Inc. Solaris Way So Veijo, CA 92656	Software	Second lien(2)	10.78% (L + 8.25%/Q)	5/18/2026	11.62%	\$	43,2
Restaurant Technologies, Inc. 50 Pilot Knob Road Andota Heights, MN 55120	Business Services	Second lien(4)	8.90% (L + 6.50%/Q)	10/1/2026	9.58%		6,5
Client CRGT Inc. 21 Freedom Drive, Suite 1000 Reston, VA 20190	Federal Services	First lien(2)	8.27% (L + 5.75%/M)	2/28/2022	9.03%		37,7
	Federal Services	First lien(3)(10) Undrawn		11/29/2021			(
							37,6
Line Acquisition Co. S.à.r.l / Lang US Holdco Inc.** 37 Amersham Hill High Wycombe, Buckinghamshire HP13 6NU	Consumer Services	Second lien(2)	10.09% (L + 7.50%/Q)	10/3/2025	10.71%		36,1
	Consumer Services	Second lien(8)	10.09% (L + 7.50%/Q)	10/3/2025	10.71%		5,7
							41,8
Solera LLC / Solera Finance, Inc. 11 Solana Boulevard, Building #2, Suite 2100 Westlake, TX 76262	Software	Subordinated(3)	10.50%/S	3/1/2024	11.96%		5,3
Yos Brands Intermediate, Inc. 101 Fourth Street, Suite 200 Berkeley, CA 94710	Food & Beverage	First lien(2)	7.64% (L + 5.00%/M)	11/20/2025	8.02%		27,9
YH Group Holdings, Inc. 130 Saratoga Avenue Saratoga, CA 95070	Education	Second lien(2)	10.77% (L + 8.25%/Q)	7/30/2026	11.52%		19,9
Y Holdings, LLC 100 Avenue of the Stars	Business Services	Second lien(4)(9)	11.55% (L + 8.75%/Q)	12/30/2021	12.20%		18,1
				12/30/2021	12.20%		6,1

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Los Angeles, CA 90067	Business Services	Second lien(3)(9)	11.55% (L + 8.75%/Q)				24,3
Templr Software Intermediate Holdings, Inc.(23) Templr Software, Inc. 100 Wilshire Boulevard, Suite 2000 Beverly Hills, CA 90401	Healthcare I.T.	First lien(4)(9)	8.02% (L + 5.50%/M)	11/28/2025	8.60%		14,8
	Healthcare I.T.	First lien(2)(9)	8.02% (L + 5.50%/M)	11/28/2025	8.60%		5,1
	Healthcare I.T.	Preferred Shares(4)(9)			13.94%		7,4
	Healthcare I.T.	Preferred Shares(3)(9)			13.94%		2,5
							30,0
CG Group Holding Company 100 N. University Parks Drive Frisco, TX 76707	Consumer Services	First lien(2)(9)	8.30% (L + 5.50%/Q)	5/31/2024	8.54%		29,9
	Consumer Services	First lien(2)(9)	8.30% (L + 5.50%/Q)	5/31/2024	8.54%		3,3
	Consumer Services	First lien(3)(9)(10) Drawn	8.02% (L + 5.50%/M)	5/31/2024	8.55%		1,2
	Consumer Services	First lien(3)(9)(10) Undrawn	8.02% (L + 5.50%/M)	5/31/2024	8.55%		(
							34,5
Law Resource Holdings LLC(13) 100 Clay Street, Suite 4060 Houston, TX 77002	Energy	First lien(3)(9)	10.90% (Base + 8.50%/Q)	10/30/2024	11.69%		39,5
Law Resource Management LLC D NGL LLC	Energy	Ordinary shares(6)(9)					8,4
	Energy	Preferred shares(6)(9)					2,7
							50,6
BCO Software Inc. 103 Hillview Avenue Menlo Park, CA 94304	Software	Subordinated(3)	11.38%/S	12/1/2021	12.54%		15,7
Under Interactive, LLC 100 Granby Street	Business Services	First lien(2)(9)	9.02% (L + 6.50%/M)	6/17/2024	9.64%		37,2
	Business Services	First lien(3)(9)(10) Undrawn		6/15/2023			

Norfolk, VA 23510							37,2
Transcendia Holdings, Inc.							
	Packaging	Second lien(8)	10.52% (L + 8.00%/M)	5/30/2025	11.40%		7,3
1 West Belmont Avenue							
	Packaging	Second lien(3)	10.52% (L + 8.00%/M)	5/30/2025	11.40%		6,8
Franklin Park, IL 60131							
							14,2
Extra Co.							
	Business		9.77%				
	Products	Second lien(8)	(L + 7.25%/M)	3/8/2026	10.40%		10,4
10 S. Central Avenue, Suite							
St. Louis, MO 63105							
Topco, Inc.							
	Business		9.80%				
	Services	Second lien(4)	(L + 7.00%/Q)	7/31/2026	10.12%		9,9
10 West Mount Pleasant							
Avenue,							
Suite 3200							
Princeton, NJ 07039							
Wolverine Holdings, LLC							
	Healthcare		8.02%				
	Services	First lien(2)	(L + 5.50%/M)	8/16/2022	9.21%		9,1
10 Eagles Landing Drive							
Meland, FL 33810							
Mike, Inc.							
	Software		9.28%				
	Software	First lien(8)	(L + 6.75%/M)	12/31/2024	10.01%		8,9
N. 2nd Street							
		First lien(3)(10)		12/31/2024			
San Jose, CA 95113							
							8,9

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Address of Portfolio Company(1)	Industry	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Yield to Maturity At Cost(28)	Percent of Class Held(29)	Fair Value (in thousands)
Controlled/Non-Affiliated Investments (continued)							
Corporation ark Avenue, Suite 1700 se, California 95110	Software	First lien(4)(9) First lien(3)(9)(10)	9.78% (L + 7.25%/M)	7/29/2022	10.57%		\$
	Software	Undrawn		7/29/2022			
isk Services Holding erry Hill Road, Suite 102 pany, NJ 07054 e, Inc.	Business Services	Subordinated(3)	8.50%/S	10/1/2022	8.77%		
Innovation Drive, 00 aukee, WI 53226	Software	Second lien(4)(9) First lien(3)(9)(10)	11.65% (L + 9.00%/Q) 7.52%	11/17/2023	12.36%		
	Software	Drawn First lien(3)(9)(10)	(L + 5.00%/M) 7.52%	11/17/2022	8.12%		
	Software	Undrawn	(L + 5.00%/M)	11/17/2022	8.12%		
Controlled/Non-Affiliated Investments							
							\$ 1,8
Controlled/Affiliated Investments(26)							
n Holdco 1, Inc. n Holdco 2, Inc. n Holdco 3, Inc. est Interstate 20 , TX 79766	Energy	First lien(3)(9)(10) Drawn	8.87% (L + 6.50%/M)	6/30/2022	9.48%		\$
	Energy	First lien(3)(9)	14.85% (L + 7.50% + 5.00% PIK/Q)*	6/30/2022	16.04%		
	Energy	Subordinated(3)(9)	14.00% PIK/Q*	10/15/2021	14.76%		
	Energy	Subordinated(3)(9)	18.00% PIK/Q*	6/30/2022	19.25%		
	Energy	Subordinated(3)(9)	14.00% PIK/Q*	10/15/2021	14.76%		
	Energy	Preferred shares(3)(9)(16)			21.14%	13.66%	
	Energy				0.00%	13.66%	

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	Energy	Ordinary shares(3)(9) First lien(3)(9)(10) Undrawn	8.87% (L + 6.50%/M)	6/30/2022	9.48%	
Senior Loan Program * Fifth Avenue, 48th floor New York, NY 10019	Investment Fund	Membership interest(3)(9)			12.57%	24.73%
Hamilton Holdings Company 100 West Oak Boulevard, Dallas, TX 77056	Energy Energy	Ordinary shares(2)(9) Ordinary shares(2)(9)				
Controlled/Affiliated Investments						\$
Controlled Investments(27)						
Plato Ultimate Holdings, LLC(15)	Education	First lien(2)	11.03% (L + 4.50% + 4.00% PIK/Q)*	6/9/2021	19.81%	\$
Plato, Inc. (fka Plato, Inc.) Plato Learning, Inc.) 17 West 83rd Street, 8200 Suite 300 Minnetonka, MN 55437	Education Education Education Education	Second lien(3)(9) Second lien(3)(9)(10) Drawn Subordinated(3)(9)	7.00% PIK/Q* 5.00% PIK/Q* 8.50% PIK/Q* 10.00% PIK/Q*	12/9/2021 12/9/2021 6/9/2020 6/9/2020	9.27% 5.10% 8.82% 10.39%	
	Education	Subordinated(3)(9)	10.00% PIK/Q*	6/9/2020	10.39%	
	Education	Ordinary shares(3)(9)			0.00%	6.09%
	Education	Ordinary shares(2)(9)			0.00%	6.09%
	Education	Warrants(3)(9)		5/5/2026	0.00%	30.11%
	Education	Second lien(3)(10)(11) Undrawn	5.00% PIK/Q*	12/9/2021	5.10%	
Plato Holdings Corp(20)	Healthcare Services	Second lien(3)(9)	12.00% PIK/Q*	5/27/2024	19.27%	
Plato HME, Inc. 100 West 83rd Street, Suite 100	Healthcare Services	Second lien(3)(9) Warrants(3)(9)	12.00% PIK/Q*	5/27/2024	15.29% 0.00%	16.00%

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TX 75063	Healthcare Services Healthcare Ordinary Services	Shares(3)(9)	0.00%	64.00%
PP Canada Corp.**		Membership interest(7)(9)		100.00%
SBC Building West Georgia Street Vancouver, BC V6C 3E8,				
PP US LLC		Membership interest(7)(9)		100.00%
48th Avenue, 48th Floor New York, NY 10019				
LFX LP		Membership interest(7)(9)		100.00%
48th Avenue, 48th Floor New York, NY 10019				
RVT LLC		Membership interest(7)(9)		100.00%
48th Avenue, 48th Floor New York, NY 10019				

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Name / Address of Portfolio Company(1)	Industry	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Yield to Maturity At Cost(28)	Percent of Class Held(29)	Fair Value
(in thousands)							
Controlled Investments(27) (continued)							
NM GLCR LLC		Membership interest(7)(9)				100.00%	\$ 20,343
787 Seventh Avenue, 48th Floor New York, NY 10019							
NM GP Holdco, LLC**		Membership interest(7)(9)				100.00%	311
787 Seventh Avenue, 48th Floor New York, NY 10019							
NM JRA LLC		Membership interest(7)(9)				100.00%	2,537
787 Seventh Avenue, 48th Floor New York, NY 10019							
NM KRLN LLC		Membership interest(7)(9)				100.00%	4,205
787 Seventh Avenue, 48th Floor New York, NY 10019							
NM NL Holdings, L.P.**		Membership interest(7)(9)				100.00%	33,392
787 Seventh Avenue, 48th Floor New York, NY 10019							
NMFC Senior Loan Program II LLC**	Investment Fund	Membership interest(3)(9)			13.65%	79.40%	79,400
787 Seventh Avenue,							

48th Floor New York, NY 10019							
NMFC Senior Loan Program III LLC**	Investment Fund	Membership interest(3)(9)			12.55%	80.00%	78,400
787 Seventh Avenue, 48th Floor New York, NY 10019							
UniTek Global Services, Inc.	Business Services	First lien(2)(9)	8.02% (L + 5.50%/M)	8/20/2024	8.43%		12,542
Gwynedd Hall	Business Services	First lien(2)(9)	7.96% (L + 5.50%/M)	8/20/2024	8.43%		2,508
1777 Sentry Parkway West, Suite 302 Blue Bell, PA 19422							
	Business Services	Preferred shares(2)(9)(17)			38.05%	26.76%	22,012
	Business Services	Preferred shares(3)(9)(17)			38.05%	26.76%	6,083
	Business Services	Preferred shares(3)(9)(18)			20.85%	32.90%	13,036
	Business Services	Preferred shares(3)(9)(19)			21.56%	33.00%	7,071
	Business Services	Ordinary shares(2)(9)			0.00%	28.63%	10,013
	Business Services	Ordinary shares(3)(9)			0.00%	28.63%	9,523
							82,788
Total Controlled Investments						\$	403,137
Total Investments						\$	2,341,953

(1)

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

(2)

Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company as Collateral Manager, New Mountain Finance Holdings, L.L.C. ("NMF Holdings") as the Borrower, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National

Association, as the Lender and Collateral Custodian.

- (3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA, Morgan Stanley, N.A. and Stifel Bank & Trust as Lenders.
- (4) Investment is held in New Mountain Finance SBIC, L.P.
- (5) Investment is held in New Mountain Finance SBIC II, L.P.
- (6) Investment is held in NMF QID NGL Holdings, Inc.
- (7) Investment is held in New Mountain Net Lease Corporation.
- (8) Investment is pledged as collateral for the DB Credit Facility, a revolving credit facility among New Mountain Finance DB, L.L.C as the Borrower and Deutsche Bank AG, New York Branch as the Facility Agent.
- (9) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement.
- (10) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities or delayed draws. Cost amounts represent the cash received at settlement date net the impact of paydowns and cash paid for drawn revolvers or delayed draws.
- (11) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), semi-annually (S) or annually (A). For each debt investment we have provided the current interest rate in effect as of December 31, 2018.
- (12) The Company holds investments in Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.
- (13) The Company holds investments in two related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC) and holds a first lien investment in the Term Loan of Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.

- (14) The Company holds investments in QC McKissock Investment, LLC and one related entity of QC McKissock, LLC. The Company holds a first lien term loan in QC McKissock Investment, LLC (which at closing represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds first lien term loans and a delayed draw term loan in McKissock, LLC, which is wholly-owned subsidiary of McKissock Investment Holdings, LLC.
- (15) The Company holds investments in Edmentum Ultimate Holdings, LLC and its related entities. The Company holds subordinated notes, ordinary equity and warrants in Edmentum Ultimate Holdings, LLC and holds a first lien term loan, second lien revolver and a second lien term loan in Edmentum, Inc. and Archipelago Learning, Inc., which are wholly-owned subsidiaries of Edmentum Ultimate Holdings, LLC.

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- (16) The Company's preferred equity in Permian Holdco 1, Inc. is entitled to receive cumulative preferential dividends at a rate of 12.0% per annum payable in additional shares.
- (17) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 13.5% per annum payable in additional shares.
- (18) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.
- (19) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to received cumulative preferential dividends at a rate of 20.0% per annum payable in additional shares
- (20) The Company holds an equity investment in NHME Holdings Corp., as well as second lien term loans in National HME, Inc., a wholly-owned subsidiary of NHME Holdings Corp.
- (21) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.
- (22) The Company holds preferred equity in Avatar Topco, Inc. and holds a second lien term loan investment in EAB Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.
- (23) The Company holds preferred equity in Symplr Software Intermediate Holdings, Inc. and holds a first lien term loan investment in Caliper Software, Inc., a wholly-owned subsidiary of Symplr Software Intermediate Holdings, Inc. The preferred equity that is entitled to receive cumulative preferential dividends at a rate of L + 10.50% per annum.
- (24) Investment or a portion of the investment is on non-accrual status.
- (25) The Company holds one security purchased under a collateralized agreement to reseall which is presented on its Consolidated Statement of Assets and Liabilities with a cost basis of \$30,000 and a fair value of \$23,508 as of December 31, 2018.
- (26) Denotes investments in which the Company is an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended, due to owning or holding the power to vote 5.0% or more of the outstanding voting securities of the investment but not controlling the company.
- (27)

Denotes investments in which the Company is in "Control", as defined in the Investment Company Act of 1940, as amended, due to owning or holding the power to vote 25.0% or more of the outstanding voting securities of the investment.

(28) Assumes that all investments not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. This calculation excludes the impact of existing leverage. YTM at Cost uses the London Interbank Offered Rate ("LIBOR") curves at each quarter's respective end date.

(29) Percent of class held is presented only for equity positions and represents only our share of that investment. It is not calculated on a fully-diluted basis.

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

** Indicates assets that the Company deems to be "non-qualifying assets" under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Company's total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2018, 13.5% of the Company's total investments were non-qualifying assets.

As of December 31, 2018, none of the Company's portfolio investments represented great than 5.0% of the Company's total assets.

Table of Contents**MANAGEMENT****Board of Directors and Executive Officers**

Our business and affairs are managed under the direction of our board of directors. Our board of directors appoints our officers, who serve at the discretion of our board of directors. Our board of directors has an audit committee, a nominating and corporate governance committee, a valuation committee and a compensation committee and may establish additional committees from time to time as necessary.

Our board of directors consists of seven members, four of whom are classified under applicable NYSE listing standards as "independent" directors and under Section 2(a)(19) of the 1940 Act as non-interested persons. Pursuant to our governing documents, our directors are divided into three classes. Each class of directors will hold office for a three-year term. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. Our governing documents also give our board of directors sole authority to appoint directors to fill vacancies that are created either through an increase in the number of directors or due to the resignation, removal or death of any director.

Directors

Information regarding our board of directors is set forth below. The directors have been divided into two groups – independent directors and interested directors. Interested directors are "interested persons" of NMFC as defined in Section 2(a)(19) of the 1940 Act. The address for each director is c/o New Mountain Finance Corporation, 787 Seventh Avenue, 48th Floor, New York, New York 10019.

Name	Age	Position	Director Since	Expiration of Term
<i>Independent Directors</i>				
David Ogens	64	Director	2010	2021
Alfred F. Hurley, Jr.	64	Director	2010	2022
Kurt J. Wolfgruber	68	Director	2010	2020
Rome G. Arnold III	63	Director	2017	2020
<i>Interested Directors</i>				
Steven B. Klinsky	62	Chairman of the board of directors	2010	2020
Robert A. Hamwee	48	Chief Executive Officer and Director	2010	2022
Adam B. Weinstein		Executive Vice President, Chief		
	40	Administrative Officer and Director	2012	2021

Executive Officers Who Are Not Directors

Information regarding our executive officers who are not directors is set forth below.

Name	Age	Position
Karrie J. Jerry	44	Chief Compliance Officer and Corporate Secretary
Shiraz Y. Kajee	39	Chief Financial Officer
John R. Kline	43	President and Chief Operating Officer

The address for each executive officer is c/o New Mountain Finance Corporation, 787 Seventh Avenue, 48th Floor, New York, New York 10019.

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Biographical Information

Directors

Each of our directors has demonstrated high character and integrity, superior credentials and recognition in his respective field and the relevant expertise and experience upon which to be able to offer advice and guidance to our management. Each of our directors also has sufficient time available to devote to our affairs, is able to work with the other members of the board of directors and contribute to our success and can represent the long-term interests of our stockholders as a whole. We have selected our current directors to provide a range of backgrounds and experience to our board of directors. Set forth below is biographical information for each director, including a discussion of the director's particular experience, qualifications, attributes or skills that led us to conclude, as of the date of this prospectus, that the individual should serve as a director, in light of our business and structure.

Independent Directors

David Ogens has been a director of NMFC since November 2010. Mr. Ogens has served as the President and a Director of Med Inc. since 2011, a company that provides complex rehabilitation services to patients with serious muscular/neuro diseases. Previously, Mr. Ogens served as Senior Managing Director and Head of Investment Banking at Leerink Swann LLC, a specialized healthcare investment bank focused on emerging growth healthcare companies, from 2005 to 2009. Prior to serving at Leerink Swann LLC, Mr. Ogens was Chairman and Co-Founder of SCS Financial Services, LLC, a private wealth management firm. Before co-founding SCS Financial Services, LLC in 2002, Mr. Ogens was a Managing Director in the Investment Banking Division of Goldman, Sachs & Co, where he served as a senior investment banker and a head of the High Technology Investment Banking Group. Mr. Ogens received his Bachelor of Arts ("B.A." or "A.B.") and Master of Business Administration ("M.B.A.") from the University of Virginia.

Mr. Ogens brings his experience in wealth management and investment banking, including experience with debt issuances, as well as industry-specific expertise in the healthcare industry to our board of directors. This background positions Mr. Ogens well to serve as our director.

Kurt J. Wolfgruber has been a director of NMFC since November 2010, and is currently a private investor. Mr. Wolfgruber served as President of OppenheimerFunds, Inc., an investment management company, from March 2007 until his departure in May of 2009, during which time he was responsible for OppenheimerFunds, Inc.'s Retail and Wealth Management business units. During such period, Mr. Wolfgruber also served as Chief Investment Officer, overseeing the direction of OppenheimerFunds, Inc.'s investment organization and directing the underlying investment process. Mr. Wolfgruber joined OppenheimerFunds, Inc. in April 2000 as Senior Investment Officer and Director of Domestic Equities, in which position he was responsible for the investment process of the assets managed by OppenheimerFunds, Inc.'s Domestic Equity Portfolio teams. In 2003, Mr. Wolfgruber was named Executive Vice President and Chief Investment Officer of OppenheimerFunds, Inc. with oversight responsibilities for all investment functions including equity and fixed income research and portfolio management, trading and risk management. Prior to joining OppenheimerFunds, Inc., Mr. Wolfgruber spent 26 years at JPMorgan Investment Management in various research, portfolio management and management leadership roles. He has served as a Trustee to Exchange Traded Concepts since 2012. Mr. Wolfgruber received his B.A. in Economics from Ithaca College and his M.B.A. from the University of Virginia. He is also a Chartered Financial Analyst.

Mr. Wolfgruber brings experience in portfolio management and his abilities as a chartered financial analyst to our board of directors. This background positions Mr. Wolfgruber well to serve as our director.

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Alfred F. Hurley, Jr. has been a director of NMFC since November 2010. He was a Vice Chairman of Emigrant Bank and Emigrant Bancorp (collectively, the "Bank") from 2007 and 2009, respectively, to December 2012 and was a consultant to the Bank during 2013. His responsibilities at the Bank included advising the Bank's CEO on acquisitions and divestitures, asset/liability management, and new products. In addition, he was the Chairman of the Bank's Credit and Risk Management Committee from 2008 to 2012 and the Bank's acting Chief Risk Officer until January 2012. Before joining the Bank, Mr. Hurley was the Chief Executive Officer of M. Safra & Co., a private money management firm, from 2004 to 2007. Prior to joining M. Safra & Co., Mr. Hurley worked at Merrill Lynch ("ML") from 1976 to 2004. His most recent management positions included serving as Senior Vice President of ML & Co. and Head of Global Private Equity Investing, Managing Director and Head of Japan Investment Banking and Capital Markets, Managing Director and Co-Head of the Global Manufacturing and Services Group, and Managing Director and Head of the Global Automotive Aerospace and Transportation Group. As part of the management duties described above, he was a member of the Corporate and Institutional Client Group ("CICG") Executive Committee which had global responsibility for the firm's equity, debt, investment banking and private equity businesses, a member of the Japan CICG Executive Committee, and a member of the Global Investment Banking Management and Operating Group Committees. Mr. Hurley is also a member of the board of directors of Merrill Corporation, which is a privately held company that provides outsourced solutions for complex, regulated and confidential business information, where he serves as Chairman of the Compensation and Governance and Human Resources Committee and as a member of the Audit Committee. Since February 2014, Mr. Hurley is the sole member of a consulting business, Alfred F. Hurley, Jr. & Company, LLC. Since June 2016, Mr. Hurley has served as a member of the board of directors of The Stars Group Inc., a publicly listed technology gaming company, where he serves as Lead Director of the Compensation Committee and a member of the Audit Committee. Since December 2017, Mr. Hurley has been the Fortress Voting Proxy and Voting Proxy Appointed Manager for LSQ to the Ligado Networks, Inc. Board of Managers and a member of the Audit Committee. Since May 2018, Mr. Hurley has been the Chairman of TSI Holdings, the holding company of Transworld Systems, a leading analytics driven provider of accounts receivable management solutions. He also serves as a member of the Audit Committee and the Compensation Committee of TSI Holdings. Mr. Hurley graduated from Princeton University with an A.B. in History, cum laude.

Mr. Hurley brings his experience in risk management as well as his experience in the banking and money management industries to our board of directors. This background positions Mr. Hurley well to serve as our director.

Rome G. Arnold III has been a director of NMFC since March 2017. Since January 2017, Mr. Arnold has served as a Senior Advisor at Rose and Co., a financial-technology startup company with a focus on digital media. From January 2012 through August 2016, Mr. Arnold was a Managing Director at UBS Securities in their Energy Group, serving as the Head of Oil Field Services. In addition, Mr. Arnold currently serves as a director of Forbes Energy Services Ltd., an independent oilfield services contractor. Mr. Arnold received his B.A., cum laude, in Psychology and History of Art from Yale College. He received his M.B.A. from Harvard Business School, with High Distinction (Baker Scholar).

Mr. Arnold brings his vast experience in investment banking and energy focus to our board of directors. This background positions Mr. Arnold well to serve as our director.

Interested Directors

Steven B. Klinsky has served as Chairman of the board of directors of NMFC since July 2010. Mr. Klinsky is the Founder of New Mountain Capital and has served as New Mountain Capital's Chief Executive Officer since its inception in 1999. Prior to 1999, Mr. Klinsky served as a General Partner and an Associate Partner with Forstmann Little & Co. and co-founded Goldman,

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Sachs & Co.'s Leveraged Buyout Group. He currently serves on the board of directors of Gary Klinsky Children Centers, American Investment Council, Victory Education Partners, Avantor Performance Materials Holdings, Inc. and IRI Group Holdings, Inc. Mr. Klinsky received his B.A. in Economics and Political Philosophy from the University of Michigan. He received his M.B.A. from Harvard Business School and his J.D. from Harvard Law School.

From his experience as an executive or director of public and private companies of financial advisory and private equity companies, Mr. Klinsky brings broad financial advisory and investment management expertise to the board of directors. Mr. Klinsky's intimate knowledge of our business and operations, as a Managing Director, Founder and Chief Executive Officer of New Mountain Capital and his experience as a board member or chairman of other publicly-held companies, positions him well to serve as the chairman of our board of directors.

Robert A. Hamwee has served on the board of directors of NMFC since July 2010. Mr. Hamwee has served as NMFC's Chief Executive Officer since July 2010. Mr. Hamwee has also served as a Managing Director of New Mountain Capital since 2008. Prior to joining New Mountain Capital, Mr. Hamwee served as a Senior Executive of GSC Group Inc. ("GSC"), a leading institutional investment manager of alternative assets, where he had day-to-day responsibility for managing GSC's control distressed debt funds from 1999 to 2008. Prior to 1999, Mr. Hamwee held various positions at Greenwich Street Capital Partners, the predecessor to GSC, and with The Blackstone Group. Mr. Hamwee has chaired numerous Creditor Committees and Bank Steering Groups, and was formerly a director of a number of public and private companies, including Envirosource, Purina Mills, and Viasystems. Mr. Hamwee currently serves on the board of Edmentum, Inc., an NMFC portfolio company. Additionally, Mr. Hamwee is the founder, majority stockholder and serves on the board of directors of Boulevard Arts, Inc., a development stage company which is developing art education applications for virtual reality platforms. Mr. Hamwee received his Bachelor of Business Administration ("B.B.A.") in Finance and Accounting from the University of Michigan.

Mr. Hamwee's depth of experience in managerial operational positions in investment management and financial services and as a member of other corporate boards of directors, as well as his intimate knowledge of our business and operations, provides our board of directors valuable industry- and company-specific knowledge and expertise.

Adam B. Weinstein has served on the board of directors of NMFC since July 2012. Mr. Weinstein has served as our Executive Vice President and Chief Administrative Officer since January 2013 and previously served as our Chief Financial Officer and Treasurer from July 2010. Mr. Weinstein also serves as a Managing Director and Chief Financial Officer of New Mountain Capital and has been in various roles since joining in 2005. Prior to joining New Mountain Capital in 2005, Mr. Weinstein was a Manager at Deloitte & Touche LLP and worked in that firm's merger and acquisition and private equity investor services areas. He also currently serves as a director of New Mountain Vantage (Cayman) Ltd., Great Oaks Foundation and Victory Education Partners. Mr. Weinstein sits on a number of boards of directors for professional and non-profit organizations. Mr. Weinstein received his B.S. from Binghamton University, is a member of the AICPA and is a New York State Certified Public Accountant.

Mr. Weinstein brings his industry-specific expertise and background in accounting to our board of directors. This background positions Mr. Weinstein well to serve as our director.

Executive Officers Who Are Not Directors

Karrie J. Jerry has served as Chief Compliance Officer ("CCO") and Corporate Secretary of NMFC since June 2015. Ms. Jerry joined NMFC in 2011 and served as NMFC's Compliance Vice President and Assistant Corporate Secretary prior to her appointment as CCO. From 2005 until 2011, Ms. Jerry served as a Compliance Associate and Assistant Corporate Secretary at Apollo

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Investment Corporation ("Apollo"), a publicly traded business development company. While at Apollo, Ms. Jerry also served in compliance and corporate governance oversight roles of Apollo's other publicly listed funds, which included a real estate investment trust and one other closed-end fund. Ms. Jerry received a B.S. degree in Paralegal Studies from Boston University.

Shiraz Y. Kajee has served as Chief Financial Officer and Treasurer of NMFC since December 2015. Prior to joining NMFC, Mr. Kajee was the Head of U.S. Finance at Man Investments from 2012 to 2015, where he was responsible for the accounting, tax and treasury functions for the U.S. operations of Man Group plc, a United Kingdom based alternative asset manager. From 2010 to 2012, Mr. Kajee was a Vice President of Private Wealth Finance at Goldman, Sachs & Co. and from 2006 to 2010 was a Senior Vice President of Corporate Loans Finance at Citigroup Inc. Mr. Kajee began his career at Ernst & Young LLP within their Financial Services Office Assurance practice. Mr. Kajee received both his Master of Science ("M.S.") in Accounting and a Bachelor of Business Administration ("B.B.A.") in Finance from Baruch College City University of New York. He is a New York State Certified Public Accountant and a Chartered Global Management Accountant.

John R. Kline has served as NMFC's President since July 2016 and Chief Operating Officer since January 2013. Mr. Kline also serves as a Managing Director of New Mountain Capital. Prior to joining New Mountain Capital in 2008, he worked at GSC Group Inc. from 2001 to 2008 as an investment analyst and trader for GSC Group Inc.'s control distressed and corporate credit funds. From 1999 to 2001, Mr. Kline was with Goldman, Sachs & Co. where he worked in the Credit Risk Management and Advisory Group. He currently serves as a director of UniTek Global Services, Inc., an NMFC portfolio company. Mr. Kline received an A.B. degree in History from Dartmouth College.

Board Leadership Structure

Our board of directors monitors and performs an oversight role with respect to our business and affairs, compliance with regulatory requirements and the services, expenses and performance of our service providers. Among other things, our board of directors approves the appointment of the Administrator and officers, reviews and monitors the services and activities performed by the Administrator and officers and approves the engagement, and reviews the performance of, our independent public accounting firm.

Under our bylaws, our board of directors may designate a chairman to preside over the meetings of the board of directors and meetings of the stockholders and to perform such other duties as may be assigned to the chairman by the board of directors. We do not have a fixed policy as to whether the chairman of the board should be an independent director and believe that we should maintain the flexibility to select the chairman and reorganize the leadership structure, from time to time, based on the criteria that is in our best interests and our stockholders at such times.

Mr. Klinsky currently serves as the chairman of our board of directors. Mr. Klinsky is an "interested person" of NMFC as defined in Section 2(a)(19) of the 1940 Act because he is the founder and chief executive officer of New Mountain Capital, serves on the investment committee of the Investment Adviser and is the managing member of the sole member of the Investment Adviser. We believe that Mr. Klinsky's history with New Mountain Capital, familiarity with our investment objectives and investment strategy, and extensive knowledge of the financial services industry and the investment valuation process in particular qualify him to serve as the chairman of our board of directors. We believe that, at present, we are best served through this leadership structure, as Mr. Klinsky's relationship with the Investment Adviser and New Mountain Capital, provides an effective bridge and encourages an open dialogue between our management and our board of directors, ensuring that all groups act with a common purpose.

Our board of directors does not currently have a designated lead independent director. We are aware of the potential conflicts that may arise when a non-independent director is chairman of the board of directors, but believe these potential conflicts are offset by our strong corporate

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governance policies. Our corporate governance policies include regular meetings of the independent directors in executive session without the presence of interested directors and management over which the chairman of the audit committee presides, the establishment of audit, valuation, nominating and corporate governance and compensation committees comprised solely of independent directors and the appointment of a chief compliance officer, with whom the independent directors meet regularly without the presence of interested directors and other members of management, for administering our compliance policies and procedures.

We recognize that different board leadership structures are appropriate for companies in different situations. We intend to continue to re-examine our corporate governance policies on an ongoing basis to ensure that they continue to meet our needs.

Board of Directors' Role In Risk Oversight

Our board of directors performs its risk oversight function primarily through (1) its four standing committees which report to the board of directors, each of which is comprised solely of independent directors and (2) active monitoring by our chief compliance officer and our compliance policies and procedures.

Our audit committee, valuation committee, nominating and corporate governance committee and compensation committee assist our board of directors in fulfilling its risk oversight responsibilities. The audit committee's risk oversight responsibilities include overseeing our accounting and financial reporting processes, our systems of internal controls regarding finance and accounting, and audits of our financial statements, including the independence of our independent auditors. The valuation committee is responsible for making recommendations in accordance with the valuation policies and procedures adopted by our board of directors, reviewing valuations and any reports of independent valuation firms, confirming that valuations are made in accordance with the valuation policies of our board of directors and reporting any deficiencies or violations of such valuation policies to our board of directors on at least a quarterly basis, and reviewing other matters that our board of directors or the valuation committee deems appropriate. The nominating and corporate governance committee's risk oversight responsibilities include selecting, researching and nominating directors for election by our stockholders, developing and recommending to the board of directors a set of corporate governance principles and overseeing the evaluation of the board of directors and our management. The compensation committee is responsible for periodically reviewing director compensation and recommending any appropriate changes to our board of directors. The compensation committee is also responsible for annually reviewing and recommending for approval to NMFC's board of directors an investment advisory and management agreement and an administration agreement. In addition, although we do not directly compensate our executive officers currently, to the extent that we do so in the future, the compensation committee would also be responsible for reviewing and evaluating their compensation and making recommendations to the board of directors regarding their compensation.

Our board of directors performs its risk oversight responsibilities with the assistance of our chief compliance officer. The board of directors quarterly reviews a written report from the chief compliance officer discussing the adequacy and effectiveness of our compliance policies and procedures and our service providers. The chief compliance officer's quarterly report addresses at a minimum:

the operation of our compliance policies and procedures and our service providers since the last report;

any material changes to these policies and procedures since the last report;

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any recommendations for material changes to these policies and procedures as a result of the chief compliance officer's annual review; and

any compliance matter that has occurred since the date of the last report about which the board of directors would reasonably need to know to oversee our compliance activities and risks.

In addition, the chief compliance officer meets separately in executive session with the independent directors at least once each year.

We believe that our board of directors' role in risk oversight is effective, and appropriate given the extensive regulation to which we are subject as a BDC. We are required to comply with certain regulatory requirements that control the levels of risk in our business and operations. For example, our ability to incur indebtedness is limited because our asset coverage must equal at least 150.0% immediately after we incur indebtedness (which means we can borrow \$2 for every \$1 of our equity). On November 5, 2014, we received exemptive relief from the SEC to permit us to exclude the SBA-guaranteed debentures of SBIC I and any other future SBIC subsidiaries, including SBIC II, from our 150.0% asset coverage test under the 1940 Act. As such, our ratio of total consolidated assets to outstanding indebtedness may be less than 150.0%. This provides us with increased investment flexibility but also increases our risks related to leverage. We generally cannot invest in assets that are not "qualifying assets" unless at least 70.0% of our total assets consist of "qualifying assets" immediately prior to such investment, and we are not generally permitted to invest, subject to certain exceptions, in any portfolio company in which one of our affiliates currently has an investment.

We recognize that different board of director roles in risk oversight are appropriate for companies in different situations. We intend to continue to re-examine the manner in which our board of directors administers its oversight function on an ongoing basis to ensure that it continues to meet our needs.

Committees of the Board of Directors

Our board of directors has established an audit committee, a nominating and corporate governance committee, a compensation committee and a valuation committee. The members of each committee have been appointed by our board of directors and serve until their respective successor is duly elected and qualifies, unless they are removed or resign. During 2018, our board of directors held thirteen board of directors meetings, four audit committee meetings, two nominating and corporate governance committee meetings, two compensation committee meeting and eight valuation committee meetings. All directors attended at least 75.0% of the aggregate number of meetings of the board of directors and of the respective committees on which they serve. We require each director to make a diligent effort to attend all board and committee meetings as well as each annual meeting of our stockholders. All of our directors attended the 2018 annual meeting of stockholders.

Audit Committee

The audit committee operates pursuant to a charter approved by our board of directors, a copy of which is available on our website at www.newmountainfinance.com. The charter sets forth the responsibilities of the audit committee. The audit committee is responsible for recommending the selection of, engagement of and discharge of our independent auditors, reviewing the plans, scope and results of the audit engagement with the independent auditors, approving professional services provided by the independent auditors (including compensation therefore), reviewing the independence of the independent auditors and reviewing the adequacy of our internal controls over financial reporting. The members of the audit committee are Alfred F. Hurley, Jr., David Ogens, Rome G. Arnold III and Kurt J. Wolfgruber, each of whom is not an interested person of NMFC for

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purposes of the 1940 Act and is independent for purposes of the NYSE's corporate governance listing standards. Kurt J. Wolfgruber serves as the chairman of the audit committee, and our board of directors has determined that Rome G. Arnold, Alfred F. Hurley, Jr., David Ogens and Kurt J. Wolfgruber are "audit committee financial experts" as that term is defined under Item 407 of Regulation S-K, as promulgated under the Exchange Act, and that each of them meets the current independence and experience requirements of Rule 10A-3 of the Exchange Act.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee operates pursuant to a charter approved by our board of directors, a copy of which is available on our website at www.newmountainfinance.com. The charter sets forth the responsibilities of the nominating and corporate governance committee. The nominating and corporate governance committee is responsible for determining criteria for service on the board of directors, identifying, researching and nominating directors for election by our stockholders, selecting nominees to fill vacancies on our board of directors or committees of the board of directors, developing and recommending to the board of directors a set of corporate governance principles and overseeing the self-evaluation of the board of directors and its committees and evaluation of our management. The nominating and corporate governance committee considers nominees properly recommended by our stockholders. The members of the nominating and corporate governance committee are Alfred F. Hurley, Jr., David Ogens, Rome G. Arnold III and Kurt J. Wolfgruber, each of whom is not an interested person of NMFC for purposes of the 1940 Act and is independent for purposes of the NYSE's corporate governance listing standards. Alfred F. Hurley, Jr. serves as the chairman of the nominating and corporate governance committee.

The nominating and corporate governance committee seeks candidates who possess the background, skills and expertise to make a significant contribution to the board of directors, us and our stockholders. In considering possible candidates for election as a director, the nominating and corporate governance committee takes into account, in addition to such other factors as they deem relevant, the desirability of selecting directors who:

- are of high character and integrity;
- are accomplished in their respective fields, with superior credentials and recognition;
- have relevant expertise and experience upon which to be able to offer advice and guidance to management;
- have sufficient time available to devote to our affairs;
- are able to work with the other members of the board of directors and contribute to our success;
- can represent the long-term interests of our stockholders as a whole; and
- are selected such that the board of directors represent a range of backgrounds and experience.

The nominating and corporate governance committee has not adopted formal policies with regard to the consideration of diversity in identifying director nominees. In determining whether to recommend a director nominee, the nominating and corporate governance committee considers and discusses diversity, among other factors, with a view toward the needs of the board of directors as a whole. The nominating and corporate governance committee generally conceptualizes diversity expansively to include, without limitation, concepts such as race, gender, national origin, differences of viewpoint, professional experience, education, skill and other qualities that contribute to the board of directors, when identifying and recommending director nominees. The nominating and corporate governance committee believes that the inclusion of diversity as one of many factors

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considered in selecting director nominees is consistent with the nominating and corporate governance committee's goal of creating a board of directors that best serves our needs and the interest of our stockholders.

Compensation Committee

The compensation committee operates pursuant to a charter approved by our board of directors, a copy of which is available on our website at www.newmountainfinance.com. The charter sets forth the responsibilities of the compensation committee. The compensation committee is responsible for periodically reviewing director compensation and recommending any appropriate changes to the board of directors. In addition, although we do not directly compensate our executive officers currently, to the extent that we do so in the future, the compensation committee would also be responsible for reviewing and evaluating their compensation and making recommendations to the board of directors regarding their compensation. The compensation committee is also responsible for annually reviewing and recommending for approval to our board of directors an investment advisory and management agreement and an administration agreement. Lastly, the compensation committee would produce a report on our executive compensation practices and policies for inclusion in our proxy statement if required by applicable proxy rules and regulations and, if applicable, make recommendations to the board of directors on our executive compensation practices and policies. The compensation committee has the authority to engage compensation consultants, although it does not currently do so, and to delegate its duties and responsibilities to a member or to a subcommittee of the compensation committee. The compensation committee is composed of Alfred F. Hurley, Jr., David Ogens, Rome G. Arnold III and Kurt J. Wolfgruber, each of whom is not an interested person of NMFC for purposes of the 1940 Act and is independent for purposes of the NYSE's corporate governance listing standards. Alfred F. Hurley, Jr. serves as chairman of the compensation committee.

Valuation Committee

The valuation committee operates pursuant to a charter approved by our board of directors, a copy of which is available on our website at www.newmountainfinance.com. The charter set forth the responsibilities of the valuation committee. The valuation committee is responsible for making recommendations in accordance with the valuation policies and procedures adopted by our board of directors, reviewing valuations and any reports of independent valuation firms, confirming that valuations are made in accordance with the valuation policies of our board of directors and reporting any deficiencies or violations of such valuation policies to our board of directors on at least a quarterly basis, and reviewing other matters that our board of directors or the valuation committee deems appropriate. The valuation committee is composed of Alfred F. Hurley, Jr., David Ogens, Rome G. Arnold III and Kurt J. Wolfgruber, each of whom is not an interested person of NMFC for purposes of the 1940 Act and is independent for purposes of the NYSE's corporate governance listing standards. David Ogens serves as chairman of the valuation committee.

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The following table sets forth the compensation of our directors for the year ended December 31, 2018.

Name	Fees Paid in Cash⁽¹⁾	All Other Compensation⁽²⁾	Total
<i>Interested Directors</i>			
Steven B. Klinsky			
Robert A. Hamwee			
Adam B. Weinstein			
<i>Independent Directors</i>			
David Ogens	\$ 131,683		\$ 131,683
Alfred F. Hurley, Jr.	\$ 121,177		\$ 121,177
Kurt J. Wolfgruber	\$ 126,677		\$ 126,677
Rome G. Arnold III	\$ 119,073		\$ 119,073

(1)

For a discussion of the independent directors' compensation, see below.

(2)

We do not maintain a stock or option plan, non-equity incentive plan or pension plan for our directors.

The independent directors receive an annual retainer fee of \$100,000 and further receive a fee of \$2,500 for each regularly scheduled board of directors meeting and a fee of \$1,000 for each special board of directors meeting as well as reimbursement of reasonable and documented out-of-pocket expenses incurred in connection with attending each board of directors meeting. In addition, the chairman of the audit committee receives an annual retainer of \$7,500, while the chairman of the valuation committee, the chairman of the compensation committee and the chairman of the nominating and corporate governance committee receive annual retainers of \$5,000, \$1,000 and \$1,000, respectively. No compensation is paid to directors who are interested persons of NMFC as defined in the 1940 Act.

Compensation of Executive Officers

None of our executive officers receive direct compensation from us. We do not engage any compensation consultants. The compensation of the principals and other investment professionals of the Investment Adviser are paid by the Investment Adviser. Compensation paid to our chief financial officer and chief compliance officer is set by the Administrator and is subject to reimbursement by us of the allocable portion of such compensation for services rendered to us.

Indemnification Agreements

We have entered into indemnification agreements with our directors. The indemnification agreements are intended to provide the directors the maximum indemnification permitted under Delaware law and the 1940 Act. Each indemnification agreement provides that we shall indemnify the director who is a party to the agreement, or an Indemnitee, including the advancement of legal expenses, if, by reason of his corporate status, the Indemnitee is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed proceeding, to the maximum extent permitted by Delaware law and the 1940 Act. Any amounts owed by us to any Indemnitee pursuant to the indemnification agreements will be payable by us.

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PORTFOLIO MANAGEMENT

The management of our investment portfolio is the responsibility of the Investment Adviser and the Investment Committee, which 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. Peter N. Masucci served on the Investment Committee from August 2017 to July 2018. Beginning in August 2018, Andre V. Moura was appointed to the Investment Committee for a one year term. In addition, our executive officers and certain investment professionals of the Investment Adviser are invited to all Investment Committee meetings. We consider Mr. Hamwee to be our portfolio manager. The Investment Committee is responsible for approving purchases and sales of our investments above \$10.0 million in aggregate by issuer. Purchases and dispositions below \$10.0 million may be approved by our Chief Executive Officer. These approval thresholds are subject to change over time.

Investment Personnel

As of December 31, 2018, the Investment Adviser was supported by approximately 145 employees and senior advisors of New Mountain Capital. These individuals, in addition to the Investment Committee, are primarily responsible for the day-to-day management of our portfolio. The Investment Adviser may retain additional investment professionals, based upon its needs.

Below are the biographies for selected senior investment professionals of the Investment Adviser, whose biographies are not included elsewhere in this prospectus. For more information regarding the business experience of Messrs. Kline, Klinsky, Hamwee and Weinstein, see "Management Biographical Information Directors Interested Directors" and "Management Biographical Information Executive Officers Who Are Not Directors".

Andre Moura, currently serves on the Investment Adviser's Investment Committee and is a Managing Director of New Mountain Capital. Prior to joining New Mountain Capital in 2005, Mr. Moura worked at McKinsey & Company, where he helped to advise companies across various industries. He received his A.B., magna cum laude, in Computer Science from Harvard College and his M.B.A., with high distinction, from Harvard Business School in 2009, where he was a Baker Scholar. He currently serves as a director of Avantor, Bellerophon, Gelest, Alteon Health, Sparta Systems and Topix Pharmaceuticals.

James W. Stone III currently serves as a Managing Director of New Mountain Capital and has been in various roles since joining in 2011. Prior to joining New Mountain Capital, he worked for The Blackstone Group as a Managing Director of GSO Capital Partners. At Blackstone, Mr. Stone was responsible for originating, evaluating, executing and monitoring various senior secured and mezzanine debt investments across a variety of industries. Before joining Blackstone in 2002, Mr. Stone worked as a Vice President in Lehman Brothers' Communications and Media Group and as a Vice President in UBS Warburg's Leveraged Finance Department. Prior to that, Mr. Stone worked at Nomura Securities International, Inc. with the team that later founded Blackstone's corporate debt investment unit. Mr. Stone received a B.S. in Mathematics and Physics from The University of the South and an M.B.A. with concentrations in Finance and Accounting from The University of Chicago's Graduate School of Business.

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The table below shows the dollar range of shares of our common stock beneficially owned by our portfolio manager.

Name of Portfolio Manager	Dollar Range of Equity Securities of NMFC ⁽¹⁾⁽²⁾
Robert A. Hamwee	over \$ 1,000,000

(1)

The dollar range of equity securities beneficially owned in NMFC is based on the closing price for NMFC's common stock of \$13.96 on April 24, 2019 on the NYSE. Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Exchange Act.

(2)

The dollar range of equity securities beneficially owned are: none, \$1 - \$10,000, \$10,001 - \$50,000, \$50,001 - \$100,000, \$100,001 - \$500,000, \$500,001 - \$1,000,000 or over \$1,000,000.

The Investment Adviser also manages Guardian II, a private credit strategy offered to institutional investors, which commenced operations in April 2017 and executes a similar investment strategy to NMFC. Mr. Hamwee serves as a co-portfolio manager of Guardian II. As of December 31, 2018, Guardian II had approximately \$772.6 million in total assets. Mr. Hamwee is a Managing Director of New Mountain Capital. See "Risk Factors - Risks Relating to Our Business - The Investment Adviser has significant potential conflicts of interest with us and, consequently, your interests as stockholders which could adversely impact our investment returns". See "Risk Factors - Risks Related to Our Business and Structure - The Investment Adviser has significant potential conflicts of interest with us and, consequently, your interests as stockholders which could adversely impact our investment returns".

Compensation

None of the Investment Adviser's investment professionals are employed by us or will receive any direct compensation from us in connection with the management of our portfolio. Mr. Klinsky, through his financial interest in the Investment Adviser, is entitled to a portion of any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement.

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INVESTMENT MANAGEMENT AGREEMENT

NMFC is a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. NMFC is externally managed by the Investment Adviser and pays the Investment Adviser a fee for its services. The following summarizes the arrangements between NMFC and the Investment Adviser pursuant to the Investment Management Agreement.

Overview of the Investment Adviser

Management Services

The Investment Adviser is registered as an Investment Adviser under the Advisers Act. The Investment Adviser serves pursuant to the Investment Management Agreement in accordance with the 1940 Act. Subject to the overall supervision of our board of directors, the Investment Adviser manages our day-to-day operations and provides us with investment advisory and management services. Under the terms of the Investment Management Agreement, the Investment Adviser:

determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;

determines the securities and other assets that we will purchase, retain or sell;

identifies, evaluates and negotiates the structure of our investments that we make;

executes, monitors and services the investments that we make;

performs due diligence on prospective portfolio companies;

votes, exercises consents and exercises all other rights appertaining to such securities and other assets on our behalf; and

provides us with such other investment advisory, research and related services as we may, from time to time, reasonably require.

The Investment Adviser's services under the Investment Management Agreement are not exclusive, and the Investment Adviser (so long as its services to us are not impaired) and/or other entities affiliated with New Mountain Capital are permitted to furnish similar services to other entities. The Investment Adviser also manages Guardian II which commenced operations in April 2017.

Management Fees

Pursuant to the Investment Management Agreement, NMFC has agreed to pay the Investment Adviser a fee for investment advisory and management services consisting of two components – a base management fee and an incentive fee. The cost of both the base management fee payable to the Investment Adviser and any incentive fees paid in cash to the Investment Adviser are borne by NMFC and, as a result, are indirectly borne by NMFC's common stockholders.

Base Management Fees

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Pursuant to the Investment Management Agreement, the base management fee is calculated at an annual rate of 1.75% of our gross assets, which equals our total assets on the Consolidated Statements of Assets and Liabilities, less (i) the borrowings under the SLF Credit Facility and (ii) cash and cash equivalents. The base management fee is payable quarterly in arrears, and is calculated based on the average value of our gross assets, which equals our total assets, as determined in accordance with GAAP, less the borrowings under the SLF Credit Facility and cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter. We have not invested, and currently do not invest, in derivatives. To the extent we invest in derivatives in the future, we will use the actual value of the derivatives, as

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reported on our Consolidated Statements of Assets and Liabilities, for purposes of calculating our base management fee.

Since our IPO, the base management fee calculation has deducted the borrowings under the SLF Credit Facility. The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to our existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the NMF Holdings Loan and Security Agreement, as amended and restated, dated May 19, 2011, and into the Holdings Credit Facility on December 18, 2014. The amendment merged the credit facilities and combined the amount of borrowings previously available. Post credit facility merger and to be consistent with the methodology since our IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility, which as of December 31, 2018 and December 31, 2017 was approximately \$525.7 million and \$281.2 million, respectively. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the years ended December 31, 2018 and December 31, 2017, management fees waived were approximately \$6.7 million and \$5.6 million, respectively.

Incentive Fees

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of our "Pre-Incentive Fee Adjusted Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature. "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement, as amended and restated, with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred stock (of which there is none as of December 31, 2018), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

Under GAAP, our IPO did not step-up the cost basis of our existing investments to fair market value at the IPO date. Since the total value of our investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, as well as different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold or mature in the future. We track the transferred (or fair market) value of each of our investments as of the time of our IPO and, for purposes of the incentive fee calculation, adjust Pre-Incentive Fee Net Investment Income to reflect the amortization of purchase or original issue discount on our investments as if each investment was purchased at the date of the IPO, or stepped up to fair market value. This is defined as "Pre-Incentive Fee Adjusted Net Investment Income". We also use the transferred (or fair market) value of each of our investments as of the time of the IPO to adjust capital gains ("Adjusted Realized Capital Gains") or losses ("Adjusted Realized Capital Losses") and unrealized capital appreciation ("Adjusted Unrealized Capital Appreciation") and unrealized capital depreciation ("Adjusted Unrealized Capital Depreciation"). As of December 31, 2017, all predecessor investments have been sold or matured.

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

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

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

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

The following is a graphical representation of the calculation of the income related portion of the incentive fee:

**Quarterly Incentive Fee Based on "Pre-Incentive Fee Adjusted Net Investment Income"
Pre-Incentive Fee Adjusted Net Investment Income
(expressed as a percentage of the value of net assets)**

**Percentage of Pre-Incentive Fee Adjusted Net Investment
Income allocated to income related portion of incentive fee**

These calculations will be appropriately prorated for any period of less than three months and adjusted for any equity capital raises or repurchases during the current calendar quarter.

For the year ended December 31, 2018, no incentive fees were waived. The Investment Adviser cannot recoup incentive fees that the Investment Adviser has previously waived.

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

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

Example 1: Income Related Portion of Incentive Fee for Each Calendar Quarter*:

Alternative 1

Assumptions

Investment income (including interest, dividends, fees, etc.) = 1.25%

Hurdle rate⁽¹⁾ = 2.00%

Management fee⁽²⁾ = 0.44%

Other expenses (legal, accounting, safekeeping agent, transfer agent, etc.)⁽³⁾ = 0.20%

Pre-Incentive Fee Adjusted Net Investment Income

(investment income - (management fee + other expenses)) = 0.61%

Pre-Incentive Fee Adjusted Net Investment Income does not exceed the hurdle rate, therefore there is no income related incentive fee.

Alternative 2

Assumptions

Investment income (including interest, dividends, fees, etc.) = 2.90%

Hurdle rate⁽¹⁾ = 2.00%

Management fee⁽²⁾ = 0.44%

Other expenses (legal, accounting, safekeeping agent, transfer agent, etc.)⁽³⁾ = 0.20%

Pre-Incentive Fee Adjusted Net Investment Income

(investment income - (management fee + other expenses)) = 2.26%

Incentive fee = 100.00% × Pre-Incentive Fee Adjusted Net Investment Income (subject to "catch-up")⁽⁴⁾

$$= 100.00\% \times (2.26\% - 2.00\%)$$

$$= 0.26\%$$

Pre-Incentive Fee Adjusted Net Investment Income exceeds the hurdle rate, but does not fully satisfy the "catch-up" provision, therefore the income related portion of the incentive fee is 0.26%.

Alternative 3

Assumptions

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Investment income (including interest, dividends, fees, etc.) = 3.50%

Hurdle rate⁽¹⁾ = 2.00%

Management fee⁽²⁾ = 0.44%

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Other expenses (legal, accounting, safekeeping agent, transfer agent, etc.)⁽³⁾ = 0.20%

Pre-Incentive Fee Adjusted Net Investment Income

(investment income (management fee + other expenses)) = 2.86%

Incentive fee = 100.00% × Pre-Incentive Fee Adjusted Net Investment Income (subject to "catch-up")⁽⁴⁾

Incentive fee = 100.00% × "catch-up" + (20.00% × (Pre-Incentive Fee Adjusted Net Investment Income - 2.50%))

Catch-up = 2.50% - 2.00%
= 0.50%

Incentive fee = (100.00% × 0.50%) + (20.00% × (2.86% - 2.50%))

= 0.50% + (20.00% × 0.36%)

= 0.50% + 0.07%

= 0.57%

Pre-Incentive Fee Adjusted Net Investment Income exceeds the hurdle rate, and fully satisfies the "catch-up" provision, therefore the income related portion of the incentive fee is 0.57%.

*

The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets and assumes, for our investments held prior to the IPO, interest income has been adjusted to reflect the amortization of purchase or original issue discount as if each investment was purchased at the date of the IPO, or stepped up to fair market value.

(1) Represents 8.00% annualized hurdle rate.

(2) Assumes 1.75% annualized base management fee.

(3) Excludes organizational and offering expenses.

(4) The "catch-up" provision is intended to provide the Investment Adviser with an incentive fee of 20.00% on all Pre-Incentive Fee Adjusted Net Investment Income as if a hurdle rate did not apply when our net investment income exceeds 2.50% in any calendar quarter.

Example 2: Capital Gains Portion of Incentive Fee*:

Alternative 1

Assumptions

Year 1: \$20.0 million investment made in Company A ("Investment A"), and \$30.0 million investment made in Company B ("Investment B")

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Year 2: Investment A sold for \$50.0 million and fair market value ("FMV") of Investment B determined to be \$32.0 million

Year 3: FMV of Investment B determined to be \$25.0 million

Year 4: Investment B sold for \$31.0 million

The capital gains portion of the incentive fee would be:

Year 1: None

Year 2: Capital gains incentive fee of \$6.0 million (\$30.0 million realized capital gains on sale of Investment A multiplied by 20.0%)

Year 3: None \$5.0 million (20.0% multiplied by (\$30.0 million cumulative capital gains less \$5.0 million cumulative capital depreciation)) less \$6.0 million (previous capital gains fee paid in Year 2)

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Year 4: Capital gains incentive fee of \$0.2 million \$6.2 million (\$31.0 million cumulative realized capital gains multiplied by 20.0%) less \$6.0 million (capital gains incentive fee taken in Year 2)

Alternative 2

Assumptions

Year 1: \$20.0 million investment made in Company A ("Investment A"), \$30.0 million investment made in Company B ("Investment B") and \$25.0 million investment made in Company C ("Investment C")

Year 2: Investment A sold for \$50.0 million, FMV of Investment B determined to be \$25.0 million and FMV of Investment C determined to be \$25.0 million

Year 3: FMV of Investment B determined to be \$27.0 million and Investment C sold for \$30.0 million

Year 4: FMV of Investment B determined to be \$35.0 million

Year 5: Investment B sold for \$20.0 million

The capital gains incentive fee, if any, would be:

Year 1: None

Year 2: \$5.0 million capital gains incentive fee 20.0% multiplied by \$25.0 million (\$30.0 million realized capital gains on Investment A less \$5.0 million unrealized capital depreciation on Investment B)

Year 3: \$1.4 million capital gains incentive fee \$6.4 million (20.0% multiplied by \$32.0 million (\$35.0 million cumulative realized capital gains less \$3.0 million unrealized capital depreciation)) less \$5.0 million capital gains incentive fee received in Year 2

Year 4: \$0.6 million capital gains incentive fee \$7.0 million (20.0% multiplied by \$35.0 million cumulative realized capital gains) less cumulative \$6.4 million capital gains incentive fee received in Year 2 and Year 3

Year 5: None \$5.0 million (20.0% multiplied by \$25.0 million (cumulative realized capital gains of \$35.0 million less realized capital losses of \$10.0 million)) less \$7.0 million cumulative capital gains incentive fee paid in Year 2, Year 3 and Year 4⁽¹⁾

*

The hypothetical amounts of returns shown are based on a percentage of our total net assets and assume no leverage. There is no guarantee that positive returns will be realized and actual returns may vary from those shown in this example. The capital gains incentive fees are calculated on an "adjusted" basis for our investments held prior to the IPO and assumes those investments have been adjusted to reflect the amortization of purchase or original issue discount as if each investment was purchased at the date of the IPO, or stepped up to fair market value.

(1)

As noted above, it is possible that the cumulative aggregate capital gains fee received by the Investment Adviser (\$7.0 million) is effectively greater than \$5.0 million (20.0% of cumulative aggregate realized capital gains less net realized capital losses or net unrealized depreciation (\$25.0 million)).

Payment of Expenses

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Our primary operating expenses are the payment of a base management fee and any incentive fees under the Investment Management Agreement and the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under the Administration Agreement. We bear all other expenses of our operations and transactions, including (without limitation) fees and expenses relating to:

organizational and offering expenses;

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the investigation and monitoring of our investments;

the cost of calculating net asset value;

interest payable on debt, if any, to finance our investments;

the cost of effecting sales and repurchases of shares of our common stock and other securities;

management and incentive fees payable pursuant to the Investment Management Agreement;

fees payable to third parties relating to, or associated with, making investments and valuing investments (including third-party valuation firms);

transfer agent and custodial fees;

fees and expenses associated with marketing efforts (including attendance at investment conferences and similar events);

federal and state registration fees;

any exchange listing fees;

federal, state, local and foreign taxes;

independent directors' fees and expenses;

brokerage commissions;

costs of proxy statements, stockholders' reports and notices;

costs of preparing government filings, including periodic and current reports with the SEC;

fees and expenses associated with independent audits and outside legal costs;

costs associated with reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws;

fidelity bond, liability insurance and other insurance premiums; and

printing, mailing and all other direct expenses incurred by either the Investment Adviser or us in connection with administering our business, including payments under the Administration Agreement that is based upon our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under the Administration Agreement, including the allocable portion of the compensation of our chief financial officer and chief compliance officer and their respective staffs.

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Duration and Termination

The Investment Management Agreement, which became effective on May 8, 2014 and was most recently re-approved by our board of directors on February 6, 2019, provides that the Investment Management Agreement will continue automatically for successive annual periods, provided that such continuance is specifically approved at least annually by (A) the vote of the board of directors, or by the vote of a majority of the outstanding voting securities of NMFC and (B) the vote of a majority of NMFC's board of directors who are not parties to the Investment Management Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the 1940 Act) of any such party, in accordance with the requirements of the 1940 Act. Notwithstanding the foregoing, the Investment Management Agreement may be terminated (i) by NMFC at any time, without the payment of any penalty, upon giving the Investment Adviser 60 days' written notice (which notice may be waived by the Investment Adviser), provided that such termination by NMFC shall be directed or approved by the vote of a majority of the directors of NMFC in office at the time or by the vote of a majority of the voting securities of NMFC at the time outstanding and entitled to vote, or (ii) by the Investment Adviser on 60 days' written notice to NMFC (which notice may be waived by NMFC).

Indemnification

The Investment Management Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of their respective duties or by reason of the reckless disregard of their respective duties and obligations, the Investment Adviser and its officers, managers, agents, employees, controlling persons, members (or their owners) and any other person or entity affiliated with it, are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Investment Adviser's services under the Investment Management Agreement or otherwise as the Investment Adviser.

Organization of the Investment Adviser

The Investment Adviser is a Delaware limited liability company. The principal address of the Investment Adviser is 787 Seventh Avenue, 48th Floor, New York, New York 10019. The Investment Adviser is ultimately controlled by Steven B. Klinsky through Mr. Klinsky's interest in New Mountain Capital.

Board Approval of the Investment Management Agreement

A discussion regarding the basis for our board of directors' approval of the Investment Management Agreement was included in our annual report on Form 10-K for the period ended December 31, 2018, which was filed with the SEC on February 27, 2019.

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ADMINISTRATION AGREEMENT

We have entered into the Administration Agreement with the Administrator, under which the Administrator provides administrative services for us, including arranging office facilities for us and providing office equipment and clerical, bookkeeping and recordkeeping services at such facilities. Under the Administration Agreement, the Administrator also performs, or oversees the performance of, our required administrative services, which includes being responsible for the financial records which we are required to maintain and preparing reports to our stockholders and reports filed with the SEC, which includes, but is not limited to, providing the services of our chief financial officer. In addition, the Administrator assists us in determining and publishing our net asset value, overseeing the preparation and filing of tax returns and the printing and dissemination of reports to our stockholders, and generally overseeing the payment of our expenses and the performance of administrative and professional services rendered to us by others. For providing these services, facilities and personnel, we reimburse the Administrator the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, including our allocable portion of the costs of compensation and related expenses of our chief financial officer and chief compliance officer, and their respective staffs. The Administrator may also provide on our behalf managerial assistance to our portfolio companies. The Administration Agreement may be terminated by us or the Administrator without penalty upon 60 days' written notice to the other party. Pursuant to the Administration Agreement, and further restricted by us, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived.

The Administration Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of their respective duties or by reason of the reckless disregard of their respective duties and obligations, the Administrator and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of services under the Administration Agreement or otherwise as administrator for us.

LICENSE AGREEMENT

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

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We have entered into an Investment Management Agreement with the Investment Adviser. Pursuant to the Investment Management Agreement, payments will be equal to (a) a base management fee of 1.75% of the value of our gross assets and (b) an incentive fee based on our performance. Steven B. Klinsky, through his financial interest in the Investment Adviser, is entitled to a portion of any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement. In addition, our executive officers and directors, as well as the current or future members of the Investment Adviser, serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our and our stockholders' best interests.

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, to our investment mandates, including Guardian II. The Investment Adviser and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investments and other appropriate factors, the Investment Adviser or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with the Investment Adviser's allocation procedures. On December 18, 2017, the SEC issued the Exemptive Order, which superseded a prior order issued on June 5, 2017, which permits us to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the Exemptive Order, we are permitted to co-invest with our affiliates if a "required majority" (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

We have entered into the Administration Agreement with the Administrator. The Administrator arranges office space for us and provides office equipment and administrative services necessary to conduct our day-to-day operations pursuant to the Administration Agreement. We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of our chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement, as amended and restated, and further restricted by us, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead

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related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived.

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

In the ordinary course of business, we may enter into transactions with portfolio companies that may be considered related party transactions. In order to ensure that we do not engage in any prohibited transactions with any persons affiliated with us, we have implemented certain policies and procedures whereby our executive officers screen each of our transactions for any possible affiliations between the proposed portfolio investment, us, companies controlled by us and our employees and directors. We will not enter into any agreements unless and until we are satisfied that doing so will not raise concerns under the 1940 Act or, if such concerns exist, we have taken appropriate actions to seek board review and approval or exemptive relief for such transaction. Our board of directors reviews these procedures on a quarterly basis.

We have adopted a Code of Ethics which applies to, among others, our senior officers, including our chief executive officer and chief financial officer, as well as all of our officers, directors and employees. Our Code of Ethics requires that all employees and directors avoid any conflict, or the appearance of a conflict, between an individual's personal interests and our interests. Pursuant to such Code of Ethics, each employee and director must disclose any conflicts of interest, or actions or relationships that might give rise to a conflict, to our chief compliance officer.

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The following table sets forth information with respect to the beneficial ownership of our common stock by:

each person known to us to beneficially own 5.0% or more of the outstanding shares of our common stock;

each of our directors and each executive officer individually; and

all of our directors and executive officers as a group.

Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act and includes voting or investment power (including the power to dispose) with respect to the securities. Assumes no other purchases or sales of securities since the most recently available SEC filings. This assumption has been made under the rules and regulations of the SEC and does not reflect any knowledge that NMFC has with respect to the present intent of the beneficial owners of the securities listed in the table below.

Percentage of beneficial ownership below takes into account 80,519,430 shares of our common stock outstanding as of April 24, 2019. Unless otherwise indicated, the address for each listed holder is c/o New Mountain Finance Corporation, 787 Seventh Avenue, 48th Floor, New York, New York 10019.

Name	Type of Ownership in	NMFC Shares	
	NMFC	Number ⁽¹⁾	Percentage
Beneficial Owners of More than 5.0%:			
Wells Fargo & Company ⁽²⁾	Beneficial	6,278,758	7.80%
Radcliffe Capital Management, L.P. ⁽³⁾	Beneficial	4,981,047	6.19%
Executive Officers:			
Karrie J. Jerry	Direct	3,704	*
Shiraz Y. Kajee	Direct	5,000	*
John R. Kline	Direct	115,610	*
Interested Directors:			
Steven B. Klinsky ⁽⁴⁾	Direct and Beneficial	7,585,180	9.42%
Robert A. Hamwee ⁽⁵⁾	Direct and Beneficial	367,876	*
Adam B. Weinstein	Direct	118,673	*
Independent Directors:			
Albert F. Hurley, Jr.	Direct	38,874	*
Rome G. Arnold III	Direct	11,000	*
David Ogens	Direct	62,344	*
Kurt J. Wolfgruber ⁽⁶⁾	Direct and Beneficial	112,816	*
All executive officers and directors as a group (10 persons)	Direct and Beneficial	8,421,007	10.46%

* Represents less than 1.0%.

(1) Any fractional shares owned directly or beneficially have been rounded down for purposes of this table.

(2)

Based upon information contained in the Schedule 13G/A filed on January 22, 2019 by Wells Fargo & Company. Such securities are held by certain investment vehicles controlled and/or managed by Wells Fargo & Company or its affiliates. The address for Wells Fargo & Company is 420 Montgomery Street, San Francisco, California 94163.

(3)

Based upon information contained in the Schedule 13G filed on February 14, 2019 by Radcliffe Capital Management, L.P. Such securities are held by certain investment vehicles and individuals controlled by or employed

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by Radcliffe Capital Management, L.P. The address for Radcliffe Capital Management, L.P. is 50 Monument Road, Suite 300, Bala Cynwyd Pennsylvania 19004.

- (4) Mr. Klinsky directly owns 6,385,751 shares of NMFC's common stock. The Steven B. Klinsky Trust directly owns 1,020,267 shares of NMFC's common stock. The Steven B. Klinsky Non-GST Exempt Trust holds 179,162 shares.
- (5) Mr. Hamwee directly owns 355,876 shares of NMFC's common stock. The Dana L. Hamwee Inherited IRA holds 12,000 shares.
- (6) Mr. Wolfgruber directly owns 57,457 shares of NMFC's common stock. Mr. Wolfgruber has an indirect interest in 2,500 shares of NMFC's common stock as trustee under the will of Paul J. Wolfgruber. Mr. Wolfgruber's spouse and his three children hold 43,401 shares, 3,153 shares, 3,153 shares and 3,152 shares, respectively.

The following table sets forth the dollar range of our equity securities over which holders of our common stock have voting power that is beneficially owned by each of our directors.

**Dollar Range of
Equity Securities
Beneficially
Owned⁽¹⁾⁽²⁾⁽³⁾**

Interested Directors:	
Steven B. Klinsky	Over \$100,000
Robert A. Hamwee	Over \$100,000
Adam B. Weinstein	Over \$100,000
Independent Directors:	
Albert F. Hurley, Jr.	Over \$100,000
Rome G. Arnold III ⁽⁴⁾	Over \$100,000
David Ogens ⁽⁵⁾	Over \$100,000
Kurt J. Wolfgruber	Over \$100,000

- (1) Beneficial ownership has been determined in accordance with Exchange Act Rule 16a-1(a)(2).
- (2) The dollar range of our equity securities beneficially owned is based on the closing price for our common stock of \$13.96 per share on April 24, 2019 on the NYSE.
- (3) The dollar range of equity securities beneficially owned are: None, \$1 - \$10,000, \$10,001 - \$50,000, \$50,001 - \$100,000 or over \$100,000.
- (4) Mr. Arnold is the beneficial owner of a limited partnership interest in New Mountain Partners II, L.P., New Mountain Partners III, L.P. and New Mountain Partners IV, L.P. that is held by Arnold Family Trust.

(5)

Mr. Ogens is the beneficial owner of a limited partnership interest in New Mountain Partners II, L.P. that is held by Ogens Family, Inc.

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DETERMINATION OF NET ASSET VALUE

Quarterly Net Asset Value Determinations

We conduct the valuation of assets, pursuant to which our net asset value is determined, at all times consistent with GAAP and the 1940 Act. We determine our net asset value on a quarterly basis, or more frequently if required under the 1940 Act.

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

- (1) Investments for which market quotations are readily available on an exchange are valued at such market quotations based on the closing price indicated from independent pricing services.
- (2) Investments for which indicative prices are obtained from various pricing services and/or brokers or dealers are valued through a multi-step valuation process, as described below, to determine whether the quote(s) obtained is representative of fair value in accordance with GAAP.
 - a. Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below);
 - b. For investments other than bonds, the investment professionals of the Investment Adviser look at the number of quotes readily available and perform the following:
 - i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained;
 - ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).
- (3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:
 - a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;
 - b. Preliminary valuation conclusions will then be documented and discussed with our senior management;

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- c. If an investment falls into (3) above for four consecutive quarters and if the investment's par value or its fair value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which the investment professionals of the Investment Adviser do not have a readily available market quotation will be reviewed by an independent valuation firm engaged by our board of directors; and
- d. When deemed appropriate by our management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

For investments in revolving credit facilities and delayed draw commitments, the cost basis of the funded investments purchased is offset by any costs/netbacks received for any unfunded portion on the total balance committed. The fair value is also adjusted for the price appreciation or depreciation on the unfunded portion. As a result, the purchase of commitments not completely funded may result in a negative fair value until it is called and funded.

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

Determinations in Connection with Offerings

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

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

Our management's assessment of whether any material change in the net asset value per share of its common stock has occurred (including through the realization of gains on the sale of our portfolio securities) during the period beginning on the date of the most recently disclosed net asset value per share of our common stock and ending as of a time within 48 hours (excluding Sundays and holidays) of the sale of our common stock; and

the magnitude of the difference between (i) a value that our Board of Directors or an authorized committee thereof has determined reflects the current (as of a time within 48 hours, excluding Sundays and holidays) net asset value of our common stock, which is based upon the net asset value of our common stock disclosed in the most recent periodic report that we filed with the SEC, as adjusted to reflect our management's assessment of any material change in the net asset value of our common stock since the date of the most recently disclosed net asset value of our common stock, and (ii) the offering price of the shares of our common stock in the proposed offering.

Moreover, to the extent that there is even a remote possibility that we may (i) issue shares of our common stock at a price per share below the then current net asset value per share of our common stock at the time at which the sale is made or (ii) trigger the undertaking (which we provide in certain registration statements we file with the SEC) to suspend the offering of shares of

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our common stock if the net asset value per share of our common stock fluctuates by certain amounts in certain circumstances until the prospectus is amended, our board of directors will elect, in the case of clause (i) above, either to postpone the offering until such time that there is no longer the possibility of the occurrence of such event or to undertake to determine the net asset value per share of our common stock within two days prior to any such sale to ensure that such sale will not be below our then current net asset value per share, and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine the net asset value per share of our common stock to ensure that such undertaking has not been triggered.

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

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DIVIDEND REINVESTMENT PLAN

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

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

We will use only newly issued shares to implement the plan if the price at which newly issued shares are to be credited is equal to or greater than 110.0% of the last determined net asset value of the shares. Under such circumstances, the number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of our common stock at the close of regular trading on the NYSE on the distribution payment date. Market price per share on that date will be the closing price for such shares on the NYSE or, if no sale is reported for such day, the average of their electronically reported bid and asked prices. We reserve the right to purchase its shares in the open market in connection with its implementation of the plan if the price at which its newly issued shares are to be credited does not exceed 110.0% of the last determined net asset value of the shares. Shares purchased in open market transactions by the plan administrator will be allocated to a stockholder based on the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased in the open market. The number of shares of our common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

There will be no brokerage charges or other charges for dividend reinvestment to stockholders who participate in the plan. We will pay the plan administrator's fees under the plan. If a participant elects by written, telephone, or internet notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a \$15.00 transaction fee plus a \$0.10 per share brokerage commissions from the proceeds.

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

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commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

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

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

Table of Contents**DESCRIPTION OF SECURITIES**

This prospectus contains a summary of our common stock, preferred stock, subscription rights, warrants and debt securities. These summaries are not meant to be a complete description of each security. However, this prospectus contains, and any applicable prospectus supplement or related free writing prospectus that we may authorize to be provided to you related to any security being offered will contain, the material terms and conditions for each security.

DESCRIPTION OF CAPITAL STOCK

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

Capital Stock

Our authorized capital stock consists of 200,000,000 shares of common stock, par value \$0.01 per share, of which 80,519,430 shares are outstanding as of April 24, 2019. Our common stock is listed on the NYSE under the ticker symbol "NMFC". No stock has been authorized for issuance under any equity compensation plans. Under Delaware law, our stockholders generally will not be personally liable for our debts or obligations.

The following are our outstanding classes of securities as of April 24, 2019:

(1) Title of Class	(2) Amount Authorized	(3) Amount Held by NMFC or for Its Account	(4) Amount Outstanding Exclusive of Amount Under Column 3
Common Stock	200,000,000		80,519,430
Preferred Stock	2,000,000		
Common Stock			

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

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Preferred Stock

Our amended and restated certificate of incorporation authorizes our board of directors to issue preferred stock. Prior to the issuance of shares of each class or series, the board of directors is required by Delaware law and by our amended and restated certificate of incorporation to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of our common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 66.7% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two full years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a BDC. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions. However, we do not currently have any plans to issue preferred stock.

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

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

for breach of duty of loyalty;

for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;

under Section 174 of the DGCL (unlawful dividends); or

for transactions from which the director derived improper personal benefit.

Under our amended and restated bylaws, we will fully indemnify any person who was or is involved in any actual or threatened action, suit or proceeding by reason of the fact that such person is or was one of our directors or officers. So long as we are regulated under the 1940 Act, the above indemnification and limitation of liability is limited by the 1940 Act or by any valid rule, regulation or order of the SEC thereunder. The 1940 Act provides, among other things, that a company may not indemnify any director or officer against liability to it or its security holders to which he or she might otherwise be subject by reason of his or her willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office unless a determination is made by final decision of a court, by vote of a majority of a quorum of directors who are disinterested, non-party directors or by independent legal counsel that the liability for which indemnification is sought did not arise out of the foregoing conduct.

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

We have obtained liability insurance for our officers and directors.

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

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

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

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

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

Advance Notice Requirements for Stockholder Proposals and Director Nominations. Our amended and restated bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the board of directors and the proposal of business to be considered by stockholders may be made only (1) by or at the direction of the board of directors or (2) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the amended and restated bylaws. Nominations of persons for election to the board of directors at a special meeting may be made only (1) by or at the direction of the board of directors or (2) provided that the board of directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the amended and restated bylaws. The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform its stockholders and make recommendations about such qualifications or business, as well as to approve a more orderly procedure for conducting meetings

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of stockholders. Although our amended and restated bylaws do not give its board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

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

the classification of our board of directors;

the removal of directors;

the limitation on stockholder action by written consent;

the limitation of directors' personal liability to us or our stockholders for breach of fiduciary duty as a director;

the ability to call a Special Meeting of Stockholders being vested in our board of directors, the chairperson of our board, our chief executive officer and in the holders of at least fifty (50) percent of the voting power of all shares of our capital stock generally entitled to vote on the election of directors then outstanding subject to certain procedures; and

the amendment provision requiring that the above provisions be amended only with a two-thirds supermajority vote.

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

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

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

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

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DESCRIPTION OF PREFERRED STOCK

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

The following is a general description of the terms of the preferred stock we may issue from time to time. Particular terms of any preferred stock we offer will be described in the prospectus supplement relating to such preferred stock. If we issue preferred stock, it will pay dividends to the holders of the preferred stock at either a fixed rate or a rate that will be reset frequently based on short-term interest rates, as described in a prospectus supplement accompanying each preferred share offering.

The 1940 Act currently requires, among other things, that (a) immediately after issuance and before any distribution is made with respect to common stock, the liquidation preference of the preferred stock, together with all other senior securities, must not exceed an amount equal to 66.7% of our total assets (taking into account such distribution), (b) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on the preferred stock are in arrears by two years or more and (c) such class of stock have complete priority over any other class of stock as to distribution of assets and payment of dividends, which dividends shall be cumulative.

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

the designation and number of shares of such series;

the rate and time at which, and the preferences and conditions under which, any dividends will be paid on shares of such series, as well as whether such dividends are participating or non-participating;

any provisions relating to convertibility or exchangeability of the shares of such series, including adjustments to the conversion price of such series;

the rights and preferences, if any, of holders of shares of such series upon our liquidation, dissolution or winding up of our affairs;

the voting powers, if any, of the holders of shares of such series;

any provisions relating to the redemption of the shares of such series;

any limitations on our ability to pay dividends or make distributions on, or acquire or redeem, other securities while shares of such series are outstanding;

any conditions or restrictions on our ability to issue additional shares of such series or other securities;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other relative powers, preferences and participating, optional or special rights of shares of such series, and the qualifications, limitations or restrictions thereof.

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All shares of preferred stock that we may issue will be identical and of equal rank except as to the particular terms thereof that may be fixed by our board of directors, and all shares of each series of preferred stock will be identical and of equal rank except as to the dates from which dividends, if any, thereon will be cumulative. We urge you to read the applicable prospectus supplement and any free writing prospectus that we may authorize to be provided to you related to any preferred stock being offered, as well as the complete certificate of designation that contain the terms of the applicable series of preferred stock.

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DESCRIPTION OF SUBSCRIPTION RIGHTS

General

We may issue subscription rights to our stockholders to purchase common stock. Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with a subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subscription rights offering. We urge you to read the applicable prospectus supplement and any free writing prospectus that we may authorize to be provided to you related to any subscription rights offering.

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

the period of time the offering would remain open (which shall be open a minimum number of days such that all record holders would be eligible to participate in the offering and shall not be open longer than 120 days);

the title of such subscription rights;

the exercise price for such subscription rights (or method of calculation thereof);

the ratio of the offering (which, in the case of transferable rights, will require a minimum of three shares to be held of record before a person is entitled to purchase an additional share);

the number of such subscription rights issued to each stockholder;

the extent to which such subscription rights are transferable and the market on which they may be traded if they are transferable;

if applicable, a discussion of certain U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights;

the date on which the right to exercise such subscription rights shall commence, and the date on which such right shall expire (subject to any extension);

the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities and the terms of such over-subscription privilege;

any termination right we may have in connection with such subscription rights offering; and

any other terms of such subscription rights, including exercise, settlement and other procedures and limitations relating to the transfer and exercise of such subscription rights.

Exercise Of Subscription Rights

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

Subscription rights may be exercised as set forth in the prospectus supplement relating to the subscription rights offered thereby. Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent

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

Dilutive Effects

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

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DESCRIPTION OF WARRANTS

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants. We urge you to read the applicable prospectus supplement and any free writing prospectus that we may authorize to be provided to you related to any warrants offering.

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

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

the title of such warrants;

the aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies, including composite currencies, in which the price of such warrants may be payable;

if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which this principal amount of debt securities may be purchased upon such exercise;

in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such exercise;

the date on which the right to exercise such warrants shall commence and the date on which such right will expire;

whether such warrants will be issued in registered form or bearer form;

if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;

if applicable, the number of such warrants issued with each share of common stock;

if applicable, the date on and after which such warrants and the related shares of common stock will be separately transferable;

information with respect to book-entry procedures, if any;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

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

Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including, in the case of warrants to purchase debt securities, the right to receive principal, premium, if any, or interest payments, on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture or, in the case of warrants to purchase common stock or preferred stock, the right to receive dividends, if any, or payments upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the 1940 Act, we may generally only offer warrants provided that (1) the warrants expire by their terms within ten years; (2) the exercise or conversion price is not less than the current market value at the date of issuance; (3) our stockholders authorize the proposal to issue such warrants, and our board of directors approves such issuance on the basis that the issuance is in the best interests of us and our stockholders; and (4) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants at the time of issuance may not exceed 25.0% of our outstanding voting securities.

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DESCRIPTION OF DEBT SECURITIES

We may issue debt securities in one or more series. The specific terms of each series of debt securities will be described in the particular prospectus supplement relating to that series. The prospectus supplement may or may not modify the general terms found in this prospectus and will be filed with the SEC. For a complete description of the terms of a particular series of debt securities, you should read this prospectus, the applicable prospectus supplement and any free writing prospectus that we may authorize to be provided to you relating to that particular series of debt securities.

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

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

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

the designation or title of the series of debt securities;

the total principal amount of the series of debt securities;

the percentage of the principal amount at which the series of debt securities will be offered;

the date or dates on which principal will be payable;

the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;

the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;

whether any interest may be paid by issuing additional securities of the same series in lieu of cash (and the terms upon which any such interest may be paid by issuing additional securities);

the terms for redemption, extension or early repayment, if any;

the currencies in which the series of debt securities are issued and payable;

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

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

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

the provision for any sinking fund;

any restrictive covenants;

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

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

any provisions for defeasance or covenant defeasance;

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

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

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

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

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

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

any other terms.

The debt securities may be secured or unsecured obligations. Under the provisions of the 1940 Act, we, as a BDC, are permitted to issue debt only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 150.0% after each issuance of debt (which means we can borrow \$2 for every \$1 of our equity), but giving effect to any exemptive relief granted to us by the SEC. See "Risk Factors – Risks Related to Our Operations – Recent legislation allows us to incur additional leverage, which could increase the risk of investing in our securities." Unless the prospectus supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by us in immediately available funds.

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General

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

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

The indenture does not limit the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under the indenture, when a single trustee is acting for all debt securities issued under the indenture, are called the "indenture securities." The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See "Resignation of Trustee" below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term "indenture securities" means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

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

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

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

Conversion and Exchange

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

Issuance of Securities in Registered Form

We may issue the debt securities in registered form, in which case we may issue them either in book-entry form only or in "certificated" form. Debt securities issued in book-entry form will be

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represented by global securities. We expect that we will usually issue debt securities in book-entry only form represented by global securities.

Book-Entry Holders

We will issue registered debt securities in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. This means debt securities will be represented by one or more global securities registered in the name of a depository that will hold them on behalf of financial institutions that participate in the depository's book-entry system. These participating institutions, in turn, hold beneficial interests in the debt securities held by the depository or its nominee. These institutions may hold these interests on behalf of themselves or customers.

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

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

Street Name Holders

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

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

Legal Holders

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

For example, once we make a payment or give a notice to the holder, we have no further responsibility for the payment or notice even if that holder is required, under agreements with

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depository participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose (for example, to amend an indenture or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture), we would seek the approval only from the holders, and not the indirect holders, of the debt securities. Whether and how the holders contact the indirect holders is up to the holders.

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

Special Considerations for Indirect Holders

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

how it handles securities payments and notices;

whether it imposes fees or charges;

how it would handle a request for the holders' consent, if ever required;

whether and how you can instruct it to send you debt securities registered in your own name so you can be a holder, if that is permitted in the future for a particular series of debt securities;

how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests; and

if the debt securities are in book-entry form, how the depository's rules and procedures will affect these matters.

Global Securities

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

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

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

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Special Considerations for Global Securities

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

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

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

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

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

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

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

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

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

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

financial institutions that participate in the depository's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments, notices and other matters relating to the debt securities; there may be more than one financial intermediary in the chain of ownership for an investor; we do not monitor, nor are we responsible for the actions of, any of those intermediaries.

Termination of a Global Security

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

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

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

Payment and Paying Agents

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

Payments on Global Securities

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

Payments on Certificated Securities

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

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

Payment When Offices Are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date, except as otherwise indicated in the attached prospectus supplement. Such payment will not result in a

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default under any debt security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

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

Events of Default

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

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

we do not pay the principal of, or any premium on, a debt security of the series on its due date;

we do not pay interest on a debt security of the series within 30 days of its due date;

we do not deposit any sinking fund payment in respect of debt securities of the series within two business days of its due date;

we remain in breach of a covenant in respect of debt securities of the series for 60 days after we receive a written notice of default stating we are in breach (the notice must be sent by either the trustee or holders of at least 25.0% of the principal amount of debt securities of the series);

we file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 90 days;

the series of debt securities has an asset coverage, as such term is defined in the 1940 Act, of less than 100.0% on the last business day of each of 24 consecutive calendar months, giving effect to any exemptive relief granted to us by the SEC; or

any other Event of Default in respect of debt securities of the series described in the prospectus supplement occurs.

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

Remedies if an Event of Default Occurs

If an Event of Default has occurred and is continuing, the trustee or the holders of not less than 25.0% in principal amount of the outstanding debt securities of the affected series may (and the trustee shall at the request of such holders) declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the outstanding debt securities of the affected series if (1) we have deposited with the trustee all amounts due and owing with respect to the securities (other than principal that has become due solely by reason of such acceleration) and certain other amounts, and (2) any other Events of Default have been cured or waived.

The trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee protection from expenses and liability reasonably

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satisfactory to it (called an "indemnity"). If indemnity reasonably satisfactory to the trustee is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

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

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

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

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

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

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

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

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

Waiver of Default

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

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

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

Merger or Consolidation

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

where we merge out of existence or sell substantially all our assets, the resulting entity or transferee must agree to be legally responsible for our obligations under the debt securities;

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the merger or sale of assets must not cause a default on the debt securities and we must not already be in default (unless the merger or sale would cure the default). For purposes of

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this no-default test, a default would include an Event of Default that has occurred and has not been cured, as described under "Events of Default" above. A default for this purpose would also include any event that would be an Event of Default if the requirements for giving us a notice of default or NMFC's as applicable, having to exist for a specific period of time were disregarded;

we must deliver certain certificates and documents to the trustee; and

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

Modification or Waiver

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

Changes Requiring Your Approval

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

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

reduce any amounts due on a debt security;

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

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

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

impair your right to sue for payment;

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

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

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

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

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

change any obligation we have to pay additional amounts.

Changes Not Requiring Approval

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifications, establishment of the form or terms of new securities of any

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series as permitted by the indenture and certain other changes that would not adversely affect holders of the outstanding debt securities in any material respect. We also do not need any approval to make any change that affects only debt securities to be issued under the indenture after the change takes effect.

Changes Requiring Majority Approval

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

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

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

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

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

Further Details Concerning Voting

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

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

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

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

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption or if we, any other obligor, or any of our affiliates, or any obligor own such debt securities. Debt securities will also not be eligible to vote if they have been fully defeased as described later under " Defeasance Full Defeasance".

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

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

Defeasance

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

Covenant Defeasance

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

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

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

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

defeasance must not result in a breach or violation of, or result in a default under, of the indenture or any of our other material agreements or instruments, as applicable;

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

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

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

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Full Defeasance

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

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

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

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

defeasance must not result in a breach or violation of, or constitute a default under, of the indenture or any of our other material agreements or instruments, as applicable;

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

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

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

Form, Exchange and Transfer of Certificated Registered Securities

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

only in fully registered certificated form;

without interest coupons; and

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unless we indicate otherwise in the prospectus supplement, in denominations of \$1,000 and amounts that are multiples of \$1,000.

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

Holders may exchange or transfer their certificated securities at the office of the trustee. We have appointed the trustee to act as our agent for registering debt securities in the names of holders transferring debt securities. We may appoint another entity to perform these functions or perform them ourselves.

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

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

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

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

Resignation of Trustee

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

Indenture Provisions Subordination

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

In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt

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

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

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

our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed, that we have designated as "Senior Indebtedness" for purposes of the indenture and in accordance with the terms of the indenture (including any indenture securities designated as Senior Indebtedness), and

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

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

Secured Indebtedness and Ranking

Certain of our indebtedness, including certain series of indenture securities, may be secured. The prospectus supplement for each series of indenture securities will describe the terms of any security interest for such series and will indicate the approximate amount of our secured indebtedness as of a recent date. Any unsecured indenture securities will effectively rank junior to any existing and future secured indebtedness, including any credit facilities or secured indenture securities, that we incur to the extent of the value of the assets securing such secured indebtedness. Our debt securities, whether secured or unsecured, will rank structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities, with respect to claims on the assets of any such subsidiaries, financing vehicles or similar facilities.

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

The Trustee under the Indenture

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

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Certain Considerations Relating to Foreign Currencies

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

Book-Entry Procedures

Unless otherwise specified in the applicable prospectus supplement, the debt securities will be issued in book-entry form, and the Depository Trust Company, or DTC, will act as securities depository for the debt securities. Unless otherwise specified in the applicable prospectus supplement, the debt securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the debt securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants, or Direct Participants, deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation, or DTCC.

DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly, or Indirect Participants. DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of debt securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the debt securities on DTC's records. The ownership interest of each actual purchaser of each security, or the "Beneficial Owner," is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the debt securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in debt securities, except in the event that use of the book-entry system for the debt securities is discontinued.

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To facilitate subsequent transfers, all debt securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of debt securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the debt securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such debt securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the debt securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Redemption proceeds, distributions, and interest payments on the debt securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from us or the trustee on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of us or the trustee, but disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the debt securities at any time by giving reasonable notice to us or to the trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered. We may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

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MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

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

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

A citizen or individual resident of the U.S.;

A corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S. or any state thereof or the District of Columbia;

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

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

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

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

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

Our Election to be Taxed as a RIC

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

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

Taxation as a RIC

If we:

qualify as a RIC; and

satisfy the Annual Distribution Requirement,

then we will not be subject to U.S. federal income tax on the portion of our income that is timely distributed (or is deemed to be timely distributed) to our stockholders. If we fail to qualify as a RIC, we will be subject to U.S. federal income tax at the regular corporate rates on our income and capital gains.

We will be subject to a 4.0% nondeductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98.0% of our net ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the

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one-year period ending October 31 in that calendar year and (3) any income and gains recognized, but not distributed and on which we did not pay corporate-level U.S. federal income tax, in preceding years (the "Excise Tax Avoidance Requirement"). While we intend to make distributions to our stockholders in each taxable year that will be sufficient to avoid any U.S. federal excise tax on our earnings, there can be no assurance that we will be successful in entirely avoiding this tax.

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

continue to qualify as a BDC under the 1940 Act at all times during each taxable year;

derive in each taxable year at least 90.0% of our gross income from dividends, interest, payments with respect to loans of certain securities, gains from the sale of stock or other securities or foreign currencies, net income from certain "qualified publicly traded partnerships", or other income derived with respect to our business of investing in such stock or securities (the "90.0% Income Test"); and

diversify our holdings so that at the end of each quarter of the taxable year:

at least 50.0% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5.0% of the value of our assets or more than 10.0% of the outstanding voting securities of the issuer; and

no more than 25.0% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of: (1) one issuer, (2) two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades, or (3) businesses or of certain "qualified publicly traded partnerships" (the "Diversification Tests").

NMF Holdings and NMFDB are treated as disregarded entities for U.S. federal income tax purposes. As a result, NMF Holdings and NMFDB will itself not be subject to U.S. federal income tax and, for U.S. federal income tax purposes, we will take into account all of NMF Holdings' and NMFDB's assets and items of income, gain, loss, deduction and credit. In the remainder of this discussion, except as otherwise indicated, references to "we" "us" "our" and "NMFC" include NMF Holdings and NMFDB.

SBIC I GP, SBIC I, SBIC II GP and SBIC II are treated as disregarded entities for U.S. federal income tax purposes. As a result, SBIC I GP, SBIC I, SBIC II GP and SBIC II will themselves not be subject to U.S. federal income tax and, for U.S. federal income tax purposes, we will take into account all of SBIC I GP's, SBIC I's, SBIC II GP's and SBIC II's assets and items of income, gain, loss, deduction and credit. In the remainder of this discussion, except as otherwise indicated, references to "we" "us" "our" and "NMFC" include SBIC I GP, SBIC I, SBIC II GP and SBIC II.

NMF Ancora, NMF QID and NMF YP are Delaware corporations. NMF Ancora, NMF QID and NMF YP are not consolidated for income tax purposes and may each incur U.S. federal, state and local income tax expense with respect to their respective income and expenses earned from investment activities.

A RIC is limited in its ability to deduct expenses in excess of its "investment company taxable income" (which is, generally, ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses). If our expenses in a given year exceed our investment company taxable income, we would experience a net operating loss for that year. However, a RIC is not permitted to carry forward net operating losses to subsequent years and such net operating losses do not pass through to its stockholders. In addition, expenses can be used only to offset investment company taxable income, not net capital gain. A RIC may not use

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any net capital losses (that is, realized capital losses in excess of realized capital gains) to offset the RIC's investment company taxable income, but may carry forward such losses, and use them to offset capital gains, indefinitely. Due to these limits on the deductibility of expenses and net capital losses, we may for tax purposes have aggregate taxable income for several years that we are required to distribute and that is taxable to our stockholders even if such income is greater than the aggregate net income we actually earned during those years. In such event, we may liquidate certain investments, if necessary. We may recognize gains or losses from such liquidations. In the event that we recognize net capital gains from such transactions, you may receive a larger capital gain distribution than you would have received in the absence of such transactions.

For U.S. federal income tax purposes, we may be required to include in our taxable income certain amounts that we have not yet received in cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or issued with warrants), we must include in our taxable income in each year the portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in our taxable income other amounts that we have not yet received in cash, such as accruals on a contingent payment debt instrument or deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. Because original issue discounts or other amounts accrued will be included in our investment company taxable income for the year of accrual and before we receive any corresponding cash payments, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we would not have received any corresponding cash payment.

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

Because we intend to use debt financing, we may be prevented by financial covenants contained in our debt financing agreements from making distributions to our shareholders. In addition, under the 1940 Act, we are generally not permitted to make distributions to our shareholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. See "Regulation Senior Securities". Limits on distributions to our shareholders may prevent us from satisfying the Annual Distribution Requirement and, therefore, may jeopardize our qualification for taxation as a RIC, or subject us to the 4.0% U.S. federal excise tax.

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

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Failure of NMFC to Qualify as a RIC

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

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

Investments General

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

Passive Foreign Investment Companies

If we purchase shares in a "passive foreign investment company" (a "PFIC"), we may be subject to U.S. federal income tax on any "excess distribution" received on, or any gain from the disposition of, such shares even if such income is distributed by it as a taxable dividend to its stockholders. Additional charges in the nature of interest generally will be imposed on us in respect of deferred taxes arising from any such excess distribution or gain. If we invest in a PFIC and elect to treat the PFIC as a "qualified electing fund" under the Code (a "QEF"), in lieu of the foregoing requirements, we will be required to include in income each year our proportionate share of the

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ordinary earnings and net capital gain of the QEF, even if such income is not distributed by the QEF. Under recently proposed regulations, amounts required to be included in income from a PFIC for which we have made a QEF election would not be good income for purposes of the 90.0% Income Test unless we receive a cash distribution from such PFIC in the same year attributable to the included income. If these regulations are finalized, we will carefully monitor our investments in PFICs to avoid disqualification as a RIC. Alternatively, we may be able to elect to mark to market at the end of each taxable year our shares in a PFIC; in this case, we will recognize as ordinary income any increase in the value of such shares, and as ordinary loss any decrease in such value to the extent that any such decrease does not exceed prior increases included in our income. Under either election, we may be required to recognize income in excess of distributions from PFICs and our proceeds from dispositions of PFIC stock during that year, and such income will nevertheless be subject to the Annual Distribution Requirement and will be taken into account for purposes of the 4.0% U.S. federal excise tax. See " Taxation of NMFC as a RIC" above.

Foreign Currency Transactions

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

The remainder of this discussion assumes that we qualify as a RIC for each taxable year.

Taxation of U.S. Stockholders

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

Distributions

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

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

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by its U.S. stockholders on December 31 of the year in which the dividend was declared.

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

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

Dividend Reinvestment Plan

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

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reinvested distribution. The additional shares will have a new holding period commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Dispositions

A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of his, her or its shares of our common stock. The amount of gain or loss will be measured by the difference between such stockholder's adjusted tax basis in the common stock sold and the amount of the proceeds received in exchange. Any gain or loss arising from such sale or disposition generally will be treated as long-term capital gain or loss if the U.S. stockholder has held his, her or its shares for more than one year; otherwise, any such gain or loss will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our common stock may be disallowed if other shares of our common stock are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition. In such case, the basis of the newly purchased shares will be adjusted to reflect the disallowed loss.

In general, non-corporate U.S. stockholders currently are subject to a maximum U.S. federal income tax rate of 20.0% on their recognized net capital gain (i.e., the excess of realized net long-term capital gains over realized net short-term capital losses), including any long-term capital gain derived from an investment in shares of our common stock. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. In addition, individuals with a modified adjusted gross incomes in excess of \$200,000 (\$250,000 in the case of married individuals filing jointly) and certain estates and trusts are subject to an additional 3.8% tax on their "net investment income", which generally includes net income from interest, dividends, annuities, royalties and rents, and net capital gains (other than certain amounts earned from trades or businesses). Corporate U.S. stockholders currently are subject to U.S. federal income tax on net capital gain at the maximum 21.0% rate also applied to ordinary income. Non-corporate U.S. stockholders with net capital losses for a year (i.e., capital losses in excess of capital gains) generally may deduct up to \$3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate U.S. stockholder in excess of \$3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate U.S. stockholders generally may not deduct any net capital losses for a year, but may carry back such losses for three years or carry forward such losses for five years.

Tax Shelter Reporting Regulations

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

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Backup Withholding

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

Taxation of Non-U.S. Stockholders

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

Distributions; Dispositions

Subject to the discussion in " Foreign Account Tax Compliance Act" below, distributions of our "investment company taxable income" to Non-U.S. stockholders (including interest income and realized net short-term capital gains in excess of realized long-term capital losses, which generally would be free of withholding if paid to Non-U.S. stockholders directly) will be subject to withholding of U.S. federal income tax at a 30.0% rate (or lower rate provided by an applicable income tax treaty) to the extent of our current or accumulated earnings and profits, unless an applicable exception applies. Such dividends will not be subject to withholding of U.S. federal income tax to the extent that we report such dividends as "interest-related dividends" or "short-term capital gain dividends". Under this exemption, interest-related dividends and short-term capital gain dividends generally represent distributions of interest or short-term capital gains that would not have been subject to withholding of U.S. federal income tax at the source if they had been received directly by a foreign person, and that satisfy certain other requirements. No assurance can be given as to whether any of our distributions will be eligible for this exemption from withholding tax or, if eligible, will be reported as such by us.

If the distributions are effectively connected with a U.S. trade or business of the Non-U.S. stockholder (and, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment of the Non-U.S. stockholder), we will not be required to withhold U.S. federal income tax if the Non-U.S. stockholder complies with applicable certification and disclosure requirements, although the distributions will be subject to U.S. federal income tax at the rates applicable to U.S. persons. (Special certification requirements apply to a Non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisers.)

Subject to the discussion in " Foreign Account Tax Compliance Act" below, actual or deemed distributions of our net capital gains to a Non-U.S. stockholder, and gains realized by a Non-U.S. stockholder upon the sale of our common stock, will not be subject to U.S. federal income or withholding tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the Non-U.S. stockholder (and, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment of the Non-U.S. stockholder).

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

Dividend Reinvestment Plan

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

Backup Withholding

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

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

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Foreign Account Tax Compliance Act

Legislation commonly referred to as the "Foreign Account Tax Compliance Act," or "FATCA," generally imposes a 30.0% withholding tax on payments of certain types of income to foreign financial institutions ("FFIs") unless such FFIs (i) enter into agreements with the U.S. Treasury to report certain required information with respect to accounts held by U.S. persons (or held by foreign entities that have U.S. persons as substantial owners) or (ii) reside in jurisdictions that have entered into an intergovernmental agreement ("IGA") with the U.S. to provide such information and are in compliance with the terms of such IGA and any enabling legislation or regulations. The types of income subject to the tax include, among other things, U.S. source dividends and, after December 31, 2018, the gross proceeds from the sale of any property that could produce U.S. source dividends. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the holder's account. In addition, subject to certain exceptions, this legislation also imposes a 30.0% withholding on payments to foreign entities that are not FFIs unless the foreign entity certifies that it does not have a 10.0% or greater U.S. owner or provides the withholding agent with identifying information on each 10.0% or greater U.S. owner. Depending on the status of a Non-U.S. stockholder and the status of the intermediaries through which such shareholder holds their shares, a Non-U.S. stockholder could be subject to this 30.0% withholding tax with respect to distributions on their shares of our common stock and proceeds from the sale of their shares of our common stock. A U.S. stockholder who hold their shares through foreign entities or intermediaries may also be subject to this 30% withholding tax. Under certain circumstances, a stockholder might be eligible for refunds or credits of such taxes.

Certain State, Local and Foreign Tax Matters

We and our stockholders may be subject to state, local or foreign taxation in various jurisdictions in which we or they transact business, own property or reside. The state, local or foreign tax treatment of us and our stockholders may not conform to the U.S. federal income tax treatment discussed above. In particular, our investments in foreign securities may be subject to foreign withholding taxes. The imposition of any such foreign, state, local or other taxes would reduce cash available for distribution to our stockholders, and our stockholders would not be entitled to claim a credit or deduction with respect to such taxes. Prospective investors should consult with their own tax advisers regarding the application and effect of state, local and foreign income and other tax laws on an investment in shares of our common stock.

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REGULATION

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

As a BDC, we are required to meet a coverage ratio of the value of total assets to total senior securities, which include all of our borrowings, excluding SBA-guaranteed debentures, and any preferred stock we may issue in the future, of at least 150.0% (i.e., we can borrow \$2 for every \$1 of our equity). We monitor our compliance with this coverage ratio on a regular basis.

We may, to the extent permitted under the 1940 Act, issue additional equity or debt capital. We will generally not be able to issue and sell our common stock at a price below net asset value per share. See "Risk Factors – Regulations governing the operations of BDCs will affect our ability to raise additional equity capital as well as our ability to issue senior securities or borrow for investment purposes, any or all of which could have a negative effect on our investment objectives and strategies". We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value of our common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. In addition, we may generally issue new shares of our common stock at a price below net asset value in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

As a BDC, we will not generally be permitted to invest in any portfolio company in which the Investment Adviser or any of its affiliates currently have an investment or to make any co-investments with the Investment Adviser or its affiliates without an exemptive order from the SEC.

On December 18, 2017, the SEC issued the Exemptive Order, which superseded a prior order issued on June 5, 2017, which permits us to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the Exemptive Order, we are permitted to co-invest with our affiliates if a "required majority" (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

In addition, as a BDC, we are not permitted to issue stock in consideration for services.

SBA Regulation

On August 1, 2014 and August 25, 2017, respectively, SBIC I and SBIC II, our wholly-owned direct and indirect subsidiaries, received licenses from the SBA to operate as SBICs under Section 301(c) of the 1958 Act. SBIC I and SBIC II each have an investment strategy and

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philosophy substantially similar to ours and make similar types of investments in accordance with SBA regulations.

A SBIC license allows each of SBIC I and SBIC II to incur leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment and certain approvals by the SBA and customary procedures. SBA-guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. In June 2018, the limit of SBA leverage available to an individual SBIC eligible for two tiers of leverage was increased from \$150.0 million to \$175.0 million, subject to SBA approval. Currently, SBIC I and SBIC II operate under the prior \$150.0 million cap. Debentures guaranteed by the SBA have a maturity of ten years, require semi-annual payments of interest and do not require any principal payments prior to maturity. SBIC I and SBIC II are subject to regulation and oversight by the SBA, including requirements with respect to reporting financial information, such as the extent of capital impairment, if applicable, on a regular basis. The SBA, as a creditor, will have a superior claim to SBIC I's and SBIC II's assets over our stockholders in the event SBIC I and SBIC II are liquidated or the SBA exercises its remedies under the SBA-guaranteed debentures issued by SBIC I and SBIC II upon an event of default.

On November 5, 2014, we received exemptive relief from the SEC to permit us to exclude the SBA-guaranteed debentures of SBIC I and any other future SBIC subsidiaries, including SBIC II, from our 150.0% asset coverage test under the 1940 Act. As such, our ratio of total consolidated assets to outstanding indebtedness may be less than 150.0%. This provides us with increased investment flexibility but also increases our risks related to leverage.

SBICs are designed to stimulate the flow of private investor capital to eligible small businesses as defined by the SBA. Under SBA regulations, SBICs may make loans to eligible small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Under present SBA regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding \$19.5 million and have average annual net income after U.S. federal income taxes not exceeding \$6.5 million (average net income to be computed without benefit of any carryover loss) for the two most recent fiscal years. In addition, an SBIC must invest 25.0% of its investment capital to "smaller enterprises", as defined by the SBA. The definition of a smaller enterprise generally includes businesses that have a tangible net worth not exceeding \$6.0 million for the most recent fiscal year and have average annual net income after U.S. federal income taxes not exceeding \$2.0 million (average net income to be computed without benefit of any net carryover loss) for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility for designation as an eligible small business or smaller concern, which criteria depend on the primary industry in which the business is engaged and is based on such factors as the number of employees and gross revenue. However, once an SBIC has invested in an eligible small business, it may continue to make follow-on investments in the company, regardless of the size of the company at the time of the follow-on investment.

The SBA prohibits an SBIC from providing funds to small businesses with certain characteristics, such as businesses with the majority of their employees located outside the U.S., or from investing in project finance, real estate, farmland, financial intermediaries or "passive" (i.e. non-operating) businesses. Without prior SBA approval, an SBIC may not invest an amount equal to more than approximately 30.0% of the SBIC's regulatory capital in any one company and its affiliates.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio company). An SBIC may exercise control over a small business for a period of up to seven

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years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA's prior written approval.

The SBA restricts the ability of an SBIC to lend money to any of its officers, directors and employees or to invest in associates thereof. The SBA also prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class of capital stock of a licensed SBIC. A "change of control" is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise.

The SBA regulations require, among other things, an annual periodic examination of a licensed SBIC by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations, and the performance of a financial audit by an independent auditor.

The maximum leverage available to a "family" of affiliated SBIC funds is \$350.0 million, subject to SBA approval.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70.0% of the BDC's total assets. The principal categories of qualifying assets relevant to our business are any of the following:

- 1)
 - Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:
 - (a) is organized under the laws of, and has its principal place of business in, the U.S.;
 - (b) is not an investment company (other than a small business investment company wholly-owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
 - (c) satisfies any of the following:
 - (i) does not have any class of securities that is traded on a national securities exchange;
 - (ii) has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than \$250.0 million;
 - (iii) is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or
 - (iv) is a small and solvent company having total assets of not more than \$4.0 million and capital and surplus of not less than \$2.0 million.
- 2) Securities of any eligible portfolio company that the BDC controls.
- 3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the

issuer, immediately

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prior to the purchase of its securities was unable to meet its obligations as they came prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

- 4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and the BDC already owns 60.0% of the outstanding equity of the eligible portfolio company.
- 5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
- 6) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

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

As of December 31, 2018, 14.9% of our total assets were non-qualifying assets.

Significant Managerial Assistance to Portfolio Companies

BDCs generally must offer to make available to the eligible issuers of its securities significant managerial assistance, except in circumstances where either (i) the BDC controls such issuer of securities or (ii) the BDC purchases such securities in conjunction with one or more other persons acting together and one of the other persons in the group makes available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. The Administrator or its affiliate provides such managerial assistance on our behalf to portfolio companies that request this assistance.

Temporary Investments

Pending investments in other types of qualifying assets, our investments may consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment (collectively, as "temporary investments"), so that 70.0% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25.0% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests in order to qualify as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. The Investment Adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions. We had no temporary investments as of December 31, 2018.

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Senior Securities

We are permitted, under specified conditions, to issue multiple classes of debt if our asset coverage, as defined in the 1940 Act, is at least equal to 150.0% immediately after each such issuance (which means we can borrow \$2 for every \$1 of our equity). On March 23, 2018, the SBCA was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCA changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150.0% from 200.0% under certain circumstances. On April 12, 2018, our board of directors, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCA, and recommended the submission of a proposal for stockholders to approve the application of the 150.0% minimum asset coverage ratio to us at a special meeting of stockholders, which was held on June 8, 2018. The stockholder proposal was approved by the required votes of our stockholders at such special meeting of stockholders, and thus we became subject to the 150.0% minimum asset coverage ratio on June 9, 2018. Prior to the enactment of the SBCA, generally, for every \$1.00 of debt incurred or in senior securities issued, a BDC was required to have at least \$2.00 of assets immediately following such incurrence or issuance. For those BDCs that satisfy the SBCA's disclosure and approval requirements, the minimum asset coverage ratio is reduced such that for every \$1.00 of debt incurred or in senior securities issued, a BDC must now have at least \$1.50 of assets. Changing the asset coverage ratio permits us to double our leverage, which results in increased leverage risk and increased expenses. For a discussion of this legislation that may allow us to incur additional leverage, see "Risk Factors Risks Related to Our Business and Structure Recent legislation allows us to incur additional leverage, which could increase the risk of investing in our securities."

If our asset coverage ratio is not at least 150.0%, we would be unable to issue additional senior securities, and certain provisions of certain of our senior securities may preclude us from making distributions to our stockholders. We may also borrow amounts up to 5.0% of the value of our total assets for temporary or emergency purposes without regard to our asset coverage. We will include our assets and liabilities and all of our wholly-owned direct and indirect subsidiaries for purposes of calculating the asset coverage ratio. We received exemptive relief from the SEC on November 5, 2014, allowing us to modify the asset coverage requirement to exclude SBA-guaranteed debentures from this calculation. For a discussion of the risks associated with leverage, see "Risk Factors Risks Related to our Business and Structure Regulations governing the operations of BDCs will affect our ability to raise additional equity capital as well as our ability to issue senior securities or borrow for investment purposes, any or all of which could have a negative effect on our investment objectives and strategies" and " We borrow money, which could magnify the potential for gain or loss on amounts invested in us and increase the risk of investing in us".

Code of Ethics

We have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. The code of ethics is available on the SEC's website at <http://www.sec.gov>.

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Compliance Policies and Procedures

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

Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to the Investment Adviser. The proxy voting policies and procedures of the Investment Adviser are set forth below. The guidelines will be reviewed periodically by the Investment Adviser and our non-interested directors, and, accordingly, are subject to change.

Introduction

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

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

Proxy policies

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

The proxy voting decisions of the Investment Adviser are made by the senior officers who are responsible for monitoring each of its clients' investments. To ensure that its vote is not the product of a conflict of interest, it will require that: (a) anyone involved in the decision making process disclose to its chief compliance officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (b) employees involved in the decision making process or vote administration are prohibited from revealing how the Investment Adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties.

Proxy voting records

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

Other

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

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we will be prohibited from protecting any director or officer against any liability to us or our stockholders

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arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

Exchange Act and Sarbanes-Oxley Act Compliance

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

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

pursuant to Item 307 of Regulation S-K, our periodic reports are required to disclose our conclusions about the effectiveness of our disclosure controls and procedures;

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

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

The Sarbanes-Oxley Act of 2002 requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder. We intend to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act of 2002 and will take actions necessary to ensure that we are in compliance therewith.

Fundamental Investment Policies

Neither our investment objective nor our investment policies are identified as fundamental. Accordingly, our investment objective and policies may be changed by us without the approval of our stockholders.

NYSE Corporate Governance Regulations

The NYSE has adopted corporate governance regulations that listed companies must comply with. We intend to be in compliance with such corporate governance listing standards applicable to BDCs. We intend to monitor our compliance with all future listing standards and to take all necessary actions to ensure that we are in compliance therewith. If we were to be delisted by the NYSE, the liquidity of our common stock would be materially impaired.

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PLAN OF DISTRIBUTION

We may offer, from time to time, up to \$750,000,000 of common stock, preferred stock, subscription rights to purchase shares of common stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, in one or more underwritten public offerings, at-the-market offerings, negotiated transactions, block trades, best efforts or a combination of these methods. We may sell the securities directly to one or more purchasers, including to existing stockholders in a rights offering, through agents designated from time to time by us, or to or through underwriters or dealers. In the case of a rights offering, the applicable prospectus supplement will set forth the number of shares of our common stock issuable upon the exercise of each right and the other terms of such rights offering. Any underwriter or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement. A prospectus supplement or supplements will also describe the terms of the offering of the securities, including: the purchase price of the securities and the proceeds we will receive from the sale; any options under which underwriters may purchase additional securities from us; any agency fees or underwriting discounts and other items constituting agents' or underwriters' compensation; the public offering price; any discounts or concessions allowed or re-allowed or paid to dealers; and any securities exchange or market on which the securities may be listed. Only underwriters named in the prospectus supplement will be underwriters of the shares offered by the prospectus supplement.

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

In connection with the sale of the securities, underwriters or agents may receive compensation from us or from purchasers of the securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell the securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of the securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement. The maximum aggregate commission or discount to be received by any member of FINRA or independent broker-dealer, including any reimbursements to underwriters or agents for certain fees and legal expenses incurred by them, will not be greater than 8.0% of the gross proceeds of the sale of shares offered pursuant to this prospectus and any applicable prospectus supplement.

Any underwriter may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not

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exceed a specified maximum price. Syndicate-covering or other short-covering transactions involve purchases of the securities, either through exercise of the option to purchase additional shares from us or in the open market after the distribution is completed, to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a stabilizing or covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

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

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

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

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

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

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities

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

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

**SAFEKEEPING AGENT, CUSTODIAN, TRANSFER AGENT, DISTRIBUTION
PAYING AGENT AND REGISTRAR**

We maintain custody of our assets in accordance with the requirements of Rule 17f-2 under the 1940 Act. Also in accordance with this rule, some of our portfolio securities are held under a safekeeping agreement, by Wells Fargo Bank, National Association, which is a bank whose functions and physical facilities are supervised by federal or state authority. The address of the safekeeping agent is: 9062 Old Annapolis Road, Columbia, Maryland 21045. In addition, some of our portfolio securities are held under a custody agreement by U.S. Bank National Association. The address of the custodian is: One Federal Street, 3rd Floor, Boston, Massachusetts 02110. American Stock Transfer & Trust Company, LLC acts as our transfer agent, distribution paying agent and registrar. The principal address of the transfer agent, distribution paying agent and registrar is 6201 15th Avenue, Brooklyn, New York 11219, telephone number: (800) 937-5449.

BROKERAGE ALLOCATION AND OTHER PRACTICES

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

LEGAL MATTERS

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

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements and the related information included in the Senior Securities table, and the effectiveness of internal control over financial reporting, included in this prospectus, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports appearing herein and elsewhere in the Registration Statement. Such financial statements and information included in the Senior Securities table have been so included in reliance upon the reports of such firm, given their authority as experts in accounting and auditing.

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

AVAILABLE INFORMATION

This prospectus is part of a registration statement on Form N-2 we filed with the SEC under the Securities Act of 1933, as amended. This prospectus does not contain all of the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and the securities we are offering under this prospectus, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or other document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit.

We are required to file with or submit to the SEC annual, quarterly and current reports, proxy statements and other information meeting the informational requirements of the Exchange Act. The SEC maintains a website that contains reports, proxy and information statements and other information filed electronically by us with the SEC, which are available free of charge on the SEC's website at <http://www.sec.gov>. This information will also be available free of charge by contacting us at 787 Seventh Avenue, 48th Floor, New York, New York 10019, by telephone at (212) 720-0300, or on our website at <http://www.newmountainfinance.com>. Information contained on our website or on the SEC's web site about us is not incorporated into this prospectus and you should not consider information contained on our website or on the SEC's website to be part of this prospectus.

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PRIVACY NOTICE

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

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

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

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

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

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

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

If you have any questions regarding this policy or the treatment of your non-public personal information, please contact our chief compliance officer at (212) 655-0083.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

This prospectus is part of a registration statement that we have filed with the SEC. Pursuant to the Small Business Credit Availability Act, we are allowed to "incorporate by reference" the information that we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to comprise a part of this prospectus from the date we file that document. Any reports filed by us with the SEC subsequent to the date of this prospectus and before the date that any offering of any securities by means of this prospectus and any accompanying prospectus supplement is terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus.

We incorporate by reference into this prospectus our filings listed below and any future filings that we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, subsequent to the date of this prospectus until all of the securities offered by this prospectus and any accompanying prospectus supplement have been sold or we otherwise terminate the offering of these securities; provided, however, that information "furnished" under Item 2.02 or Item 7.01 of Form 8-K or other information "furnished" to the SEC which is not deemed filed is not incorporated by reference in this prospectus and any accompanying prospectus supplement. Information that we

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file with the SEC subsequent to the date of this prospectus will automatically update and may supersede information in this prospectus, any accompanying prospectus supplement and information previously filed with the SEC.

This prospectus and any accompanying prospectus supplement incorporate by reference the documents set forth below that have previously been filed with the SEC:

Annual Report on Form 10-K for the fiscal year ended December 31, 2018;

Current Report on Form 8-K filed on January 3, 2019;

Current Report on Form 8-K filed on April 3, 2019; and

The description of our common stock contained in our Registration Statement on Form 8-A (File No. 001-35183), as filed with the SEC on May 19, 2011, including any amendment or report filed for the purpose of updating such description prior to the termination of the offering of the common stock registered hereby.

To obtain copies of these filings, see "Available Information," or you may request a copy of these filings (other than exhibits, unless the exhibits are specifically incorporated by reference into these documents) at no cost by writing or calling the following address and telephone number:

New Mountain Finance Corporation
787 Seventh Avenue, 48th Floor
New York, NY 10019
(212) 720-0300

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone to provide you with different or additional information, and you should not rely on such information if you receive it. We are not making an offer of or soliciting an offer to buy, any securities in any state or other jurisdiction where such offer or sale is not permitted. You should not assume that the information in this prospectus or in the documents incorporated by reference is accurate as of any date other than the date on the front of this prospectus or those documents.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
New Mountain Finance Corporation

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying consolidated statements of assets and liabilities of New Mountain Finance Corporation and subsidiaries (the "Company"), including the consolidated schedules of investments, as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period then ended, the consolidated financial highlights for each of the five years in the period then ended, and the related notes. In our opinion, the consolidated financial statements and financial highlights present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations, changes in net assets, and cash flows for each of the three years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements and financial highlights based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of investments owned as of December 31, 2018 and 2017, by correspondence with the custodian, loan agents and borrowers; when replies were not received we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

February 27, 2019

We have served as the Company's auditor since 2008.

Table of Contents**New Mountain Finance Corporation****Consolidated Statements of Assets and Liabilities**

(in thousands, except shares and per share data)

	December 31, 2018	December 31, 2017
Assets		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of \$1,868,785 and \$1,438,889, respectively)	\$ 1,861,323	\$ 1,462,182
Non-controlled/affiliated investments (cost of \$78,438 and \$180,380, respectively)	77,493	178,076
Controlled investments (cost of \$382,503 and \$171,958, respectively)	403,137	185,402
Total investments at fair value (cost of \$2,329,726 and \$1,791,227, respectively)	2,341,953	1,825,660
Securities purchased under collateralized agreements to resell (cost of \$30,000 and \$30,000, respectively)	23,508	25,212
Cash and cash equivalents	49,664	34,936
Interest and dividend receivable	30,081	31,844
Receivable from affiliates	288	343
Other assets	3,172	10,023
Total assets	\$ 2,448,666	\$ 1,928,018
Liabilities		
Borrowings		
Holdings Credit Facility	\$ 512,563	\$ 312,363
Unsecured Notes	336,750	145,000
Convertible Notes	270,301	155,412
SBA-guaranteed debentures	165,000	150,000
NMFC Credit Facility	60,000	122,500
DB Credit Facility	57,000	
Deferred financing costs (net of accumulated amortization of \$22,234 and \$16,578, respectively)	(17,515)	(15,777)
Net borrowings	1,384,099	869,498
Payable for unsettled securities purchased	20,147	
Interest payable	12,397	5,107
Management fee payable	8,392	7,065
Incentive fee payable	6,864	6,671
Payable to affiliates	1,021	863
Deferred tax liability	1,006	894
Other liabilities	8,471	2,945
Total liabilities	1,442,397	893,043
Commitments and contingencies (See Note 9)		
Net assets		
Preferred stock, par value \$0.01 per share, 2,000,000 shares authorized, none issued		
Common stock, par value \$0.01 per share, 100,000,000 shares authorized, 76,106,372 and 75,935,093 shares issued and outstanding, respectively	761	759
Paid in capital in excess of par	1,035,629	1,053,468

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Accumulated overdistributed earnings		(30,121)		(19,252)
Total net assets	\$	1,006,269	\$	1,034,975
Total liabilities and net assets	\$	2,448,666	\$	1,928,018
Number of shares outstanding		76,106,372		75,935,093
Net asset value per share	\$	13.22	\$	13.63

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

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Table of Contents**New Mountain Finance Corporation****Consolidated Statements of Operations****(in thousands, except shares and per share data)**

	Year Ended December 31,		
	2018	2017	2016
Investment income			
From non-controlled/non-affiliated investments:			
Interest income	\$ 153,645	\$ 145,283	\$ 140,983
Dividend income	486	159	220
Non-cash dividend income	5,912	811	
Other income	12,174	8,751	7,708
From non-controlled/affiliated investments:			
Interest income	2,028	2,808	4,538
Dividend income	6,714	3,498	3,728
Non-cash dividend income	12,333	12,627	156
Other income	1,832	1,186	1,193
From controlled investments:			
Interest income	6,226	1,709	1,904
Dividend income	21,731	15,740	4,073
Non-cash dividend income	6,648	4,415	3,023
Other income	1,736	819	558
Total investment income	231,465	197,806	168,084
Expenses			
Incentive fee	26,508	25,101	22,011
Management fee	38,530	32,694	27,551
Interest and other financing expenses	57,050	37,094	28,452
Professional fees	4,497	3,658	3,087
Administrative expenses	3,629	2,779	2,683
Other general and administrative expenses	1,913	1,636	1,589
Total expenses	132,127	102,962	85,373
Less: management and incentive fees waived (see Note 5)	(6,709)	(7,442)	(4,824)
Less: expenses waived and reimbursed (see Note 5)	(276)	(474)	(725)
Net expenses	125,142	95,046	79,824
Net investment income before income taxes	106,323	102,760	88,260
Income tax expense	291	556	152
Net investment income	106,032	102,204	88,108
Net realized (losses) gains:			
Non-controlled/non-affiliated investments	(18,047)	(39,734)	(16,717)
Non-controlled/affiliated investments	8,387		
Controlled investments	3		
Net change in unrealized appreciation (depreciation):			
Non-controlled/non-affiliated investments	(30,758)	56,340	30,742
Non-controlled/affiliated investments	(2,344)	(4,748)	1,315
Controlled investments	10,896	(798)	8,074

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Securities purchased under collateralized agreements to resell	(1,704)	(4,006)	(486)
(Provision) benefit for taxes	(112)	140	642
Net realized and unrealized (losses) gains	(33,679)	7,194	23,570
Net increase in net assets resulting from operations	\$ 72,353	\$ 109,398	\$ 111,678

Basic earnings per share	\$ 0.95	\$ 1.47	\$ 1.72
Weighted average shares of common stock outstanding basic (See Note 12)	76,022,375	74,171,268	64,918,191
Diluted earnings per share	\$ 0.91	\$ 1.38	\$ 1.60
Weighted average shares of common stock outstanding diluted (See Note 12)	88,627,741	83,995,395	72,863,387
Distributions declared and paid per share	\$ 1.36	\$ 1.36	\$ 1.36

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

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New Mountain Finance Corporation

Consolidated Statements of Changes in Net Assets

(in thousands, except share data)

	Year Ended December 31,		
	2018	2017	2016
Increase (decrease) in net assets resulting from operations:			
Net investment income	\$ 106,032	\$ 102,204	\$ 88,108
Net realized losses on investments	(9,657)	(39,734)	(16,717)
Net change in unrealized (depreciation) appreciation of investments	(22,206)	50,794	40,131
Net change in unrealized depreciation of securities purchased under collateralized agreements to resell	(1,704)	(4,006)	(486)
(Provision) benefit for taxes	(112)	140	642
Net increase in net assets resulting from operations	72,353	109,398	111,678
Capital transactions			
Net proceeds from shares sold		81,478	79,063
Deferred offering costs		(172)	(328)
Other		(81)	
Distributions declared to stockholders from net investment income	(103,388)	(100,905)	(88,764)
Reinvestment of distributions	2,329	6,695	2,953
Repurchase of shares under repurchase program			(2,948)
Total net decrease in net assets resulting from capital transactions	(101,059)	(12,985)	(10,024)
Net (decrease) increase in net assets	(28,706)	96,413	101,654
Net assets at the beginning of the period	1,034,975	938,562	836,908
Net assets at the end of the period	\$ 1,006,269	\$ 1,034,975	\$ 938,562
Capital share activity			
Shares sold		5,750,000	5,750,000
Shares issued from reinvestment of distributions	171,279	429,706	
Shares reissued from repurchase program in connection with reinvestment of distributions		37,573	210,926
Shares repurchased under repurchase program			(248,499)
Net increase in shares outstanding	171,279	6,217,279	5,712,427

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

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New Mountain Finance Corporation
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Net increase in net assets resulting from operations	\$ 72,353	\$ 109,398	\$ 111,678
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:			
Net realized losses on investments	9,657	39,734	16,717
Net change in unrealized depreciation (appreciation) of investments	22,206	(50,794)	(40,131)
Net change in unrealized depreciation of securities purchased under collateralized agreements to resell	1,704	4,006	486
Amortization of purchase discount	(5,198)	(9,202)	(3,096)
Amortization of deferred financing costs	5,656	4,299	3,457
Amortization of premium on Convertible Notes	(111)	(111)	(28)
Non-cash investment income	(20,336)	(9,367)	(7,644)
(Increase) decrease in operating assets:			
Purchase of investments and delayed draw facilities	(1,311,002)	(1,000,229)	(557,897)
Proceeds from sales and paydowns of investments	802,964	767,360	547,078
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	1,074	552	177
Cash paid for purchase of drawn portion of revolving credit facilities	(11,631)		(348)
Cash paid for drawn revolvers	(28,633)	(24,615)	(11,651)
Cash repayments on drawn revolvers	24,606	19,718	10,202
Interest and dividend receivable	1,763	(14,011)	(4,001)
Receivable from affiliates	55	3	14
Receivable from unsettled securities sold		990	(990)
Other assets	6,043	(6,523)	(1,080)
Increase (decrease) in operating liabilities:			
Payable for unsettled securities purchased	20,147	(2,740)	(2,701)
Interest payable	7,290	1,935	829
Management fee payable	1,327	1,213	386
Incentive fee payable	193	926	123
Payable to affiliates	158	727	(428)
Deferred tax liability (benefit)	112	(140)	(642)
Other liabilities	6,114	558	(2)
Net cash flows (used in) provided by operating activities	(393,489)	(166,313)	60,508
Cash flows from financing activities			
Net proceeds from shares sold		81,478	79,063
Distributions paid	(101,059)	(94,210)	(85,811)
Offering costs paid		(441)	(261)
Proceeds from Holdings Credit Facility	466,800	505,450	177,600

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Repayment of Holdings Credit Facility	(266,600)	(526,600)	(263,400)
Proceeds from Unsecured Notes	191,750	55,000	90,000
Proceeds from Convertible Notes	115,000		40,552
Proceeds from SBA-guaranteed debentures	15,000	28,255	4,000
Proceeds from NMFC Credit Facility	255,000	354,600	166,500
Repayment of NMFC Credit Facility	(317,500)	(242,100)	(246,500)
Proceeds from DB Credit Facility	60,000		
Repayment of DB Credit Facility	(3,000)		
Proceeds from NMNLC Credit Facility	21,617		
Repayment of NMNLC Credit Facility	(21,617)		
Deferred financing costs paid	(7,174)	(6,030)	(3,477)
Repurchase of shares under repurchase program			(2,948)
Other		(81)	
Net cash flows provided by (used in) financing activities	408,217	155,321	(44,682)
Net increase (decrease) in cash and cash equivalents	14,728	(10,992)	15,826
Cash and cash equivalents at the beginning of the period	34,936	45,928	30,102
Cash and cash equivalents at the end of the period	\$ 49,664	\$ 34,936	\$ 45,928

Supplemental disclosure of cash flow information

Cash interest paid	\$ 43,118	\$ 29,658	\$ 23,768
Income taxes paid	521	414	85
Non-cash operating activities:			
Non-cash activity on investments	\$ 16,622	\$ 12,858	\$ 7,186
Non-cash financing activities:			
Value of shares issued in connection with reinvestment of distributions	\$ 2,329	\$ 6,135	\$
Value of shares reissued from repurchase program in connection with reinvestment of distributions		560	2,953
Accrual for offering costs	272	944	598
Accrual for deferred financing costs	186	103	99

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments

December 31, 2018

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments								
Funded Debt Investments								
Canada								
Dentalcorp Perfect Smile ULC**								
Healthcare Services	Second lien(3)	10.02% (L + 7.50%/M)	6/1/2018	6/8/2026	\$ 12,130	\$ 12,032	\$ 11,948	
	Second lien(8)	10.02% (L + 7.50%/M)	6/1/2018	6/8/2026	7,500	7,439	7,388	
	Second lien(3)(10) Drawn	10.02% (L + 7.50%/M)	6/1/2018	6/8/2026	2,797	2,772	2,754	
					22,427	22,243	22,090	2.20%
Total Funded Debt Investments	Canada				\$ 22,427	\$ 22,243	\$ 22,090	2.20%
Funded Debt Investments								
United Kingdom								
Shine Acquisition Co. S.à.r.l / Boing US Holdco Inc.**								
Consumer Services	Second lien(2)	10.09% (L + 7.50%/Q)	9/25/2017	10/3/2025	\$ 37,853	\$ 37,648	\$ 36,150	
	Second lien(8)	10.09% (L + 7.50%/Q)	9/25/2017	10/3/2025	6,000	5,968	5,730	
					43,853	43,616	41,880	4.16%
Air Newco LLC**								
Software	First lien(2)	7.14% (L + 4.75%/M)	5/25/2018	5/31/2024	20,125	20,079	19,987	1.99%

Total Funded Debt**Investments United Kingdom****\$ 63,978 \$ 63,695 \$ 61,867 6.15%****Funded Debt Investments****United States****Benevis Holding Corp.**

Healthcare Services	First lien(2)(9)	8.86% (L + 6.32%/Q)	3/15/2018	3/15/2024	\$ 63,370	\$ 63,370	\$ 62,261	
	First lien(8)(9)	8.86% (L + 6.32%/Q)	3/15/2018	3/15/2024	8,578	8,578	8,428	
	First lien(3)(9)	8.86% (L + 6.32%/Q)	3/15/2018	3/15/2024	6,970	6,970	6,848	
					78,918	78,918	77,537	7.71%

Integro Parent Inc.

Business Services	First lien(2)(9)	8.48% (L + 5.75%/Q)	10/9/2015	10/31/2022	51,245	50,952	51,245	
	Second lien(8)(9)	11.97% (L + 9.25%/Q)	10/9/2015	10/30/2023	10,000	9,930	10,000	
	First lien(3)(9)(10) Drawn	7.23% (L + 4.50%/Q)	6/8/2018	10/30/2021	2,057	2,046	2,057	
					63,302	62,928	63,302	6.29%

Kronos Incorporated

Software	Second lien(2)	10.79% (L + 8.25%/Q)	10/26/2012	11/1/2024	36,000	35,560	35,657	
	Second lien(3)	10.79% (L + 8.25%/Q)	10/26/2012	11/1/2024	21,147	21,145	20,945	
					57,147	56,705	56,602	5.62%

CentralSquare Technologies, LLC

Software	Second lien(3)	10.02% (L + 7.50%/M)	8/15/2018	8/31/2026	47,838	47,241	47,838	
	Second lien(8)	10.02% (L + 7.50%/M)	8/15/2018	8/31/2026	7,500	7,406	7,500	
					55,338	54,647	55,338	5.50%

Dealer Tire, LLC

Distribution & Logistics	First lien(2)	8.02% (L + 5.50%/M)	12/4/2018	12/12/2025	53,784	52,444	51,296	5.10%
PhyNet Dermatology LLC	First lien(2)(9)	8.02% (L + 5.50%/M)	9/17/2018	8/16/2024	50,879	50,391	50,371	5.01%
NM GRC Holdco, LLC			2/9/2018	2/9/2024	38,735	38,565	38,542	

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First	8.80%						
lien(2)(9)	(L + 6.00%/Q)						
First							
lien(2)(9)(10)	8.80%						
Drawn	(L + 6.00%/Q)	2/9/2018	2/9/2024	10,766	10,715	10,739	
				49,501	49,280	49,281	4.90%

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Nomad Buyer, Inc.								
Healthcare Services	First lien(2)	7.38% (L + 5.00%/M)	8/3/2018	8/1/2025	\$ 48,953	\$ 47,538	\$ 46,383	4.61%
Brave Parent Holdings, Inc.								
Software	Second lien(5)	10.02% (L + 7.50%/M)	4/17/2018	4/17/2026	22,500	22,394	22,416	
	Second lien(2)	10.02% (L + 7.50%/M)	7/18/2018	4/17/2026	16,624	16,464	16,562	
	Second lien(8)	10.02% (L + 7.50%/M)	7/18/2018	4/17/2026	6,000	5,942	5,978	
					45,124	44,800	44,956	4.47%
Associations, Inc.								
Consumer Services	First lien(2)(9)	9.40% (L + 4.00% + 3.00% PIK/Q)*	7/30/2018	7/30/2024	40,855	40,613	40,599	
	First lien(3)(9)(10)	9.40% (L + 4.00% + 3.00% PIK/Q)*	7/30/2018	7/30/2024	3,625	3,603	3,602	
	Drawn							
					44,480	44,216	44,201	4.39%
Quest Software US Holdings Inc.								
Software	Second lien(2)	10.78% (L + 8.25%/Q)	5/17/2018	5/18/2026	43,697	43,281	43,224	4.30%
Tenawa Resource Holdings LLC(13)								
Tenawa Resource Management LLC								
Energy	First lien(3)(9)	10.90% (Base + 8.50%/Q)	5/12/2014	10/30/2024	39,500	39,442	39,500	3.93%
Frontline Technologies Group Holdings, LLC								
Education	First lien(4)(9)	9.02% (L + 6.50%/M)	9/18/2017	9/18/2023	22,387	22,248	22,387	

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	First lien(2)(9)	9.02% (L + 6.50%/M)	9/18/2017	9/18/2023	16,582	16,480	16,582	
					38,969	38,728	38,969	3.87%
Salient CRGT Inc.								
Federal Services	First lien(2)	8.27% (L + 5.75%/M)	1/6/2015	2/28/2022	38,275	37,928	37,701	3.75%
Trader Interactive, LLC								
Business Services	First lien(2)(9)	9.02% (L + 6.50%/M)	6/15/2017	6/17/2024	37,259	37,044	37,259	3.70%
Peraton Holding Corp. (fka MHVC Acquisition Corp.)								
Federal Services	First lien(2)	8.06% (L + 5.25%/Q)	4/25/2017	4/29/2024	37,285	37,134	36,353	3.61%
TDG Group Holding Company								
Consumer Services	First lien(2)(9)	8.30% (L + 5.50%/Q)	5/22/2018	5/31/2024	30,112	29,974	29,962	
	First lien(2)(9)	8.30% (L + 5.50%/Q)	5/22/2018	5/31/2024	3,354	3,338	3,337	
	First lien(3)(9)(10) Drawn	8.02% (L + 5.50%/M)	5/22/2018	5/31/2024	1,261	1,255	1,255	
					34,727	34,567	34,554	3.43%
Geo Parent Corporation								
Business Services	First lien(2)	8.09% (L + 5.50%/M)	12/13/2018	12/19/2025	33,578	33,410	33,410	3.32%
Finalsite Holdings, Inc.								
Software	First lien(4)(9)	8.03% (L + 5.50%/Q)	9/28/2018	9/25/2024	22,444	22,281	22,275	
	First lien(2)(9)	8.03% (L + 5.50%/Q)	9/28/2018	9/25/2024	11,085	11,005	11,002	
					33,529	33,286	33,277	3.31%
Navicure, Inc.								
Healthcare Services	Second lien(2)	10.02% (L + 7.50%/M)	10/23/2017	10/31/2025	25,970	25,907	25,580	
	Second lien(8)	10.02% (L + 7.50%/M)	10/23/2017	10/31/2025	6,000	5,985	5,910	
					31,970	31,892	31,490	3.13%
iCIMS, Inc.								
Software	First lien(8)(9)	8.94% (L + 6.50%/M)	9/12/2018	9/12/2024	31,636	31,332	31,320	3.11%
Ansira Holdings, Inc.								
Business Services	First lien(2)	8.27% (L + 5.75%/M)	12/19/2016	12/20/2022	28,744	28,645	28,615	

First								
lien(3)(10)	8.27%							
Drawn	(L + 5.75%/M)	12/19/2016	12/20/2022	1,791	1,784	1,782		
					30,535	30,429	30,397	3.02%

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Keystone Acquisition Corp.								
		8.05%						
Healthcare Services	First lien(2)	(L + 5.25%/Q)	5/10/2017	5/1/2024	\$ 24,732	\$ 24,597	\$ 24,238	
	Second lien(2)	12.05% (L + 9.25%/Q)	5/10/2017	5/1/2025	4,500	4,461	4,444	
					29,232	29,058	28,682	2.85%
Sovos Brands Intermediate, Inc.								
		7.64%						
Food & Beverage	First lien(2)	(L + 5.00%/M)	11/16/2018	11/20/2025	28,240	28,099	27,957	2.78%
EN Engineering, LLC								
	First lien(2)(9)	7.02% (L + 4.50%/M)	7/30/2015	6/30/2021	23,347	23,226	23,347	
Business Services	First lien(2)(9)	7.02% (L + 4.50%/M)	7/30/2015	6/30/2021	1,350	1,343	1,350	
					24,697	24,569	24,697	2.45%
SW Holdings, LLC								
	Second lien(4)(9)	11.55% (L + 8.75%/Q)	6/30/2015	12/30/2021	18,161	18,052	18,161	
Business Services	Second lien(3)(9)	11.55% (L + 8.75%/Q)	4/16/2018	12/30/2021	6,181	6,130	6,181	
					24,342	24,182	24,342	2.42%
DCA Investment Holding, LLC								
	First lien(2)(9)	8.05% (L + 5.25%/Q)	7/2/2015	7/2/2021	17,274	17,194	17,274	
Healthcare Services	First lien(3)(9)(10)	7.98% (L + 5.25%/Q)	12/20/2017	7/2/2021	6,702	6,647	6,702	
	Drawn							
	First lien(3)(9)(10)	9.75% (P + 4.25%/Q)	7/2/2015	7/2/2021	144	142	144	
	Drawn							

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24,120 23,983 24,120 2.40%

iPipeline, Inc. (Internet Pipeline, Inc.)

Software	First lien(4)(9)	7.28% (L + 4.75%/M)	8/4/2015	8/4/2022	17,415	17,314	17,415
	First lien(4)(9)	7.28% (L + 4.75%/M)	6/16/2017	8/4/2022	4,531	4,514	4,531
	First lien(2)(9)	7.28% (L + 4.75%/M)	9/25/2017	8/4/2022	1,149	1,145	1,149
	First lien(4)(9)	7.28% (L + 4.75%/M)	9/25/2017	8/4/2022	506	504	506

23,601 23,477 23,601 2.35%

CRCI Longhorn Holdings, Inc.

Business Services	Second lien(3)	9.64% (L + 7.25%/M)	8/2/2018	8/10/2026	14,349	14,296	14,295
	Second lien(8)	9.64% (L + 7.25%/M)	8/2/2018	8/10/2026	7,500	7,473	7,472

21,849 21,769 21,767 2.16%

AAC Holding Corp.

Education	First lien(2)(9)	10.60% (L + 8.25%/M)	9/30/2015	9/30/2020	22,403	22,269	21,578	2.14%
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Avatar Topco, Inc.(22)

EAB Global, Inc.

Education	Second lien(3)	10.16% (L + 7.50%/Q)	11/17/2017	11/17/2025	13,950	13,762	13,811
	Second lien(8)	10.16% (L + 7.50%/Q)	11/17/2017	11/17/2025	7,500	7,399	7,425

21,450 21,161 21,236 2.11%

Help/Systems Holdings, Inc.

Software	Second lien(5)	10.27% (L + 7.75%/M)	3/23/2018	3/27/2026	20,231	20,136	20,029	1.99%
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Symplr Software Intermediate Holdings, Inc.(23)

Caliper Software, Inc.

Healthcare Information Technology	First lien(4)(9)	8.02% (L + 5.50%/M)	11/30/2018	11/28/2025	15,000	14,888	14,888
	First lien(2)(9)	8.02% (L + 5.50%/M)	11/30/2018	11/28/2025	5,171	5,133	5,132

20,171 20,021 20,020 1.99%

SSH Group Holdings, Inc.

Education	Second lien(2)	10.77% (L + 8.25%/Q)	7/26/2018	7/30/2026	20,116	20,019	19,960	1.98%
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DiversiTech Holdings, Inc.

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Distribution & Logistics	Second	10.30%							
	lien(3)	(L + 7.50%/Q)	5/18/2017	6/2/2025	12,000	11,897	11,580		
	Second	10.30%							
	lien(8)	(L + 7.50%/Q)	5/18/2017	6/2/2025	7,500	7,436	7,238		
					19,500	19,333	18,818	1.87%	

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
AR Arsenal Holdings II Corp.		10.06%						
Business Services	First lien(2)(9)	(L + 7.25%/Q)	9/29/2016	9/8/2022	\$ 18,545	\$ 18,404	\$ 18,545	1.84%
Integral Ad Science, Inc.		9.78%						
Software	First lien(8)(9)	(L + 6.00% + 1.25% PIK/M)*	7/19/2018	7/19/2024	18,678	18,503	18,491	1.84%
The Kleinfelder Group, Inc.		7.17%						
Business Services	First lien(4)	(L + 4.75%/M)	12/18/2018	11/29/2024	17,500	17,413	17,413	1.73%
Navex Topco, Inc.		9.53%						
Software	Second lien(2)	(L + 7.00%/M)	8/9/2018	9/4/2026	16,807	16,725	16,218	1.61%
IBCO Software Inc.		11.38%/S						
Software	Subordinated(3)		11/24/2014	12/1/2021	15,000	14,776	15,750	1.57%
Hill International, Inc.**		8.55%						
Business Services	First lien(2)(9)	(L + 5.75%/Q)	6/21/2017	6/21/2023	15,563	15,502	15,563	1.55%
QC McKissock Investment, LLC(14)		8.55%						
McKissock, LLC		8.55%						
Education	First lien(2)(9)	(L + 5.75%/Q)	8/6/2014	8/5/2021	6,351	6,330	6,351	
	First lien(2)(9)	(L + 5.75%/Q)	8/24/2018	8/5/2021	3,649	3,616	3,649	
	First lien(2)(9)	(L + 5.75%/Q)	8/6/2014	8/5/2021	3,028	3,019	3,028	
	First lien(2)(9)	(L + 5.75%/Q)	8/6/2014	8/5/2021	977	974	977	
	First lien(2)(9)	(L + 5.75%/Q)	8/3/2018	8/5/2021	842	835	842	
	First lien(2)(9)	(L + 5.75%/Q)	5/23/2018	8/5/2021	572	564	572	
					15,419	15,338	15,419	1.53%
OEConnection LLC								

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Business Services	Second lien(3)	10.53% (L + 8.00%/M)	11/22/2017	11/22/2025	7,660	7,564	7,602	
	Second lien(8)	10.53% (L + 8.00%/M)	11/22/2017	11/22/2025	7,500	7,407	7,443	
					15,160	14,971	15,045	1.49%
Netsmart Inc. / Netsmart Technologies, Inc.								
Healthcare Information Technology	Second lien(2)	10.03% (L + 7.50%/Q)	4/18/2016	10/19/2023	15,000	14,727	14,925	1.48%
Tactly Corporation								
Software	First lien(4)(9)	9.78% (L + 7.25%/M)	7/31/2017	7/29/2022	14,690	14,577	14,690	1.46%
Transcendia Holdings, Inc.								
Packaging	Second lien(8)	10.52% (L + 8.00%/M)	6/28/2017	5/30/2025	7,500	7,411	7,385	
	Second lien(3)	10.52% (L + 8.00%/M)	6/28/2017	5/30/2025	7,000	6,917	6,893	
					14,500	14,328	14,278	1.42%
Valegeus Technologies Holdings Corp.								
Healthcare Services	First lien(2)(9)	8.66% (L + 6.25%/Q)	9/5/2018	9/5/2024	13,444	13,378	13,376	1.33%
NorthStar Financial Services Group, LLC								
Software	Second lien(5)	10.10% (L + 7.50%/M)	5/23/2018	5/25/2026	13,450	13,418	13,316	1.32%
Project Accelerate Parent, LLC								
Business Services	Second lien(8)(9)	10.89% (L + 8.50%/M)	1/2/2018	1/2/2026	7,500	7,414	7,406	
	Second lien(3)(9)	10.89% (L + 8.50%/M)	1/2/2018	1/2/2026	5,973	5,905	5,898	
					13,473	13,319	13,304	1.32%
Castle Management Borrower LLC								
Business Services	First lien(2)(9)	8.87% (L + 6.25%/Q)	5/31/2018	2/15/2024	13,347	13,286	13,281	1.32%
Ministry Brands, LLC								
Software	First lien(2)	6.52% (L + 4.00%/M)	12/7/2016	12/2/2022	2,962	2,952	2,962	
	Second lien(8)(9)	11.77% (L + 9.25%/M)	12/7/2016	6/2/2023	7,840	7,796	7,840	
	Second lien(3)(9)	11.77% (L + 9.25%/M)	12/7/2016	6/2/2023	2,160	2,148	2,160	
					12,962	12,896	12,962	1.29%

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(11)	Acquisition Date	Maturity/ Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Perce of Net Asset
BlackOffice Associates Holdings, LLC		13.03%						
Business Services	First lien(2)(9)	(L + 10.50%/M)	8/25/2017	8/25/2023	\$ 13,262	\$ 13,169	\$ 12,477	
	First lien(3)(9)(10) Drawn	13.03% (L + 7.50% + 3.00% PIK/M)*	8/25/2017	8/25/2023	17	17	16	
					13,279	13,186	12,493	1.24
Wave, Inc.								
Software	Second lien(4)(9)	11.65% (L + 9.00%/Q)	11/22/2016	11/17/2023	11,000	10,936	11,000	
	First lien(3)(9)(10) Drawn	7.52% (L + 5.00%/M)	11/22/2016	11/17/2022	1,200	1,191	1,200	
					12,200	12,127	12,200	1.21
MA Holdings, Inc.								
Business Services	Second lien(4)	11.55% (L + 8.75%/Q)	4/3/2018	4/10/2026	7,012	6,946	7,103	
	Second lien(3)	11.55% (L + 8.75%/Q)	4/3/2018	4/10/2026	4,453	4,411	4,511	
					11,465	11,357	11,614	1.15
VA Black Elk (Equity) LLC								
Business Services	Subordinated(3)(9)		5/3/2013		14,500	14,500	11,362	1.13
Merijet Holdings, Inc.								
Distribution & Logistics	First lien(4)(9)	10.52% (L + 8.00%/M)	7/15/2016	7/15/2021	8,972	8,935	8,972	
	First lien(4)(9)	10.52% (L + 8.00%/M)	7/15/2016	7/15/2021	1,495	1,489	1,495	
					10,467	10,424	10,467	1.04
Actra Co.								
Business Products	Second lien(8)		2/23/2018	3/8/2026	10,788	10,751	10,465	1.04

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		9.77% (L + 7.25%/M)							
Energy Holdings, Inc.									
Business Services	Second lien(2)	10.31% (L + 7.50%/Q)	12/14/2016	12/16/2024	10,500	10,452	10,290	1.02	
Topco, Inc.									
Business Services	Second lien(4)	9.80% (L + 7.00%/Q)	8/14/2018	7/31/2026	10,000	9,976	9,987	0.99	
Infinity Dental Management, Inc.									
Healthcare Services	First lien(2)(9)	8.57% (L + 6.00%/S)	9/15/2017	9/15/2023	4,344	4,308	4,344		
	First lien(3)(9)(10) Drawn	8.61% (L + 6.00%/S)	9/15/2017	9/15/2023	5,277	5,240	5,277		
					9,621	9,548	9,621	0.96	
Knowledge Holdings Company, Inc.									
Business Services	First Lien(4)	7.27% (L + 4.75%/Q)	11/30/2018	7/23/2023	9,450	9,403	9,426	0.94	
D Wolverine Holdings, LLC									
Healthcare Services	First lien(2)	8.02% (L + 5.50%/M)	2/22/2017	8/16/2022	9,488	9,269	9,179	0.91	
Strike, Inc.									
Software	First lien(8)	9.28% (L + 6.75%/M)	12/31/2018	12/31/2024	9,067	8,976	8,976	0.89	
MF Holdings, Inc.									
Software	First lien(8)(9)	10.61% (L + 8.00%/Q)	11/13/2017	11/11/2022	8,757	8,686	8,757	0.87	
Era, Inc.									
Software	Second lien(4)	11.53% (L + 9.00%/M)	6/27/2017	6/27/2025	8,000	7,895	8,020	0.80	
D. Power (fka J.D. Power and Associates)									
Business Services	Second lien(3)	11.02% (L + 8.50%/M)	6/9/2016	9/7/2024	7,583	7,508	7,508	0.75	
VI Bella Midco, LLC									
Healthcare Services	Second lien(3)	9.27% (L + 6.75%/M)	1/25/2018	12/29/2025	6,732	6,701	6,631	0.66	
alerSocket, Inc.									
Software	First lien(2)	7.27% (L + 4.75%/M)	4/16/2018	4/26/2023	6,678	6,633	6,597	0.66	
H Sub I, LLC (Micro Holding Corp.)									
Software	Second lien(2)	10.00% (L + 7.50%/M)	8/16/2017	9/15/2025	7,000	6,938	6,545	0.65	
Restaurant Technologies, Inc.									
Business Services	Second lien(4)	8.90% (L + 6.50%/Q)	9/24/2018	10/1/2026	6,722	6,705	6,520	0.65	

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

Company, Location Industry(1)	Type of Investment	Interest Rate(11)	Acquisition Date	Maturity/ Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Per c N Ass
Investment Intermediate Bridges 2, Inc. (aka Bridgint Technologies Bridges, LLC)		9.27% (L + 6.75%/M)	1/29/2018	2/2/2026	\$ 6,732	\$ 6,702	\$ 6,429	
Business Services American Payment Systems, L.P.	Second lien(3)	7.29% (L + 4.75%/Q)	1/3/2017	1/5/2024	6,391	6,342	6,359	
Business Services SOLERA LLC / Solera Systems, Inc.	First lien(2)	10.50%/S	2/29/2016	3/1/2024	5,000	4,816	5,350	
Business Services Risk Services Holding	Subordinated(3)	11.88% (L + 9.00%/S)	10/3/2016	3/28/2024	5,000	4,942	4,578	
Business Services Solera S Merger Sub, Inc.	Subordinated(3)	8.50%/S	9/17/2014	10/1/2022	3,000	3,000	2,100	
Business Services Investment Management Solutions(12)	Subordinated(3)	9.00%/S	9/21/2015	9/30/2023	2,000	1,953	2,010	
Investment Management II LLC	First Lien(2)	11.00% (P + 5.50%/Q)(24)	1/5/2015	7/2/2020	211	205	15	
Investment Management III LLC	First Lien(3)	11.00% (P + 5.50%/Q)(24)	1/5/2015	7/2/2020	119	116	8	
Investment Management IV LLC	First Lien(2)	14.00% (P + 8.50%/Q)(24)	1/5/2015	7/2/2020	475	437	19	
Investment Management V LLC	First Lien(3)	14.00% (P + 8.50%/Q)(24)	1/5/2015	7/2/2020	268	246	11	
Investment Management VI LLC					1,073	1,004	53	
Investment Management VII LLC Fund, L.P.	Collateralized Financing(25)		11/7/2014					
Business Services								

\$ 1,733,369 \$ 1,719,771 \$ 1,709,641 16

Funded Debt Instruments United States					
Funded Debt Instruments					
\$ 1,819,774 \$ 1,805,709 \$ 1,793,598 17					
Hong Kong					
Special Limited (Bachance Limited)**					
ion	Preferred shares(3)(9)(21)	9/1/2017	66,528 \$	6,573 \$	6,653
Shares	Hong Kong		\$	6,573 \$	6,653
United States					
Topco, Inc.					
ion	Preferred shares(3)(9)(22)	11/17/2017	35,750 \$	40,247 \$	39,890
a Resource					
gs LLC(13)					
GL LLC	Preferred shares(6)(9)	10/30/2017	1,623,385	1,623	2,717
	Ordinary shares(6)(9)	5/12/2014	5,290,997	5,291	8,412
				6,914	11,129
Software Intermediate					
gs, Inc.					
care Information	Preferred Shares(4)(9)(23)	11/30/2018	7,500	7,470	7,469
ology	Preferred Shares(3)(9)(23)	11/30/2018	2,586	2,575	2,575
				10,045	10,044

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Education Management Corporation(12)	Preferred shares(2)		1/5/2015		\$ 3,331	\$ 200		
	Preferred shares(3)		1/5/2015		1,879	113		
	Ordinary shares(2)		1/5/2015		2,994,065	100		
	Ordinary shares(3)		1/5/2015		1,688,976	56		
						469		%
Total Shares	United States					\$ 57,675	\$ 61,063	6.07%
Total Shares						\$ 64,248	\$ 67,716	6.73%
Warrants	United States							
ASP LCG Holdings, Inc.								
Education	Warrants(3)(9)		5/5/2014	5/5/2026	622	\$ 37	\$ 664	0.07%
Total Warrants	United States					\$ 37	\$ 664	0.07%
Total Funded Investments						\$ 1,869,994	\$ 1,861,978	185.04%
Unfunded Debt Investments								
Canada								
Dentalcorp Perfect Smile ULC**								
Healthcare Services	Second lien(3)(10) Undrawn		6/1/2018	6/6/2020	\$ 2,110	\$ 2	(32)	(0.00)%
Total Unfunded Debt Investments	Canada				\$ 2,110	\$ 2	(32)	(0.00)%
Unfunded Debt Investments	United States							
OCA Investment Holding, LLC								

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Healthcare Services	First lien(3)(9)(10) Undrawn	12/20/2017	12/20/2019	\$ 6,755	\$ (59)	
	First lien(3)(9)(10) Undrawn	7/2/2015	7/2/2021	1,956	(20)	
				8,711	(79)	%
Pipeline, Inc. (Internet Pipeline, Inc.)						
Software	First lien(3)(9)(10) Undrawn	8/4/2015	8/4/2021	1,000	(10)	%
Ministry Brands, LLC						
Software	First lien(3)(10) Undrawn	12/7/2016	12/2/2022	1,000	(5)	%
Zywave, Inc.						
Software	First lien(3)(9)(10) Undrawn	11/22/2016	11/17/2022	800	(6)	%
Trader Interactive, LLC						
Business Services	First lien(3)(9)(10) Undrawn	6/15/2017	6/15/2023	1,673	(13)	%
Kactly Corporation						
Software	First lien(3)(9)(10) Undrawn	7/31/2017	7/29/2022	992	(10)	%
Integro Parent Inc.						
Business Services	First lien(3)(9)(10) Undrawn	6/8/2018	10/30/2021	4,686	(23)	%
Affinity Dental Management, Inc.						
Healthcare Services	First lien(3)(9)(10) Undrawn	9/15/2017	3/15/2019	6,307	(16)	
	First lien(3)(9)(10) Undrawn	9/15/2017	3/15/2023	1,738	(17)	
				8,045	(33)	%
Frontline Technologies Group Holdings, LLC						
Education	First lien(3)(9)(10) Undrawn	9/18/2017	9/18/2019	7,738	(58)	%
AMF Holdings, Inc.						

Software	First lien(3)(9)(10) Undrawn	11/13/2017	11/11/2022	750	(8)	%
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The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
AgKnowledge Holdings Company, Inc.	First lien(3)(10) Undrawn		11/30/2018	7/21/2023	\$ 526	\$ (3)	(1)	(0.00)%
Business Services NM GRC Holdco, LLC	First lien(2)(9)(10) Undrawn		2/9/2018	2/9/2020	771	(2)	(2)	(0.00)%
Business Services DealerSocket, Inc.	First lien(3)(10) Undrawn		4/16/2018	4/26/2023	560	(4)	(7)	(0.00)%
Software Wrike, Inc.	First lien(3)(10) Undrawn		12/31/2018	12/31/2024	933	(9)	(9)	(0.00)%
Software Integral Ad Science, Inc.	First lien(3)(9)(10) Undrawn		7/19/2018	7/19/2023	1,429	(14)	(14)	(0.00)%
Software Finalsite Holdings, Inc.	First lien(3)(9)(10) Undrawn		9/25/2018	9/25/2024	2,521	(19)	(19)	(0.00)%
Software TDG Group Holding Company	First lien(3)(9)(10) Undrawn		5/22/2018	5/31/2024	3,783	(19)	(19)	(0.00)%
Consumer Services iCIMS, Inc.	First lien(3)(9)(10) Undrawn		9/12/2018	9/12/2024	1,977	(20)	(20)	(0.00)%
Software Ansira Holdings, Inc.	First lien(3)(10) Undrawn		12/19/2016	4/16/2020	5,433	(14)	(24)	(0.00)%
Business Services								

BackOffice Associates
Holdings, LLC

	First lien(3)(9)(10) Undrawn	8/25/2017	8/25/2023	862	(7)	(51)	(0.01)%
Business Services Associations, Inc.							

	First lien(3)(9)(10) Undrawn	7/30/2018	7/30/2021	6,557	(41)	(41)	
Consumer Services							

	First lien(3)(9)(10) Undrawn	7/30/2018	7/30/2024	2,033	(13)	(13)	

				8,590	(54)	(54)	(0.01)%
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Diligent Corporation

	First lien(3)(9)(10) Undrawn	12/19/2018	12/19/2020	13,431	(84)	(84)	(0.01)%
Software Salient CRGT Inc.							

	First lien(3)(10) Undrawn	6/26/2018	11/29/2021	6,125	(490)	(92)	(0.01)%
Federal Services PhyNet Dermatology LLC							

	First lien(3)(9)(10) Undrawn	9/17/2018	8/16/2020	45,305	(227)	(227)	(0.02)%
Healthcare Services							

Total Unfunded Debt

Investments United States				\$ 127,641	\$ (1,211)	(623)	(0.06)%
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Total Unfunded Debt

Investments				\$ 129,751	\$ (1,209)	(655)	(0.06)%
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**Total
Non-Controlled/Non-Affiliated
Investments**

\$ 1,868,785 \$ 1,861,323 184.98%

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

Folio Company, Location (Industry)(1) Controlled/Affiliated Investments(26)	Type of Investment	Interest Rate(11)	Acquisition Date	Maturity/ Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Perce o Ne Ass
Unfunded Debt Investments - United States								
Life Time Fitness Holdco 1, Inc.								
Life Time Fitness Holdco 2, Inc.								
Life Time Fitness Holdco 3, Inc.								
Life Time Fitness	First lien(3)(9)(10) Drawn	8.87% (L + 6.50%/M)	6/14/2018	6/30/2022	\$ 17,750	\$ 17,750	\$ 17,750	
		14.85% (L + 7.50% + 5.00%						
	First lien(3)(9)	PIK/Q)*	6/14/2018	6/30/2022	10,101	10,101	10,101	
	Subordinated(3)(9)	14.00% PIK/Q*	10/31/2016	10/15/2021	2,303	2,303	2,187	
	Subordinated(3)(9)	18.00% PIK/Q*	12/26/2018	6/30/2022	2,054	2,054	2,054	
	Subordinated(3)(9)	14.00% PIK/Q*	10/31/2016	10/15/2021	1,186	1,186	1,127	
						33,394	33,394	33,219
								3.
Funded Debt Investments - United States								
					\$	\$ 33,394	\$ 33,219	3.
Equity - United States								
Senior Loan Program								
**								
Life Time Fitness Investment Fund	Membership interest(3)(9)		6/13/2014		\$	\$ 23,000	\$ 23,000	2.
Life Time Fitness Hamilton Holdings Corporation								
Life Time Fitness	Ordinary shares(2)(9)		7/31/2017		25,000,000	11,501	11,271	
	Ordinary shares(3)(9)		7/31/2017		2,786,000	1,281	1,256	
						12,782	12,527	1.
Life Time Fitness Holdco 1, Inc.								
Life Time Fitness	Preferred shares(3)(9)(16)		10/31/2016		1,766,177	7,912	8,257	

	Ordinary shares(3)(9)	10/31/2016		1,366,452	1,350	490
					9,262	8,747 0.
l Shares	United States				\$ 45,044	\$ 44,274 4.
l Funded Investments					\$ 78,438	\$ 77,493 7.
unded Debt Investments						
ed States						
	ian Holdco 3, Inc.					
	First lien(3)(9)(10) Undrawn	6/14/2018	6/30/2022	\$ 2,250	\$	\$
l Unfunded Debt						
stments	United States			\$ 2,250	\$	\$
l						
Controlled/Affiliated						
stments					\$ 78,438	\$ 77,493 7.

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Controlled Investments(27)								
Secured Debt Investments								
United States								
Momentum Ultimate Holdings, LLC(15)								
Momentum, Inc. (fka Plato, Inc.)								
Archipelago Learning, Inc.)								
Education	First lien(2)	11.03% (L + 4.50% + 4.00% PIK/Q)*	8/6/2018	6/9/2021	\$ 8,490	\$ 7,245	\$ 7,004	
	Second lien(3)(9)	7.00% PIK/Q*	2/23/2018	12/9/2021	11,184	10,569	10,346	
	Second lien(3)(9)(10)							
	Drawn	5.00% PIK/Q*	6/9/2015	12/9/2021	1,671	1,671	1,671	
	Subordinated(3)(9)	8.50% PIK/Q*	6/9/2015	6/9/2020	4,891	4,889	4,891	
	Subordinated(2)(9)	10.00% PIK/Q*	6/9/2015	6/9/2020	18,525	18,525	14,820	
	Subordinated(3)(9)	10.00% PIK/Q*	6/9/2015	6/9/2020	4,557	4,557	3,646	
					49,318	47,456	42,378	4.21%
HME Holdings Corp.(20)								
National HME, Inc.								
Healthcare Services	Second lien(3)(9)	12.00% PIK/Q*	11/27/2018	5/27/2024	14,664	10,718	10,631	
	Second lien(3)(9)	12.00% PIK/Q*	11/27/2018	5/27/2024	8,104	7,115	7,091	
					22,768	17,833	17,722	1.76%
iTek Global Services, Inc.								
Business Services	First lien(2)(9)	8.02% (L + 5.50%/M)	6/29/2018	8/20/2024	12,542	12,542	12,542	
	First lien(2)(9)	7.96% (L + 5.50%/M)	6/29/2018	8/20/2024	2,508	2,508	2,508	
					15,050	15,050	15,050	1.50%

Total Funded Debt						
Investments	United States			\$	87,136	\$ 80,339 \$ 75,150 7.47
Equity Canada						
M APP Canada Corp.**						
Net Lease	Membership interest(7)(9)	9/13/2016		\$	7,345	\$ 9,727 0.97
Total Shares Canada					\$ 7,345	\$ 9,727 0.97
Equity United States						
MFC Senior Loan Program LLC**						
Investment Fund	Membership interest(3)(9)	5/3/2016			\$ 79,400	\$ 79,400 7.89
MFC Senior Loan Program LLC**						
Investment Fund	Membership interest(3)(9)	5/4/2018			78,400	78,400 7.79
iTek Global Services, Inc.						
Business Services	Preferred shares(2)(9)(17)	1/13/2015		24,841,813	22,462	22,012
	Preferred shares(3)(9)(17)	1/13/2015		6,865,095	6,207	6,083
	Preferred shares(3)(9)(18)	6/30/2017		13,079,442	13,079	13,036
	Preferred shares(3)(9)(19)	8/17/2018		7,070,545	7,071	7,071
	Ordinary shares(2)(9)	1/13/2015		2,096,477	1,925	10,013
	Ordinary shares(3)(9)	1/13/2015		1,993,749	532	9,523
					51,276	67,738 6.73
M NL Holdings, L.P.**						
Net Lease	Membership interest(7)(9)	6/20/2018			32,575	33,392 3.32
M GLCR LLC						
Net Lease	Membership interest(7)(9)	2/1/2018			14,750	20,343 2.02
M CLFX LP						
Net Lease	Membership interest(7)(9)	10/6/2017			12,538	12,770 1.27
M APP US LLC						
Net Lease	Membership interest(7)(9)	9/13/2016			5,080	5,912 0.59
M DRVT LLC						
Net Lease	Membership interest(7)(9)	11/18/2016			5,152	5,619 0.56

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
NM KRLN LLC								
Net Lease	Membership interest(7)(9)		11/15/2016		\$	\$ 7,510	\$ 4,205	0.42%
NHME Holdings Corp.(20)								
Healthcare Services	Ordinary Shares(3)(9)		11/27/2018		640,000	4,000	4,000	0.40%
NM JRA LLC								
Net Lease	Membership interest(7)(9)		8/12/2016			2,043	2,537	0.25%
Edmentum Ultimate Holdings, LLC(15)								
Education	Ordinary shares(3)(9)		6/9/2015		123,968	11	238	
	Ordinary shares(2)(9)		6/9/2015		107,143	9	205	
						20	443	0.04%
NM GP Holdco, LLC**								
Net Lease	Membership interest(7)(9)		6/20/2018			306	311	0.03%
Total Shares	United States					\$ 293,050	\$ 315,070	31.31%
Total Shares						\$ 300,395	\$ 324,797	32.28%
Warrants	United States							
Edmentum Ultimate Holdings, LLC(15)								
Education	Warrants(3)(9)		2/23/2018	5/5/2026	1,141,846	\$ 769	\$ 2,190	0.22%
NHME Holdings Corp.(20)								
Healthcare Services	Warrants(3)(9)		11/27/2018		160,000	1,000	1,000	0.10%
Total Warrants	United States					\$ 1,769	\$ 3,190	0.32%
Total Funded Investments						\$ 382,503	\$ 403,137	40.07%
Unfunded Debt Investments	United States							

Edmentum Ultimate
Holdings, LLC(15)

Edmentum, Inc. (fka Plato, Inc.)
(Archipelago Learning, Inc.)

Education	Second lien(3)(9)(10) Undrawn	6/9/2015	12/9/2021	\$	5,945	\$				
Total Unfunded Debt										
Investments	United States			\$	5,945	\$				
Total Controlled Investments						\$	382,503	\$	403,137	40.07%
Total Investments						\$	2,329,726	\$	2,341,953	232.75%

-
- (1) New Mountain Finance Corporation (the "Company") generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.
- (2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company, as the Collateral Manager, New Mountain Finance Holdings, L.L.C. ("NMF Holdings") as the Borrower and Wells Fargo Bank, National Association as the Administrative Agent and Collateral Custodian. See Note 7. *Borrowings*, for details.
- (3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders. See Note 7. *Borrowings*, for details.
- (4) Investment is held in New Mountain Finance SBIC, L.P.

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

- (5) Investment is held in New Mountain Finance SBIC II, L.P.
- (6) Investment is held in NMF QID NGL Holdings, Inc.
- (7) Investment is held in New Mountain Net Lease Corporation.
- (8) Investment is pledged as collateral for the DB Credit Facility, a revolving credit facility among New Mountain Finance DB, L.L.C as the Borrower and Deutsche Bank AG, New York Branch as the Facility Agent. See Note 7. *Borrowings*, for details.
- (9) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4. *Fair Value*, for details.
- (10) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities or delayed draws. Cost amounts represent the cash received at settlement date net of the impact of paydowns and cash paid for drawn revolvers or delayed draws.
- (11) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of December 31, 2018.
- (12) The Company holds investments in Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.
- (13) The Company holds investments in three related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC), class A preferred units in QID NGL LLC and a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.

- (14) The Company holds investments in QC McKissock Investment, LLC and one related entity of QC McKissock Investment, LLC. The Company holds a first lien term loan in QC McKissock Investment, LLC (which at closing represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds first lien term loans and a delayed draw term loan in McKissock, LLC, a wholly-owned subsidiary of McKissock Investment Holdings, LLC.
- (15) The Company holds investments in Edmentum Ultimate Holdings, LLC and its related entities. The Company holds subordinated notes, ordinary equity and warrants in Edmentum Ultimate Holdings, LLC and holds a first lien term loan, second lien revolver and a second lien term loan in Edmentum, Inc. and Archipelago Learning, Inc., which are wholly-owned subsidiaries of Edmentum Ultimate Holdings, LLC.
- (16) The Company holds preferred equity in Permian Holdco 1, Inc. that is entitled to receive cumulative preferential dividends at a rate of 12.0% per annum payable in additional shares.
- (17) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 13.5% per annum payable in additional shares.
- (18) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.
- (19) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to received cumulative preferential dividends at a rate of 20.0% per annum payable in additional shares.
- (20) The Company holds ordinary shares and warrants in NHME Holdings Corp., as well as second lien term loans in National HME, Inc., a wholly-owned subsidiary of NHME Holdings Corp.

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

- (21) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.
- (22) The Company holds preferred equity in Avatar Topco, Inc. and holds a second lien term loan investment in EAB Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.
- (23) The Company holds preferred equity in Symplr Software Intermediate Holdings, Inc. and holds a first lien term loan investment in Caliper Software, Inc., a wholly-owned subsidiary of Symplr Software Intermediate Holdings, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 10.50% per annum.
- (24) Investment or a portion of the investment is on non-accrual status. See Note 3. Investments, for details.
- (25) The Company holds one security purchased under a collateralized agreement to resell on its Consolidated Statement of Assets and Liabilities with a cost basis of \$30,000 and a fair value of \$23,508 as of December 31, 2018. See Note 2. *Summary of Significant Accounting Policies*, for details.
- (26) Denotes investments in which the Company is an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), due to owning or holding the power to vote 5.0% or more of the outstanding voting securities of the investment but not controlling the company. Fair value as of December 31, 2018 and December 31, 2017 along with transactions during the year ended December 31, 2018 in which the issuer was a non-controlled/affiliated investment is as follows:

Portfolio Company	Fair Value at December 31, 2017	Gross Additions	Gross (Redemptions)	Net Realized Gains (Losses)	Net Change		Fair Value at December 31, 2018	Interest Income	Other Dividend Income	Other Income
					Net Realized Gains (Losses)	Unrealized Appreciation (Depreciation)				
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ 24,858	\$	\$ (24,858)	\$	\$	\$	\$	\$	\$	\$
HI Technology Corp.	105,155		(105,155)	8,387					14,791	
NMFC Senior Loan Program I LLC	23,000						23,000		3,173	1,179
	12,733	31,824	(50)		(2,541)		41,966	2,028	1,083	653

Permian Holdco 1, Inc. /
 Permian Holdco 2, Inc. /
 Permian Holdco 3, Inc.
 Sierra Hamilton Holdings
 Corporation

12,330

197 12,527

**Total
 Non-Controlled/Affiliated
 Investments**

\$ 178,076 \$ 31,824 \$ (130,063)\$ 8,387 \$ (2,344)\$ 77,493 \$ 2,028 \$ 19,047 \$ 1,832

-
- (A) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind ("PIK") interest or dividends, the amortization of discounts, reorganizations or restructurings and the movement at fair value of an existing portfolio company into this category from a different category.
- (B) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, reorganizations or restructurings and the movement of an existing portfolio company out of this category into a different category.
- (27) Denotes investments in which the Company is in "Control", as defined in the 1940 Act, due to owning or holding the power to vote 25.0% or more of the outstanding voting securities of the investment. Fair value as of December 31,

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2018

(in thousands, except shares)

2018 and December 31, 2017 along with transactions during the year ended December 31, 2018 in which the issuer was a controlled investment, is as follows:

Portfolio Company	Fair Value at December 31, 2017	Gross Additions (A)	Gross Redemptions (B)	Net Change		Fair Value at December 31, 2018	Interest Income	Dividend Income	Other Income
				Realized Gain (Loss)	Unrealized Appreciation (Depreciation)				
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$	\$ 51,478	\$ (6,937)	\$ 3	\$ 470	\$ 45,011	\$ 4,077	\$	\$ 424
National HME, Inc./NHME Holdings Corp.		22,832			(110)	22,722	306		
NM APP CANADA CORP	7,962				1,765	9,727			841
NM APP US LLC	5,138				774	5,912			563
NM CLFX LP	12,538				232	12,770			1,507
NM DRVT LLC	5,385				234	5,619			519
NM JRA LLC	2,191				346	2,537			225
NM GLCR LLC		14,750			5,593	20,343			1,634
NM KRLN LLC	8,195				(3,990)	4,205			761
NM NL Holdings, L.P.		32,575			817	33,392			1,506
NM GP Holdco, LLC		306			5	311			11
NMFC Senior Loan Program II LLC	79,400					79,400			11,124
NMFC Senior Loan Program III LLC		78,400				78,400			3,040
UniTek Global Services, Inc.	64,593	28,696	(15,261)		4,760	82,788	1,843	6,648	1,312
Total Controlled Investments	\$ 185,402	\$ 229,037	\$ (22,198)	\$ 3	\$ 10,896	\$ 403,137	\$ 6,226	\$ 28,379	\$ 1,736

(A)

Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of discounts, reorganizations or restructurings and the movement of an existing portfolio company into this category from a different category.

(B)

Gross redemptions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, reorganizations or restructurings and the movement of an existing

portfolio company out of this category into a different category.

*

All or a portion of interest contains PIK interest.

**

Indicates assets that the Company deems to be "non-qualifying assets" under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70.0% of the Company's total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2018, 13.5% of the Company's total investments were non-qualifying assets.

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

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Table of Contents**New Mountain Finance Corporation****Consolidated Schedule of Investments (Continued)****December 31, 2018****(in thousands, except shares)**

Investment Type	December 31, 2018 Percent of Total Investments at Fair Value
First lien	50.11%
Second lien	28.29%
Subordinated	2.79%
Equity and other	18.81%
Total investments	100.00%

Industry Type	December 31, 2018 Percent of Total Investments at Fair Value
Business Services	23.67%
Software	20.41%
Healthcare Services	14.80%
Education	8.94%
Investment Fund	7.72%
Consumer Services	5.15%
Energy	4.49%
Net Lease	4.05%
Distribution & Logistics	3.44%
Federal Services	3.16%
Healthcare Information Technology	1.92%
Food & Beverage	1.19%
Packaging	0.61%
Business Products	0.45%
Total investments	100.00%

Interest Rate Type	December 31, 2018 Percent of Total Investments at Fair Value
Floating rates	93.25%

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Fixed rates	6.75%
Total investments	100.00%

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments

December 31, 2017

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments								
Funded Debt Investments								
United Kingdom								
Air Newco LLC**								
Software	Second lien(3)	10.94% (L + 9.50%/Q)	1/30/2015	1/31/2023	\$ 40,000	\$ 39,033	\$ 39,000	3.77%
Shine Acquisition Co. S.à.r.l / Boing US Holdco Inc.**								
Consumer Services	Second lien(3)	8.88% (L + 7.50%/Q)	9/25/2017	10/3/2025	40,353	40,056	40,656	3.93%
Total Funded Debt Investments United Kingdom					\$ 80,353	\$ 79,089	\$ 79,656	7.70%
Funded Debt Investments								
United States								
AmWINS Group, Inc.								
Business Services	Second lien(3)	8.32% (L + 6.75%/M)	1/19/2017	1/25/2025	\$ 57,000	\$ 56,804	\$ 57,606	5.57%
Alegeus Technologies, LLC								
Healthcare Services	Second lien(3)(10)	10.19% (L + 8.50%/Q)	4/28/2017	10/30/2023	23,500	23,500	23,500	
	Second lien(4)(10)	10.19% (L + 8.50%/Q)	4/28/2017	10/30/2023	22,500	22,500	22,500	
					46,000	46,000	46,000	4.44%
PetVet Care Centers LLC								
Consumer Services	First lien(2)(10)	7.69% (L + 6.00%/Q)	6/8/2017	6/8/2023	34,527	34,409	34,872	
	First lien(3)(10)(17)	7.55% (L + 6.00%/Q)	6/8/2017	6/8/2023	8,646	8,616	8,733	

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First lien(3)(10)	19.50%							
Drawn	(P + 5.00%/Q)	6/8/2017	6/8/2023	2,200	2,192	2,200		

45,373 45,217 45,805 4.43%

Integro Parent Inc.

		7.16%						
Business Services	First lien(2)	(L + 5.75%/Q)	10/9/2015	10/31/2022	34,873	34,601	34,786	
	Second lien(3)	10.63% (L + 9.25%/Q)	10/9/2015	10/30/2023	10,000	9,920	9,800	

44,873 44,521 44,586 4.31%

Severin Acquisition, LLC

Software	Second lien(4)(10)	10.32% (L + 8.75%/M)	7/31/2015	7/29/2022	15,000	14,891	15,000	
	Second lien(3)(10)	10.32% (L + 8.75%/M)	2/1/2017	7/29/2022	14,518	14,361	14,518	
	Second lien(4)(10)	10.32% (L + 8.75%/M)	11/5/2015	7/29/2022	4,154	4,123	4,154	
	Second lien(4)(10)	10.82% (L + 9.25%/M)	2/1/2016	7/29/2022	3,273	3,248	3,273	
	Second lien(3)(10)	10.57% (L + 9.00%/M)	10/14/2016	7/29/2022	2,361	2,341	2,361	
	Second lien(3)(10)	10.82% (L + 9.25%/M)	8/8/2016	7/29/2022	1,825	1,810	1,825	
	Second lien(4)(10)	10.82% (L + 9.25%/M)	8/8/2016	7/29/2022	300	298	300	

41,431 41,072 41,431 4.00%

Salient CRGT Inc.

Federal Services	First lien(2)	7.32% (L + 5.75%/M)	1/6/2015	2/28/2022	40,894	40,421	41,251	3.99%
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Tenawa Resource Holdings LLC(13)

Tenawa Resource Management LLC

Energy	First lien(3)(10)	10.50% (Base + 8.00%/Q)	5/12/2014	10/30/2024	39,900	39,835	39,900	3.86%
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The accompanying notes are an integral part of these consolidated financial statements.

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
VetCor Professional Practices LLC								
Consumer Services	First lien(4)	7.69% (L + 6.00%/Q)	5/15/2015	4/20/2021	\$ 19,111	\$ 18,996	\$ 19,134	
	First lien(2)	7.69% (L + 6.00%/Q)	5/15/2015	4/20/2021	7,714	7,603	7,724	
	First lien(3)(11) Drawn	7.69% (L + 6.00%/Q)	2/24/2017	4/20/2021	6,005	5,891	6,013	
	First lien(4)	7.69% (L + 6.00%/Q)	5/15/2015	4/20/2021	2,650	2,632	2,654	
	First lien(2)	7.69% (L + 6.00%/Q)	6/24/2016	4/20/2021	1,632	1,606	1,634	
	First lien(4)	7.69% (L + 6.00%/Q)	3/31/2016	4/20/2021	495	487	496	
	First lien(3)(11) Drawn	7.69% (L + 6.00%/Q)	5/15/2015	4/20/2021	1,426	1,412	1,428	
					39,033	38,627	39,083	3.78%
Frontline Technologies Group Holdings, LLC								
Education	First lien(2)(10)	8.09% (L + 6.50%/Q)	9/18/2017	9/18/2023	16,750	16,629	16,625	
	First lien(4)(10)	8.09% (L + 6.50%/Q)	9/18/2017	9/18/2023	22,613	22,450	22,444	
					39,363	39,079	39,069	3.77%
Kronos Incorporated								
Software	Second lien(2)	9.63% (L + 8.25%/Q)	10/26/2012	11/1/2024	36,000	35,508	37,449	3.62%
Valet Waste Holdings, Inc.								
Business Services	First lien(2)(10)	8.57% (L + 7.00%/M)	9/24/2015	9/24/2021	29,325	29,078	29,325	
			7/27/2017	9/24/2021	3,731	3,697	3,731	

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	First lien(2)(10)	8.57% (L + 7.00%/M)							
					33,056	32,775	33,056	3.19%	
Evo Payments International, LLC									
Business Services	Second lien(2)	10.57% (L + 9.00%/M)	12/8/2016	12/23/2024	25,000	24,824	25,250		
	Second lien(3)	10.57% (L + 9.00%/M)	12/8/2016	12/23/2024	5,000	5,052	5,050		
					30,000	29,876	30,300	2.93%	
Wirepath LLC									
Distribution & Logistics Ansira Holdings, Inc.	First lien(2)	6.87% (L + 5.25%/Q)	7/31/2017	8/5/2024	27,731	27,598	28,112	2.72%	
Business Services	First lien(2)	8.19% (L + 6.50%/Q)	12/19/2016	12/20/2022	25,920	25,809	25,855		
	First lien(3)(11) Drawn	8.19% (L + 6.50%/Q)	12/19/2016	12/20/2022	2,107	2,097	2,102		
					28,027	27,906	27,957	2.70%	
TW-NHME Holdings Corp.(20) National HME, Inc.									
Healthcare Services	Second lien(4)(10)	10.95% (L + 9.25%/Q)	7/14/2015	7/14/2022	21,500	21,301	21,646		
	Second lien(3)(10)	10.95% (L + 9.25%/Q)	7/14/2015	7/14/2022	5,800	5,737	5,839		
					27,300	27,038	27,485	2.66%	
Navicure, Inc.									
Healthcare Services	Second lien(3)	8.86% (L + 7.50%/M)	10/23/2017	10/31/2025	26,952	26,819	27,154	2.62%	
Trader Interactive, LLC									
Business Services	First lien(2)(10)	7.50% (L + 6.00%/M)	6/15/2017	6/17/2024	27,190	26,999	26,986	2.61%	
Marketo, Inc.									
Software	First lien(3)(10)	11.19% (L + 9.50%/Q)	8/16/2016	8/16/2021	26,820	26,509	26,820	2.59%	
Keystone Acquisition Corp.									
Healthcare Services	First lien(2)	6.94% (L + 5.25%/Q)	5/10/2017	5/1/2024	19,950	19,764	20,087		
	Second lien(3)	10.94% (L + 9.25%/Q)	5/10/2017	5/1/2025	4,500	4,457	4,511		
					24,450	24,221	24,598	2.38%	

iPipeline, Inc. (Internet Pipeline, Inc.)

Software	First	8.82%						
	lien(4)(10)	(L + 7.25%/M)	8/4/2015	8/4/2022	17,589	17,464	17,589	
	First	7.74%						
	lien(4)(10)	(L + 6.25%/M)	6/16/2017	8/4/2022	4,577	4,556	4,554	
	First	7.74%						
	lien(2)(10)	(L + 6.25%/M)	9/25/2017	8/4/2022	1,161	1,155	1,155	
	First	7.74%						
	lien(4)(10)	(L + 6.25%/M)	9/25/2017	8/4/2022	511	508	508	
					23,838	23,683	23,806	2.30%

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
AAC Holding Corp.		9.62%						
Education	First lien(2)(10)	(L + 8.25%/M)	9/30/2015	9/30/2020	\$ 23,161	\$ 22,953	\$ 23,161	2.24%
BackOffice Associates Holdings, LLC		8.06%						
Business Services	First lien(2)(10)	(L + 6.50%/M)	8/25/2017	8/25/2023	22,869	22,679	22,669	2.19%
TWDiamondback Holdings Corp.(15)								
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)		10.49%						
Distribution & Logistics	First lien(4)(10)	(L + 8.75%/Q)	11/19/2014	11/19/2019	19,895	19,895	19,895	
	First lien(3)(10)	(L + 8.75%/Q)	11/19/2014	11/19/2019	2,158	2,158	2,158	
	First lien(4)(10)	(L + 8.75%/Q)	11/19/2014	11/19/2019	605	605	605	
					22,658	22,658	22,658	2.19%
EN Engineering, LLC		7.69%						
Business Services	First lien(2)(10)	(L + 6.00%/Q)	7/30/2015	6/30/2021	20,893	20,760	20,893	
	First lien(2)(10)	(L + 6.00%/Q)	7/30/2015	6/30/2021	1,208	1,200	1,208	
					22,101	21,960	22,101	2.14%
Avatar Topco, Inc(23)								
EAB Global, Inc.		8.99%						
Education	Second lien(3)	(L + 7.50%/M)	11/17/2017	11/17/2025	21,450	21,132	21,236	2.05%
DigiCert Holdings, Inc.		9.38%						
Business Services	Second lien(3)	(L + 8.00%/Q)	9/20/2017	10/31/2025	20,176	20,077	20,347	1.97%

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DiversiTech Holdings, Inc.								
Distribution & Logistics	Second lien(3)	9.20% (L + 7.50%/Q)	5/18/2017	6/2/2025	19,500	19,315	19,744	1.91%
ABILITY Network Inc.								
Healthcare Information Technology	Second lien(3)	9.21% (L + 7.75%/M)	12/11/2017	12/12/2025	18,851	18,839	18,945	1.83%
KeyPoint Government Solutions, Inc.								
Federal Services	First lien(2)(10)	7.35% (L + 6.00%/Q)	4/18/2017	4/18/2024	18,413	18,243	18,597	1.80%
AgKnowledge Holdings Company, Inc.								
Business Services	Second lien(2)(10)	9.82% (L + 8.25%/M)	7/23/2014	7/23/2020	18,500	18,409	18,500	1.79%
VF Holding Corp.								
Software	Second lien(3)(10)	10.57% (L + 9.00%/M)	7/7/2016	6/28/2024	17,086	17,396	17,598	1.70%
DCA Investment Holding, LLC								
Healthcare Services	First lien(2)(10)	6.94% (L + 5.25%/Q)	7/2/2015	7/2/2021	17,453	17,344	17,453	1.69%
OEConnection LLC								
Business Services	Second lien(3)	9.69% (L + 8.00%/Q)	11/22/2017	11/22/2025	16,841	16,548	16,841	1.63%
TIBCO Software Inc.								
Software	Subordinated(3)	11.38%/S	11/24/2014	12/1/2021	15,000	14,714	16,378	1.58%
American Tire Distributors, Inc.								
Distribution & Logistics	Subordinated(3)	10.25%/S	2/10/2015	3/1/2022	15,520	15,267	16,063	1.55%
Hill International, Inc.**								
Business Services	First lien(2)(10)	7.32% (L + 5.75%/M)	6/21/2017	6/21/2023	15,721	15,648	15,642	1.51%
Netsmart Inc. / Netsmart Technologies, Inc.								
Healthcare Information Technology	Second lien(2)	10.98% (L + 9.50%/Q)	4/18/2016	10/19/2023	15,000	14,686	15,075	1.46%
Transcendia Holdings, Inc.								
Packaging	Second lien(3)	9.57% (L + 8.00%/M)	6/28/2017	5/30/2025	14,500	14,309	14,391	1.39%
SW Holdings, LLC								
Business Services	Second lien(4)(10)	10.44% (L + 8.75%/Q)	6/30/2015	12/30/2021	14,265	14,167	14,331	1.38%
Peraton Holding Corp. (fka MHVC Acquisition Corp.)								
Federal Services	First lien(2)	6.95% (L + 5.25%/Q)	4/25/2017	4/29/2024	14,030	13,987	14,135	1.37%

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

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(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Ministry Brands, LLC								
Software	First lien(3)	6.38% (L + 5.00%/Q)	12/7/2016	12/2/2022	\$ 2,993	\$ 2,980	\$ 2,993	
	First lien(3)(10)(1)	6.57% (L + 5.00%/M)	12/7/2016	12/2/2022	1,000	995	1,000	
	Second lien(3)(10)	10.63% (L + 9.25%/Q)	12/7/2016	6/2/2023	7,840	7,788	7,840	
	Second lien(3)(10)	10.63% (L + 9.25%/Q)	12/7/2016	6/2/2023	2,160	2,146	2,160	
					13,993	13,909	13,993	1.35%
nThrive, Inc. (fka Precyse Acquisition Corp.)								
Healthcare Services	Second lien(2)(10)	11.32% (L + 9.75%/M)	4/19/2016	4/20/2023	13,000	12,813	12,702	1.23%
FR Arsenal Holdings II Corp.								
Business Services	First lien(2)(10)	8.81% (L + 7.25%/Q)	9/29/2016	9/8/2022	12,356	12,252	12,373	1.19%
Amerijet Holdings, Inc.								
Distribution & Logistics	First lien(4)(10)	9.57% (L + 8.00%/M)	7/15/2016	7/15/2021	10,403	10,344	10,458	
	First lien(4)(10)	9.57% (L + 8.00%/M)	7/15/2016	7/15/2021	1,734	1,724	1,743	
					12,137	12,068	12,201	1.18%
SSH Group Holdings, Inc.								
Education	First lien(2)(10)	6.69% (L + 5.00%/Q)	10/13/2017	10/2/2024	8,407	8,366	8,365	
	Second lien(3)(10)	10.69% (L + 9.00%/Q)	10/13/2017	10/2/2025	3,363	3,330	3,329	
					11,770	11,696	11,694	1.13%
ProQuest LLC								

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Business Services Xactly Corporation	Second lien(3)	10.55% (L + 9.00%/M)	12/14/2015	12/15/2022	11,620	11,440	11,620	1.12%
Software Zywave, Inc.	First lien(4)(10)	8.82% (L + 7.25%/M)	7/31/2017	7/29/2022	11,600	11,492	11,484	1.11%
Software	Second lien(4)(10)	10.42% (L + 9.00%/Q)	11/22/2016	11/17/2023	11,000	10,927	11,011	
	First lien(3)(10)(1)	8.50% (P + 4.00%/Q)	11/22/2016	11/17/2022	200	199	200	
	First lien(3)(10)(1)	6.57% (L + 5.00%/Q)	11/22/2016	11/17/2022	250	248	250	
					11,450	11,374	11,461	1.11%
QC McKissock Investment, LLC(14) McKissock, LLC								
Education	First lien(2)(10)	7.94% (L + 6.25%/Q)	8/6/2014	8/5/2021	6,415	6,386	6,415	
	First lien(2)(10)	7.94% (L + 6.25%/Q)	8/6/2014	8/5/2021	3,058	3,046	3,058	
	First lien(2)(10)	7.94% (L + 6.25%/Q)	8/6/2014	8/5/2021	987	983	987	
					10,460	10,415	10,460	1.01%
Masergy Holdings, Inc.								
Business Services Idera, Inc.	Second lien(2)	10.19% (L + 8.50%/Q)	12/14/2016	12/16/2024	10,000	9,943	10,144	0.98%
Software Quest Software US Holdings Inc.	Second lien(4)	10.57% (L + 9.00%/M)	6/27/2017	6/27/2025	10,000	9,856	10,100	0.97%
Software PowerPlan Holdings, Inc.	First lien(2)	6.92% (L + 5.50%/Q)	10/31/2016	10/31/2022	9,899	9,775	10,071	0.97%
Software	Second lien(2)(10)	10.57% (L + 9.00%/M)	2/23/2015	2/23/2023	10,000	9,927	10,000	0.97%

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Wolverine Holdings, LLC		7.07%						
Healthcare Services	First lien(2)	(L + 5.50%/M)	2/22/2017	8/16/2022	\$ 9,813	\$ 9,534	\$ 9,512	0.9
Food Products, Inc.		9.94%						
Business Products	Second lien(2)	(L + 8.25%/Q)	4/9/2014	4/9/2021	9,500	9,533	9,500	0.9
Power (fka J.D. Power and Associates)		10.19%						
Business Services	Second lien(3)	(L + 8.50%/Q)	6/9/2016	9/7/2024	9,333	9,230	9,473	0.9
Key Marine Services, Inc.		10.63%						
Distribution & Logistics	Second lien(2)	(L + 9.25%/Q)	12/18/2013	12/20/2019	9,000	8,929	8,955	0.8
RF Holdings, Inc.		9.41%						
Software	First lien(3)(10)	(L + 8.00%/Q)	11/13/2017	11/11/2022	8,757	8,672	8,670	0.8
Autodata, Inc. (Autodata Solutions, Inc.)		8.82%						
Business Services	Second lien(3)	(L + 7.25%/Q)	12/12/2017	12/12/2025	7,406	7,387	7,387	0.7
Sub I, LLC (Micro Holding Company)		9.09%						
Software	Second lien(3)	(L + 7.50%/Q)	8/16/2017	9/15/2025	7,000	6,932	7,048	0.6
American Payment Systems, L.P.		7.14%						
Business Services	First lien(2)	(L + 5.75%/M)	1/3/2017	1/5/2024	6,844	6,783	6,880	0.6
Solera LLC / Solera Finance, Inc.		10.50%/S						
Software	Subordinated(3)	10.50%/S	2/29/2016	3/1/2024	5,000	4,791	5,650	0.5
Way Partners Vet Management Company LLC		9.57%						
Consumer Services	Second lien(4)	(L + 8.00%/M)	10/4/2017	10/10/2025	5,556	5,527	5,527	0.5
Unified Systems, Inc.		8.69%						
Software	Second lien(3)	(L + 7.00%/Q)	9/14/2017	9/19/2025	4,923	4,923	5,106	0.4
GG, LLC								

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Healthcare Services Core, Inc. (fka The SI Organization Inc.)	Second lien(3)(10)	10.57% (L + 9.00%/M)	10/3/2016	3/28/2024	5,000	4,934	5,038	0.4
Healthcare Services Community Dental Management, Inc.	Second lien(3)	10.44% (L + 8.75%/Q)	6/14/2016	5/23/2020	4,400	4,350	4,450	0.4
Healthcare Services Risk Services Holding Co.	First lien(2)(10)	7.59% (L + 6.00%/Q)	9/15/2017	9/15/2023	4,344	4,302	4,301	0.4
Business Services Amble S Merger Sub, Inc.	Subordinated(3)	8.50%/S	9/17/2014	10/1/2022	3,000	3,000	2,940	0.2
Software Information Management Corporation(12) Information Management II LLC	Subordinated(3)	9.00%/S	9/21/2015	9/30/2023	2,000	1,946	2,125	0.2
Information Management	First lien(2)	5.85% (L + 4.50%/Q)	1/5/2015	7/2/2020	211	205	82	
	First lien(3)	5.85% (L + 4.50%/Q)	1/5/2015	7/2/2020	119	116	46	
	First lien(2)	8.85% (L + 7.50%/Q)	1/5/2015	7/2/2020	475	437	10	
	First lien(3)	8.85% (L + 7.50%/Q)	1/5/2015	7/2/2020	268	247	6	
					1,073	1,005	144	0.0
Unfunded Debt								
Investments	United States				\$ 1,319,560	\$ 1,309,577	\$ 1,325,328	128.0
Unfunded Debt								
Investments					\$ 1,399,913	\$ 1,388,666	\$ 1,404,984	135.7

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

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Equity Hong Kong								
Bach Special Limited (Bach Reference Limited)**	Preferred shares(3)(10)(22)		9/1/2017		\$ 58,868	\$ 5,807	\$ 5,806	0.56%
Total Shares	Hong Kong					\$ 5,807	\$ 5,806	0.56%
Equity United States								
Avatar Topco, Inc.(23)	Preferred shares(3)(10)(23)		11/17/2017		35,750	\$ 35,220	\$ 35,204	3.40%
Renewa Resource Holdings LLC(13)	Ordinary shares(7)(10)		5/12/2014		5,290,997	5,291	8,154	
WID NGL LLC	Preferred shares(7)(10)		10/30/2017		620,706	621	1,007	
						5,912	9,161	0.88%
WDiamondback Holdings Corp.(15)								
Distribution & Logistics W-NHME Holdings Corp.(20)	Preferred shares(4)(10)		11/19/2014		200	2,000	4,508	0.44%
Healthcare Services	Preferred shares(4)(10)		7/14/2015		100	1,000	944	
	Preferred shares(4)(10)		1/5/2016		16	158	149	
	Preferred shares(4)(10)		6/30/2016		6	68	58	
						1,226	1,151	0.11%
Incora Acquisition LLC								
Education	Preferred shares(6)(10)		8/12/2013		372	83	393	0.04%

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Education Management Corporation(12)									
Education	Preferred shares(2)	1/5/2015		3,331	200				
	Preferred shares(3)	1/5/2015		1,879	113				
	Ordinary shares(2)	1/5/2015		2,994,065	100	10			
	Ordinary shares(3)	1/5/2015		1,688,976	56	6			
					469	16	0.00%		
Total Shares	United States			\$ 44,910	\$ 50,433	4,879			
Total Shares				\$ 50,717	\$ 56,239	5,439			
Warrants United States									
SP LCG Holdings, Inc.									
Education	Warrants(3)(10)	5/5/2014	5/5/2026	622	\$ 37	\$ 1,089	0.11%		
Ancora Acquisition LLC									
Education	Warrants(6)(10)	8/12/2013	8/12/2020	20					
P Equity Investors, LLC									
Media	Warrants(5)(10)	5/3/2012	5/8/2022	5					
Total Warrants	United States			\$ 37	\$ 1,089	0.11%			
Total Funded Investments				\$ 1,439,420	\$ 1,462,312	141.29%			
Unfunded Debt Investments United States									
PetVet Care Centers LLC									
Consumer Services	First lien(3)(10)(11) Undrawn	6/8/2017	6/8/2019	\$ 4,439	\$ (16)	\$ 44	0.00%		
PetCor Professional Practices LLC									
Consumer Services	First lien(3)(11) Undrawn	5/15/2015	4/20/2021	\$ 1,274	\$ (13)	\$ 2			
	First lien(3)(11) Undrawn	12/29/2017	12/29/2019	8,552	(75)	11			
				9,826	(88)	13	0.00%		

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
DCA Investment Holding, LLC								
Healthcare Services	First lien(3)(10)(11) Undrawn		7/2/2015	7/2/2021	\$ 2,100	\$ (21)		
	First lien(3)(10)(11) Undrawn		12/20/2017	12/20/2019	13,465	(118)		
					15,565	(139)		%
iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien(3)(10)(11) Undrawn		8/4/2015	8/4/2021	1,000	(10)		%
Valet Waste Holdings, Inc.								
Business Services	First lien(3)(10)(11) Undrawn		9/24/2015	9/24/2021	3,750	(47)		%
Zywave, Inc.								
Software	First lien(3)(10)(11) Undrawn		11/22/2016	11/17/2022	1,550	(12)		%
Marketo, Inc.								
Software	First lien(3)(10)(11) Undrawn		8/16/2016	8/16/2021	1,788	(27)		%
Ansira Holdings, Inc.								
Business Services	First lien(3)(11) Undrawn		12/19/2016	12/20/2018	1,700	(9)	(4)	(0.00)%
JAMF Holdings, Inc.								
Software	First lien(3)(10)(11) Undrawn		11/13/2017	11/11/2022	750	(8)	(8)	(0.00)%
Xactly Corporation								
Software			7/31/2017	7/29/2022	992	(10)	(10)	(0.00)%

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First
lien(3)(10)(11)
Undrawn

Pathway Partners Vet Management Company LLC							
Consumer Services	Second lien(4)(11) Undrawn	10/4/2017	10/10/2019	2,444	(12)	(12)	(0.00)%
Trader Interactive, LLC							
Business Services	First lien(3)(10)(11) Undrawn	6/15/2017	6/15/2023	1,673	(13)	(13)	(0.00)%
BackOffice Associates Holdings, LLC							
Business Services	First lien(3)(10)(11) Undrawn	8/25/2017	8/24/2018	3,448	(13)	(13)	
	First lien(3)(10)(11) Undrawn	8/25/2017	8/25/2023	2,586	(23)	(23)	
				6,034	(36)	(36)	(0.00)%
Affinity Dental Management, Inc.							
Healthcare Services	First lien(3)(10)(11) Undrawn	9/15/2017	3/15/2019	11,584	(29)	(29)	
	First lien(3)(10)(11) Undrawn	9/15/2017	3/15/2023	1,738	(17)	(17)	
				13,322	(46)	(46)	(0.00)%
Frontline Technologies Group Holdings, LLC							
Education	First lien(3)(10)(11) Undrawn	9/18/2017	9/18/2019	7,738	(58)	(58)	(0.01)%
Total Unfunded Debt							
Investments	United States			\$ 72,571	\$ (531)	(130)	(0.01)%
Total Non-Controlled/Non-Affiliated Investments				\$ 1,438,889	\$ 1,462,182	141.28%	

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(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Affiliated Investments(24)								
Funded Debt Investments United States								
Edmentum Ultimate Holdings, LLC(16)								
Edmentum, Inc. (fka Plato, Inc.)								
Archipelago Learning, Inc.)								
	Second lien(3)(10)(11)							
Education	Drawn	5.00%/M 8.50%	6/9/2015	6/9/2020	\$ 3,172	\$ 3,172	\$ 3,172	
	Subordinated(3)(10)	PIK/Q* 10.00%	6/9/2015	6/9/2020	4,491	4,486	4,491	
	Subordinated(2)(10)	PIK/Q* 10.00%	6/9/2015	6/9/2020	16,760	16,760	13,408	
	Subordinated(3)(10)	PIK/Q*	6/9/2015	6/9/2020	4,123	4,123	3,298	
					28,546	28,541	24,369	2.36%
Meridian Holdco 1, Inc.								
Meridian Holdco 2, Inc.								
		14.00%						
Energy	Subordinated(3)(10)	PIK/Q*	10/31/2016	10/15/2021	2,007	2,007	2,007	
	Subordinated(3)(10)	PIK/Q* 14.00%	10/31/2016	10/15/2021	696	696	696	
	Drawn	PIK/Q*						
					2,703	2,703	2,703	0.26%
Total Funded Debt Investments United States								
					\$ 31,249	\$ 31,244	\$ 27,072	2.62%
Equity United States								
AI Technology Corp.								
Business Services	Preferred shares(3)(10)(21)		3/21/2017		2,768,000	\$ 105,155	\$ 105,155	10.16%
MFC Senior Loan Program LLC**								

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Investment Fund	Membership interest(3)(10)	6/13/2014		23,000	23,000	2.22%
Terra Hamilton Holdings Corporation						
Energy	Ordinary shares(2)(10)	7/31/2017	25,000,000	11,501	11,094	
	Ordinary shares(3)(10)	7/31/2017	2,786,000	1,281	1,236	
				12,782	12,330	1.19%
Meridian Holdco 1, Inc.						
Energy	Preferred shares(3)(10)(17)	10/31/2016	1,569,226	6,829	8,631	
	Ordinary shares(3)(10)	10/31/2016	1,366,452	1,350	1,399	
				8,179	10,030	0.97%
Momentum Ultimate Holdings, LLC(16)						
Education	Ordinary shares(3)(10)	6/9/2015	123,968	11	262	
	Ordinary shares(2)(10)	6/9/2015	107,143	9	227	
				20	489	0.05%
Total Shares	United States			\$ 149,136	\$ 151,004	14.59%
Total Funded Investments				\$ 180,380	\$ 178,076	17.21%

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Portfolio Company, Location Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/ Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Perce of Ne Ass
Funded Debt Investments								
United States								
entum Ultimate ings, LLC(16)								
entum, Inc. (fka Plato, Inc.) ipelago Learning, Inc.)	Second lien(3)(10)(11)							
ation	Undrawn		6/9/2015	6/9/2020	\$ 1,709	\$	\$	
ian Holdco 1, Inc.								
ian Holdco 2, Inc.	Subordinated(3)(10)(11)							
y	Undrawn		10/31/2016	10/15/2021	342			
Unfunded Debt								
Investments United States								
					\$ 2,051	\$	\$	
Controlled/Affiliated								
Investments								
						\$ 180,380	\$ 178,076	17.
Controlled Investments(25)								
Funded Debt Investments								
United States								
ek Global Services, Inc.								
ess Services	First lien(2)(10)	10.20% (L + 8.50%/Q)	1/13/2015	1/13/2019	\$ 10,846	\$ 10,846	\$ 10,846	
		9.84% (L + 7.50% + 1.00%						
	First lien(2)(10)	PIK/Q)*	1/13/2015	1/13/2019	797	797	797	
	Subordinated(2)(10)	15.00% PIK/Q*	1/13/2015	7/13/2019	2,003	2,003	2,003	
	Subordinated(3)(10)	15.00% PIK/Q*	1/13/2015	7/13/2019	1,198	1,198	1,198	
					14,844	14,844	14,844	1.
Funded Debt								
Investments United States								
					\$ 14,844	\$ 14,844	\$ 14,844	1.

ty Canada					
APP Canada Corp.**					
lease	Membership interest(8)(10)	9/13/2016	\$ 7,345	\$ 7,962	0.
Shares	Canada		\$ 7,345	\$ 7,962	0.

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Equity United States								
MFC Senior Loan Program LLC**	Membership interest(3)(10)		5/3/2016		\$	\$ 79,400	\$ 79,400	7.67%
Investment Fund								
niTek Global Services, Inc.	Preferred shares(2)(10)(18)		1/13/2015		21,753,102	19,373	19,288	
Business Services	Preferred shares(3)(10)(18)		1/13/2015		6,011,522	5,353	5,330	
	Preferred shares(3)(10)(19)		6/30/2017		10,863,583	10,864	10,864	
	Ordinary shares(2)(10)		1/13/2015		2,096,477	1,925	7,313	
	Ordinary shares(3)(10)		1/13/2015		1,993,749	531	6,954	
						38,046	49,749	4.81%
M CLFX LP	Membership interest(8)(10)		10/6/2017			12,538	12,538	1.21%
et Lease M KRLN LLC	Membership interest(8)(10)		11/15/2016			7,510	8,195	0.79%
et Lease M DRVT LLC	Membership interest(8)(10)		11/18/2016			5,152	5,385	0.52%
et Lease M APP US LLC	Membership interest(8)(10)		9/13/2016			5,080	5,138	0.50%
et Lease M JRA LLC	Membership interest(8)(10)		8/12/2016			2,043	2,191	0.21%
Total Shares United States						\$ 149,769	\$ 162,596	15.71%
Total Shares						\$ 157,114	\$ 170,558	16.48%

Warrants		United States							
niTek Global Services, Inc.									
Business Services	Warrants(3)(10)	6/30/2017	12/31/2018	526,925	\$		\$		
Total Warrants	United States				\$		\$		
Total Funded Investments					\$	171,958	\$	185,402	17,919
Unfunded Debt Investments									
United States									
niTek Global Services, Inc.									
Business Services	First lien(3)(10)(11) Undrawn	1/13/2015	1/13/2019	\$	2,048	\$		\$	
	First lien(3)(10)(11) Undrawn	1/13/2015	1/13/2019		758				
					2,806				
Total Unfunded Debt Investments	United States			\$	2,806	\$		\$	
Total Controlled Investments					\$	171,958	\$	185,402	17,919
Total Investments					\$	1,791,227	\$	1,825,660	176,499

(1)

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

(2)

Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company as Collateral Manager, New Mountain Finance Holdings, L.L.C. ("NMF Holdings") as the Borrower, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian. See Note 7. *Borrowings*, for details.

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

- (3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders. See Note 7. *Borrowings*, for details.
- (4) Investment is held in New Mountain Finance SBIC, L.P.
- (5) Investment is held in NMF YP Holdings, Inc.
- (6) Investment is held in NMF Ancora Holdings, Inc.
- (7) Investment is held in NMF QID NGL Holdings, Inc.
- (8) Investment is held in New Mountain Net Lease Corporation.
- (9) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of December 31, 2017.
- (10) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4. *Fair Value*, for details.
- (11) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities or delayed draws. Cost amounts represent the cash received at settlement date net the impact of paydowns and cash paid for drawn revolvers or delayed draws.
- (12) The Company holds investments in Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.

- (13) The Company holds investments in three related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC), class A preferred units in QID NGL LLC and a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.
- (14) The Company holds investments in QC McKissock Investment, LLC and one related entity of QC McKissock Investment, LLC. The Company holds a first lien term loan in QC McKissock Investment, LLC (which at closing represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds a first lien term loan and a delayed draw term loan in McKissock, LLC, a wholly-owned subsidiary of McKissock Investment Holdings, LLC.
- (15) The Company holds investments in TWDiamondback Holdings Corp. and one related entity of TWDiamondback Holdings Corp. The Company holds preferred equity in TWDiamondback Holdings Corp. and holds a first lien last out term loan and a delayed draw term loan in Diamondback Drugs of Delaware LLC, a wholly-owned subsidiary of TWDiamondback Holdings Corp.
- (16) The Company holds investments in Edmentum Ultimate Holdings, LLC and its related entities. The Company holds subordinated notes and ordinary equity in Edmentum Ultimate Holdings, LLC and holds a second lien revolver in Edmentum, Inc. and Archipelago Learning, Inc., which are wholly-owned subsidiaries of Edmentum Ultimate Holdings, LLC.
- (17) The Company holds preferred equity in Permian Holdco 1, Inc. that is entitled to receive cumulative preferential dividends at a rate of 12.0% per annum payable in additional shares.
- (18) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 13.5% per annum payable in additional shares.

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

- (19) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.
- (20) The Company holds equity investments in TW-NHME Holdings Corp., and holds a second lien term loan investment in National HME, Inc., a wholly-owned subsidiary of TW-NHME Holdings Corp.
- (21) The Company holds convertible preferred equity in HI Technology Corp that is accruing dividends at a rate of 15.0% per annum.
- (22) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.
- (23) The Company holds preferred equity in Avatar Topco, Inc., and holds a second lien term loan investment in EAB Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.
- (24) Denotes investments in which the Company is an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), due to owning or holding the power to vote 5.0% or more of the outstanding voting securities of the investment but not controlling the company. Fair value as of December 31, 2017 and December 31, 2016 along with transactions during the year ended December 31, 2017 in which the issuer was a non-controlled/affiliated investment is as follows:

Portfolio Company	Fair Value at December 31, 2016	Gross Additions	Gross Reductions	Net Change		Fair Value at December 31, 2017	Interest Income	Dividend Income	Other Income
				Realized Gain (Loss)	Unrealized Appreciation (Depreciation)				
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ 23,247	\$ 10,912	\$ (5,381)	\$ (3,920)	\$ (3,920)	\$ 24,858	\$ 2,538	\$	\$
HI Technology Corp.		105,155				105,155		11,667	
NMFC Senior Loan Program I LLC	23,000					23,000		3,498	1,156
Permian Holdco 1, Inc. / Permian Holdco 2, Inc.	11,193	1,916		(376)	(376)	12,733	270	960	30
		12,782		(452)	(452)	12,330			

Sierra Hamilton Holdings
Corporation

**Total
Non-Controlled/Affiliated
Investments** \$ 57,440 \$ 130,765 \$ (5,381)\$ \$ (4,748)\$ 178,076 \$ 2,808 \$ 16,125 \$ 1,186

-
- (A) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind ("PIK") interest or dividends, the amortization of discounts, reorganizations or restructurings and the movement at fair value of an existing portfolio company into this category from a different category.
- (B) Gross redemptions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, reorganizations or restructurings and the movement of an existing portfolio company out of this category into a different category.
- (25) Denotes investments in which the Company is in "Control", as defined in the 1940 Act, due to owning or holding the power to vote 25.0% or more of the outstanding voting securities of the investment. Fair value as of December 31,

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

2017 and December 31, 2016 along with transactions during the year ended December 31, 2017 in which the issuer was a controlled investment, is as follows:

Portfolio Company	Fair Value at December 31, 2016	Gross Additions (A)	Gross Redemptions (B)	Net Change		Fair Value at December 31, 2017	Interest Income	Dividend Income	Other Income
				Realized Gains (Losses)	Unrealized Appreciation (Depreciation)				
New Mountain Net Lease Corporation	\$ 27,000	\$	\$ (27,000)	\$	\$	\$	\$	\$	\$
NM APP CANADA CORP		7,345			617	7,962		911	
NM APP US LLC		5,080			58	5,138		594	
NM CLFX LP		12,538				12,538		341	
NM DRVT LLC		5,152			233	5,385		520	
NM JRA LLC		2,043			148	2,191		232	
NM KRLN LLC		7,510			685	8,195		736	
NMFC Senior Loan Program II LLC	71,460	7,940				79,400		12,406	
UniTek Global Services, Inc.	56,361	14,777	(4,006)		(2,539)	64,593	1,709	4,415	819
Total Controlled Investments	\$ 154,821	\$ 62,385	\$ (31,006)	\$	(798)	\$ 185,402	\$ 1,709	\$ 20,155	\$ 819

(A)

Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of discounts, reorganizations or restructurings and the movement at fair value of an existing portfolio company into this category from a different category.

(B)

Gross redemptions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, reorganizations or restructurings and the movement of an existing portfolio company out of this category into a different category.

*

All or a portion of interest contains PIK interest.

**

Indicates assets that the Company deems to be "non-qualifying assets" under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70.0% of the Company's total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2017, 11.0% of the Company's total investments were non-qualifying assets.

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

Investment Type	December 31, 2017 Percent of Total Investments at Fair Value
First lien	37.99%
Second lien	37.41%
Subordinated	3.85%
Equity and other	20.75%
Total investments	100.00%

Industry Type	December 31, 2017 Percent of Total Investments at Fair Value
Business Services	31.85%
Software	16.33%
Healthcare Services	9.60%
Education	9.48%
Consumer Services	7.18%
Distribution & Logistics	6.15%
Investment Fund	5.61%
Federal Services	4.30%
Energy	4.06%
Net Lease	2.27%
Healthcare Information Technology	1.86%
Packaging	0.79%
Business Products	0.52%
Total investments	100.00%

Interest Rate Type	December 31, 2017 Percent of Total Investments at Fair Value
Floating rates	87.48%
Fixed rates	12.52%

Total investments	100.00%
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The accompanying notes are an integral part of these consolidated financial statements.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation**

December 31, 2018

(in thousands, except share data)

Note 1. Formation and Business Purpose

New Mountain Finance Corporation ("NMFC" or the "Company") is a Delaware corporation that was originally incorporated on June 29, 2010 and completed its initial public offering ("IPO") on May 19, 2011. NMFC is a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). NMFC has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Since NMFC's IPO, and through December 31, 2018, NMFC raised approximately \$614,581 in net proceeds from additional offerings of its common stock.

New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") is a wholly-owned subsidiary of New Mountain Capital Group, L.P. (together with New Mountain Capital, L.L.C. and its affiliates, "New Mountain Capital") whose ultimate owners include Steven B. Klinsky and related other vehicles. New Mountain Capital is a firm with a track record of investing in the middle market. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. The Investment Adviser manages the Company's day-to-day operations and provides it with investment advisory and management services. The Investment Adviser also manages New Mountain Guardian Partners II, L.P., a Delaware limited partnership, and New Mountain Guardian II Offshore, L.P., a Cayman Islands exempted limited partnership, (together "Guardian II"), which commenced operations in April 2017. New Mountain Finance Administration, L.L.C. (the "Administrator"), a wholly-owned subsidiary of New Mountain Capital, provides the administrative services necessary to conduct the Company's day-to-day operations.

The Company's wholly-owned subsidiary, New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company"), is a Delaware limited liability company whose assets are used to secure NMF Holdings' credit facility. NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID NGL Holdings, Inc. ("NMF QID") and NMF YP Holdings Inc. ("NMF YP"), the Company's wholly-owned subsidiaries, are structured as Delaware entities that serve as tax blocker corporations which hold equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities). The Company consolidates its tax blocker corporations for accounting purposes. The tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of portfolio companies. Additionally, the Company has a wholly-owned subsidiary, New Mountain Finance Servicing, L.L.C. ("NMF Servicing"), that serves as the administrative agent on certain investment transactions. New Mountain Finance SBIC, L.P. ("SBIC I") and its general partner, New Mountain Finance SBIC G.P., L.L.C. ("SBIC I GP"), were organized in Delaware as a limited partnership and limited liability company, respectively. New Mountain Finance SBIC II, L.P. ("SBIC II") and its general partner, New Mountain Finance SBIC II G.P., L.L.C. ("SBIC II GP"), were also organized in Delaware as a limited partnership and limited liability company, respectively. SBIC I, SBIC I GP, SBIC II and SBIC II GP are consolidated wholly-owned direct and indirect subsidiaries of the Company. SBIC I and SBIC II received licenses from the United States ("U.S.") Small Business Administration (the "SBA") to operate as small business investment companies

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 1. Formation and Business Purpose (Continued)

("SBICs") under Section 301(c) of the Small Business Investment Act of 1958, as amended (the "1958 Act"). The Company's wholly-owned subsidiary, New Mountain Net Lease Corporation ("NMNLC"), a Maryland corporation, was formed to acquire commercial real properties that are subject to "triple net" leases and has qualified and intends to continue to qualify as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code. During the year ended December 31, 2018, New Mountain Finance DB, L.L.C. ("NMFDB") was organized in Delaware as a limited liability company whose assets are used to secure NMFDB's credit facility.

The Company's investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. The first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose the Company to the risks associated with second lien and subordinated loans to the extent the Company invests in the "last out" tranche. In some cases, the Company's investments may also include equity interests. The Company'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. Similar to the Company, SBIC I's and SBIC II's investment objectives are to generate current income and capital appreciation under the investment criteria used by the Company. However, SBIC I and SBIC II investments must be in SBA eligible small businesses. The Company's portfolio may be concentrated in a limited number of industries. As of December 31, 2018, the Company's top five industry concentrations were business services, software, healthcare services, education and investment funds.

Historical Structure

On May 19, 2011, NMFC priced its IPO of 7,272,727 shares of common stock at a public offering price of \$13.75 per share. Concurrently with the closing of the IPO and at the public offering price of \$13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a concurrent private placement (the "Concurrent Private Placement"). Additionally, 1,252,964 shares were issued to the partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities (as defined below). In connection with NMFC's IPO and through a series of transactions, NMF Holdings acquired all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations. NMF Holdings, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ("Guardian AIV") by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately \$300.0 million of the \$5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising \$20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 1. Formation and Business Purpose (Continued)

Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the "Predecessor Entities".

Until May 8, 2014, NMF Holdings was externally managed by the Investment Adviser and was regulated as a BDC under the 1940 Act. As such, NMF Holdings was obligated to comply with certain regulatory requirements. NMF Holdings was treated as a partnership for U.S. federal income tax purposes for so long as it had at least two members. With the completion of the underwritten secondary offering on February 3, 2014, NMF Holdings' existence as a partnership for U.S. federal income tax purposes terminated and NMF Holdings became an entity that is disregarded as a separate entity from its owner for U.S. federal tax purposes.

Until April 25, 2014, New Mountain Finance AIV Holdings Corporation ("AIV Holdings") was a Delaware corporation that was originally incorporated on March 11, 2011. Guardian AIV, a Delaware limited partnership, was AIV Holdings' sole stockholder. AIV Holdings was a closed-end, non-diversified management investment company that was regulated as a BDC under the 1940 Act. As such, AIV Holdings was obligated to comply with certain regulatory requirements. AIV Holdings was treated, and complied with the requirements to qualify annually, as a RIC under the Code. AIV Holdings was dissolved on April 25, 2014.

Prior to May 8, 2014, NMFC and AIV Holdings were holding companies with no direct operations of their own, and their sole asset was their ownership in NMF Holdings. In connection with the IPO, NMFC and AIV Holdings each entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated (the "Operating Agreement"), of NMF Holdings, pursuant to which NMFC and AIV Holdings were admitted as members of NMF Holdings. NMFC acquired from NMF Holdings, with the gross proceeds of the IPO and the Concurrent Private Placement, common membership units ("units") of NMF Holdings (the number of units were equal to the number of shares of NMFC's common stock sold in the IPO and the Concurrent Private Placement). Additionally, NMFC received units of NMF Holdings equal to the number of shares of common stock of NMFC issued to the partners of New Mountain Guardian Partners, L.P. Guardian AIV was the parent of NMF Holdings prior to the IPO and, as a result of the transactions completed in connection with the IPO, obtained units in NMF Holdings. Guardian AIV contributed its units in NMF Holdings to its newly formed subsidiary, AIV Holdings, in exchange for common stock of AIV Holdings. AIV Holdings had the right to exchange all or any portion of its units in NMF Holdings for shares of NMFC's common stock on a one-for-one basis at any time.

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

NMFC acquired from NMF Holdings units of NMF Holdings equal to the number of shares of NMFC's common stock sold in the additional offerings. With the completion of the final secondary offering on February 3, 2014, NMFC owned 100.0% of the units of NMF Holdings, which became a wholly-owned subsidiary of NMFC.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 1. Formation and Business Purpose (Continued)

Restructuring

As a BDC, AIV Holdings had been subject to the 1940 Act, including certain provisions applicable only to BDCs. Accordingly, and after careful consideration of the 1940 Act requirements applicable to BDCs, the cost of 1940 Act compliance and a thorough assessment of AIV Holdings' business model, AIV Holdings' board of directors determined that continuation as a BDC was not in the best interest of AIV Holdings and Guardian AIV. Specifically, given that AIV Holdings was formed for the sole purpose of holding units of NMF Holdings and AIV Holdings had disposed of all of the units of NMF Holdings that it was holding as of February 3, 2014, the board of directors of AIV Holdings approved and declared advisable at an in-person meeting held on March 25, 2014 the withdrawal of AIV Holdings' election to be regulated as a BDC under the 1940 Act. In addition, the board of directors of AIV Holdings approved and declared advisable for AIV Holdings to terminate its registration under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and to dissolve AIV Holdings under the laws of the State of Delaware.

Upon receipt of the necessary stockholder consent to authorize the board of directors of AIV Holdings to withdraw AIV Holdings' election to be regulated as a BDC, the withdrawal was filed and became effective upon receipt by the U.S. Securities and Exchange Commission ("SEC") of AIV Holdings' notification of withdrawal on Form N-54C on April 15, 2014. The board of directors of AIV Holdings believed that AIV Holdings met the requirements for filing the notification to withdraw its election to be regulated as a BDC, upon the receipt of the necessary stockholder consent. After the notification of withdrawal of AIV Holdings' BDC election was filed with the SEC, AIV Holdings was no longer subject to the regulatory provisions of the 1940 Act applicable to BDCs generally, including regulations related to insurance, custody, composition of its board of directors, affiliated transactions and any compensation arrangements.

In addition, on April 15, 2014, AIV Holdings filed a Form 15 with the SEC to terminate AIV Holdings' registration under Section 12(g) of the Exchange Act. After these SEC filings and any other federal or state regulatory or tax filings were made, AIV Holdings proceeded to dissolve under Delaware law by filing a certificate of dissolution in Delaware on April 25, 2014.

Until May 8, 2014, as a BDC, NMF Holdings had been subject to the 1940 Act, including certain provisions applicable only to BDCs. Accordingly, and after careful consideration of the 1940 Act requirements applicable to BDCs, the cost of 1940 Act compliance and a thorough assessment of NMF Holdings' current business model, NMF Holdings' board of directors determined at an in-person meeting held on March 25, 2014 that continuation as a BDC was not in the best interests of NMF Holdings.

At the joint annual meeting of the stockholders of NMFC and the sole unit holder of NMF Holdings held on May 6, 2014, the stockholders of NMFC and the sole unit holder of NMF Holdings approved a proposal which authorized the board of directors of NMFC Holdings to withdraw NMFC Holdings' election to be regulated as a BDC. Additionally, the stockholders of NMFC approved a new investment advisory and management agreement between NMFC and the Investment Adviser. Upon receipt of the necessary stockholder/unit holder approval to authorize the board of directors of NMFC Holdings to withdraw NMFC Holdings' election to be regulated as a BDC, the withdrawal was

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 1. Formation and Business Purpose (Continued)

filed and became effective upon receipt by the SEC of NMF Holdings' notification of withdrawal on Form N-54C on May 8, 2014.

Effective May 8, 2014, NMF Holdings amended and restated its Operating Agreement such that the board of directors of NMF Holdings was dissolved and NMF Holdings remained a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for NMF Holdings' credit facility, and NMFC assumed all other operating activities previously undertaken by NMF Holdings under the management of the Investment Adviser (collectively, the "Restructuring"). After the Restructuring, all wholly-owned direct and indirect subsidiaries of NMFC are consolidated with NMFC for both 1940 Act and financial statement reporting purposes, subject to any financial statement adjustments required in accordance with accounting principles generally accepted in the United States of America ("GAAP"). NMFC continues to remain a BDC under the 1940 Act.

Also, on May 8, 2014, NMF Holdings filed Form 15 with the SEC to terminate NMF Holdings' registration under Section 12(g) of the Exchange Act. As a special purpose entity, NMF Holdings is bankruptcy-remote and non-recourse to NMFC. In addition, the assets held at NMF Holdings will continue to be used to secure NMF Holdings' credit facility.

Prior to December 18, 2014, New Mountain Finance SPV Funding, L.L.C. ("NMF SLF") was a Delaware limited liability company. NMF SLF was a whollyowned subsidiary of NMF Holdings and thus a wholly-owned indirect subsidiary of the Company. NMF SLF was bankruptcy-remote and non-recourse to NMFC. As part of an amendment to the Company's existing credit facilities with Wells Fargo Bank, National Association, NMF SLF merged with and into NMF Holdings on December 18, 2014.

Note 2. Summary of Significant Accounting Policies

Basis of accounting The Company's consolidated financial statements have been prepared in conformity with GAAP. The Company is an investment company following accounting and reporting guidance in Accounting Standards Codification Topic 946, *Financial Services Investment Companies*, ("ASC 946"). NMFC consolidates its wholly-owned direct and indirect subsidiaries: NMF Holdings, NMFDB, NMF Servicing, NMNLC, SBIC I, SBIC I GP, SBIC II, SBIC II GP, NMF Ancora, NMF QID and NMF YP. Previously, the Company consolidated its wholly-owned indirect subsidiary NMF SLF until it merged with and into NMF Holdings on December 18, 2014. See Note 5. *Agreements*, for details. Prior to the Restructuring, the Predecessor Operating Company consolidated its wholly-owned subsidiary, NMF SLF. NMFC and AIV Holdings did not consolidate the Predecessor Operating Company. Prior to the Restructuring, NMFC and AIV Holdings applied investment company master-feeder financial statement presentation, as described in ASC 946 to their interest in the Predecessor Operating Company. NMFC and AIV Holdings observed that it was also industry practice to follow the presentation prescribed for a master fund-feeder fund structure in ASC 946 in instances in which a master fund was owned by more than one feeder fund and that such presentation provided stockholders of NMFC and AIV Holdings with a clearer depiction of their investment in the master fund.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 2. Summary of Significant Accounting Policies (Continued)

The Company's consolidated financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition for all periods presented. All intercompany transactions have been eliminated. Revenues are recognized when earned and expenses when incurred. The financial results of the Company's portfolio investments are not consolidated in the financial statements.

The Company's consolidated financial statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-K and Article 6 or 10 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements have been included.

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

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

- (1) Investments for which market quotations are readily available on an exchange are valued at such market quotations based on the closing price indicated from independent pricing services.
- (2) Investments for which indicative prices are obtained from various pricing services and/or brokers or dealers are valued through a multi-step valuation process, as described below, to determine whether the quote(s) obtained is representative of fair value in accordance with GAAP.
 - a. Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and, if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below); and

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 2. Summary of Significant Accounting Policies (Continued)

- b. For investments other than bonds, the Company looks at the number of quotes readily available and performs the following procedures:
 - i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained.
 - ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).

(3)

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

- a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;
- b. Preliminary valuation conclusions will then be documented and discussed with the Company's senior management;
- c. If an investment falls into (3) above for four consecutive quarters and if the investment's par value or its fair value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which the Company does not have a readily available market quotation will be reviewed by an independent valuation firm engaged by the Company's board of directors; and
- d. When deemed appropriate by the Company's management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

For investments in revolving credit facilities and delayed draw commitments, the cost basis of the funded investments purchased is offset by any costs/netbacks received for any unfunded portion on the total balance committed. The fair value is also adjusted for the price appreciation or depreciation on the unfunded portion. As a result, the purchase of a commitment not completely funded may result in a negative fair value until it is called and funded.

The values assigned to investments are based upon available information and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated. Due to the inherent uncertainty of determining the fair value of investments that do not

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(in thousands, except share data)

Note 2. Summary of Significant Accounting Policies (Continued)

have a readily available market value, the fair value of the Company's investments may fluctuate from period to period and the fluctuations could be material.

Prior to the Restructuring, NMFC was a holding company with no direct operations of its own, and its sole asset was its ownership in the Predecessor Operating Company. Prior to the completion of the underwritten secondary public offering on February 3, 2014, AIV Holdings was a holding company with no direct operations of its own, and its sole asset was its ownership in the Predecessor Operating Company. NMFC's and AIV Holdings' investments in the Predecessor Operating Company were carried at fair value and represented the respective pro-rata interest in the net assets of the Predecessor Operating Company as of the applicable reporting date. NMFC and AIV Holdings valued their ownership interest on a quarterly basis, or more frequently if required under the 1940 Act.

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

New Mountain Net Lease Corporation

NMNLNLC was formed to acquire commercial real estate properties that are subject to "triple net" leases. NMNLNLC's investments are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2018.

Below is certain summarized property information for NMNLNLC as of December 31, 2018:

Portfolio Company	Tenant	Lease Expiration Date	Location	Total Square Feet	Fair Value as of December 31, 2018
NM NL Holdings LP / NM GP Holdco LLC	Various	Various	Various	Various	\$ 33,703
NM GLCR LP	Arctic Glacier U.S.A.	2/28/2038	CA	214	20,343
NM CLFX LP	Victor Equipment Company	8/31/2033	TX	423	12,770
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Canada	436	9,727
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	AL / OH	261	5,912
NM DRVT Jonesboro, LLC	FMH Conveyors, LLC	10/31/2031	AR	195	5,619
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	MD	95	4,205
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	MI	88	2,537
					\$ 94,816

Collateralized agreements or repurchase financings The Company follows the guidance in Accounting Standards Codification Topic 860, *Transfers and Servicing Secured Borrowing and Collateral*, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of December 31, 2018 and December 31, 2017, the Company held one collateralized agreement to resell with a cost basis of \$30,000 and \$30,000, respectively, and a fair value of \$23,508 and \$25,212, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to

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**Notes to the Consolidated Financial Statements of
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(in thousands, except share data)

Note 2. Summary of Significant Accounting Policies (Continued)

the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from the Company at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. The default by the private hedge fund did not release the collateral to the Company, and therefore, the Company does not have full rights and title to the collateral. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter. The joint official liquidators have recognized the Company's contractual rights under the collateralized agreement. The Company continues to exercise its rights under the collateralized agreement and continues to monitor the liquidation process of the private hedge fund. The fair value of the collateralized agreement to resell is reflective of the increased risk of the position.

Cash and cash equivalents Cash and cash equivalents include cash and short-term, highly liquid investments. The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and so near maturity that there is insignificant risk of changes in value. These securities have original maturities of three months or less. The Company did not hold any cash equivalents as of December 31, 2018 and December 31, 2017.

Revenue recognition

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

Interest and dividend income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. The Company has loans and certain preferred equity investments in the portfolio that contain a payment-in-kind ("PIK") interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and are generally due at maturity or when redeemed by the issuer. For the years ended December 31, 2018, December 31, 2017 and December 31, 2016, the Company recognized PIK and non-cash interest from investments of \$8,640, \$6,394 and \$4,270, respectively, and PIK and non-cash dividends from investments of and \$24,893, \$17,853 and \$3,179, respectively.

Dividend income on common equity is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies. Dividend income on preferred securities is recorded as dividend income on an accrual basis to the extent that such amounts are deemed collectible.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

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(in thousands, except share data)

Note 2. Summary of Significant Accounting Policies (Continued)

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

Other income: Other income represents delayed compensation, consent or amendment fees, revolver fees, structuring fees, upfront fees, management fees from a non-controlled/affiliated investment and other miscellaneous fees received and are typically non-recurring in nature. Delayed compensation is income earned from counterparties on trades that do not settle within a set number of business days after trade date. Other income may also include fees from bridge loans. The Company may from time to time enter into bridge financing commitments, an obligation to provide interim financing to a counterparty until permanent credit can be obtained. These commitments are short-term in nature and may expire unfunded. A fee is received by the Company for providing such commitments. Structuring fees and upfront fees are recognized as income when earned, usually when paid at the closing of the investment, and are non-refundable.

Interest and other financing expenses Interest and other financing fees are recorded on an accrual basis by the Company. See Note 7. *Borrowings*, for details.

Deferred financing costs The deferred financing costs of the Company consists of capitalized expenses related to the origination and amending of the Company's borrowings. The Company amortizes these costs into expense over the stated life of the related borrowing. See Note 7. *Borrowings*, for details.

Deferred offering costs The Company's deferred offering costs consists of fees and expenses incurred in connection with equity offerings and the filing of shelf registration statements. Upon the issuance of shares, offering costs are charged as a direct reduction to net assets. Deferred offering costs are included in other assets on the Company's Consolidated Statements of Assets and Liabilities.

Income taxes The Company has elected to be treated, and intends to comply with the requirements to qualify annually, as a RIC under Subchapter M of the Code. As a RIC, the Company is not subject to U.S. federal income tax on the portion of taxable income and gains timely distributed to its stockholders.

To continue to qualify and be subject to tax as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90.0% of its investment company taxable income, as defined by the Code. Since U.S. federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes.

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**Notes to the Consolidated Financial Statements of
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(in thousands, except share data)

Note 2. Summary of Significant Accounting Policies (Continued)

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

For U.S. federal income tax purposes, distributions paid to stockholders of the Company are reported as ordinary income, return of capital, long term capital gains or a combination thereof.

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

Certain consolidated subsidiaries of the Company are subject to U.S. federal and state income taxes. These taxable entities are not consolidated for income tax purposes and may generate income tax liabilities or assets from permanent and temporary differences in the recognition of items for financial reporting and income tax purposes.

For the year ended December 31, 2018, the Company recognized a total income tax provision of approximately \$403 for the Company's consolidated subsidiaries. For the year ended December 31, 2018, the Company recorded current income tax expense of approximately \$291 and deferred income tax provision of approximately \$112. For the year ended December 31, 2017, the Company recognized a total income tax provision of \$416 for the Company's consolidated subsidiaries. For the year ended December 31, 2017, the Company recorded current income tax expense of approximately \$556 and deferred income tax benefit of approximately \$140. For the year ended December 31, 2016, the Company recognized a total income tax benefit of \$490 for the Company's consolidated subsidiaries. For the year ended December 31, 2016, the Company recorded current income tax expense of approximately \$152 and deferred income tax benefit of approximately \$642.

As of December 31, 2018 and December 31, 2017, the Company had \$1,006 and \$894, respectively, of deferred tax liabilities primarily relating to deferred taxes attributable to certain differences between the computation of income for U.S. federal income tax purposes as compared to GAAP.

Based on its analysis, the Company has determined that there were no uncertain income tax positions that do not meet the more likely than not threshold as defined by Accounting Standards Codification Topic 740 ("ASC 740") through December 31, 2018. The 2015 through 2018 tax years remain subject to examination by the U.S. federal, state, and local tax authorities.

Distributions Distributions to common stockholders of the Company are recorded on the record date as set by the board of directors. The Company intends to make distributions to its stockholders that will be sufficient to enable the Company to maintain its status as a RIC. The Company intends to distribute approximately all of its net investment income (see Note 5).

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

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(in thousands, except share data)

Note 2. Summary of Significant Accounting Policies (Continued)

Agreements) on a quarterly basis and substantially all of its taxable income on an annual basis, except that the Company may retain certain net capital gains for reinvestment.

The Company has adopted a dividend reinvestment plan that provides for reinvestment of any distributions declared on behalf of its stockholders, unless a stockholder elects to receive cash.

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

If the price at which newly issued shares are to be credited to stockholders' accounts is less than 110.0% of the last determined net asset value of the shares, the Company will either issue new shares or instruct the plan administrator to purchase shares in the open market to satisfy the additional shares required. Shares purchased in open market transactions by the plan administrator will be allocated to a stockholder based on the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased in the open market. The number of shares of the Company's common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of the Company's stockholders have been tabulated.

Share repurchase program On February 4, 2016, the Company's board of directors authorized a program for the purpose of repurchasing up to \$50,000 worth of the Company's common stock. Under the repurchase program, the Company was permitted, but was not obligated to, repurchase its outstanding common stock in the open market from time to time provided that it complied with the Company's code of ethics and the guidelines specified in Rule 10b-18 of the Exchange Act, including certain price, market volume and timing constraints. In addition, any repurchases were conducted in accordance with the 1940 Act. On December 31, 2018 the Company's board of directors extended the Company's repurchase program and the Company expects the repurchase program to be in place until the earlier of December 31, 2019 or until \$50,000 of its outstanding shares of common stock have been repurchased. During the years ended December 31, 2018 and December 31, 2017, the Company did not repurchase any of the Company's common stock. The Company previously repurchased \$2,948, of its common stock under the share repurchase program.

Earnings per share The Company's earnings per share ("EPS") amounts have been computed based on the weighted-average number of shares of common stock outstanding for the period. Basic EPS is computed by dividing net increase (decrease) in net assets resulting from operations by the weighted average number of shares of common stock outstanding during the period of computation. Diluted EPS is computed by dividing net increase (decrease) in net assets

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New Mountain Finance Corporation (Continued)****December 31, 2018****(in thousands, except share data)****Note 2. Summary of Significant Accounting Policies (Continued)**

resulting from operations by the weighted average number of shares of common stock assuming all potential shares had been issued, and its related net impact to net assets accounted for, and the additional shares of common stock were dilutive. Diluted EPS reflects the potential dilution, using the as-if-converted method for convertible debt, which could occur if all potentially dilutive securities were exercised.

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

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

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

Dividend income recorded related to distributions received from flow-through investments is an accounting estimate based on the most recent estimate of the tax treatment of the distribution.

Note 3. Investments

At December 31, 2018, the Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	\$ 1,179,129	\$ 1,173,459
Second lien	666,545	662,556
Subordinated	72,559	65,297
Equity and other	411,493	440,641
Total investments	\$ 2,329,726	\$ 2,341,953

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 3. Investments (Continued)**Investment Cost and Fair Value by Industry**

	Cost	Fair Value
Business Services	\$ 541,901	\$ 554,404
Software	476,473	478,063
Healthcare Services	350,357	346,521
Education	214,032	209,433
Investment Fund	180,800	180,800
Consumer Services	122,326	120,562
Energy	101,794	105,122
Net Lease	87,299	94,816
Distribution & Logistics	82,201	80,581
Federal Services	74,572	73,962
Healthcare Information Technology	44,793	44,989
Food & Beverage	28,099	27,957
Packaging	14,328	14,278
Business Products	10,751	10,465
Total investments	\$ 2,329,726	\$ 2,341,953

At December 31, 2017, the Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	\$ 688,696	\$ 693,563
Second lien	674,536	682,950
Subordinated	70,991	70,257
Equity and other	357,004	378,890
Total investments	\$ 1,791,227	\$ 1,825,660

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

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(in thousands, except share data)

Note 3. Investments (Continued)**Investment Cost and Fair Value by Industry**

	Cost	Fair Value
Business Services	\$ 566,344	\$ 581,434
Software	291,445	298,172
Healthcare Services	174,046	175,348
Education	176,399	173,072
Consumer Services	129,311	131,116
Distribution & Logistics	107,835	112,241
Investment Fund	102,400	102,400
Federal Services	77,001	78,433
Energy	69,411	74,124
Net Lease	39,668	41,409
Healthcare Information Technology	33,525	34,020
Packaging	14,309	14,391
Business Products	9,533	9,500
Total investments	\$ 1,791,227	\$ 1,825,660

During the second quarter of 2018, the Company placed a portion of its second lien position in National HME, Inc. on non-accrual status and wrote down the aggregate fair value of its preferred shares in TW-NHME Holdings Corp. (together with the Company's second lien position, "NHME") to \$0. In November of 2018, NHME completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company's original investments in NHME. Prior to the extinguishment in November 2018, the Company's original investments in NHME had an aggregate cost of \$30,293, an aggregate fair value of \$15,275 and total unearned interest income of \$1,063 for the year ended December 31, 2018. The extinguishment resulted in a realized loss of \$15,018. As a result of the restructuring, the Company received second lien debt in NHME and common shares in NHME Holdings Corp. In addition, the Company funded additional second lien debt and received warrants to purchase common shares for this additional funding. Post restructuring, the Company's investments in NHME have been restored to full accrual status. As of December 31, 2018, the Company's investments in NHME had an aggregate cost basis of \$22,833 and an aggregate fair value of \$22,722.

During the first quarter of 2018, the Company placed its first lien positions in Education Management II LLC ("EDMC") on non-accrual status as EDMC announced its intention to wind down and liquidate the business. As of December 31, 2018, the Company's investment in EDMC placed on non-accrual status represented an aggregate cost basis of \$1,004, an aggregate fair value of \$53 and total unearned interest income of \$178 for the year then ended.

During the first quarter of 2017, the Company placed its entire first lien notes position in Sierra Hamilton LLC / Sierra Hamilton Finance, Inc. ("Sierra") on non-accrual status due to its ongoing restructuring. As of June 30, 2017, the Company's investment in Sierra placed on non-accrual status represented an aggregate cost basis of \$27,231, an aggregate fair value of \$12,725 and total

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**Notes to the Consolidated Financial Statements of
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Note 3. Investments (Continued)

unearned interest income of \$1,388 for the six months then ended. In July 2017, Sierra completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company's original investment in Sierra. Prior to the extinguishment in July 2017, the Company's original investment in Sierra had an aggregate cost of \$27,307, an aggregate fair value of \$12,858 and total unearned interest income of \$1,687. The extinguishment resulted in a realized loss of \$14,449. As a result of the restructuring, the Company received common shares in Sierra Hamilton Holding Corporation. As of December 31, 2018, the Company's investment has an aggregate cost basis of \$12,782 and an aggregate fair value of \$12,527.

As of December 31, 2018, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$43,539 and \$0, respectively. As of December 31, 2018, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$94,407. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2018.

As of December 31, 2017, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$23,716 and \$0, respectively. As of December 31, 2017, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$53,712. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2017.

PPVA Black Elk (Equity) LLC

On May 3, 2013, the Company entered into a collateralized securities purchase and put agreement (the "SPP Agreement") with a private hedge fund. Under the SPP Agreement, the Company purchased twenty million Class E Preferred Units of Black Elk Energy Offshore Operations, LLC ("Black Elk") for \$20,000 with a corresponding obligation of the private hedge fund to repurchase the preferred units for \$20,000 plus other amounts due under the SPP Agreement. The majority owner of Black Elk was the private hedge fund. In August 2014, the Company received a payment of \$20,540, the full amount due under the SPP Agreement.

In August 2017, a trustee (the "Trustee") for Black Elk informed the Company that the Trustee intended to assert a fraudulent conveyance claim (the "Claim") against the Company and one of its affiliates seeking the return of the \$20,540 repayment. Black Elk filed a Chapter 11 bankruptcy petition pursuant to the United States Bankruptcy Code in August 2015. The Trustee alleges that individuals affiliated with the private hedge fund conspired with Black Elk and others to improperly use proceeds from the sale of certain Black Elk assets to repay, in August 2014, the private hedge fund's obligation to the Company under the SPP Agreement. The Company was unaware of these claims at the time the repayment was received. The private hedge fund is currently in liquidation under the laws of the Cayman Islands.

On December 22, 2017, the Company settled the Trustee's \$20,540 Claim for \$16,000 and filed a claim with the Cayman Islands joint official liquidators of the private hedge fund for \$16,000

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**Notes to the Consolidated Financial Statements of
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Note 3. Investments (Continued)

that is owed to the Company under the SPP Agreement. The SPP Agreement was restored and is in effect since repayment has not been made. The Company continues to exercise its rights under the SPP Agreement and continues to monitor the liquidation process of the private hedge fund. During the year ended December 31, 2018, the Company received a \$1,500 payment from its insurance carrier in respect to the settlement. As of December 31, 2018, the SPP Agreement has a cost basis of \$14,500 and a fair value of \$11,362, which is reflective of the higher inherent risk in this transaction.

NMFC Senior Loan Program I LLC

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by the Company. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I is subject to restrictions and, as a result, interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until August 31, 2021, subject to earlier termination pursuant to certain terms of the SLP I Agreement. The term may be extended pursuant to certain terms of the SLP I Agreement. SLP I's re-investment period was through July 31, 2018. In September 2018, the re-investment period was extended until August 31, 2019. SLP I invests in senior secured loans issued by companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with \$93,000 of capital commitments and \$265,000 of debt from a revolving credit facility and is managed by the Company. The Company's capital commitment is \$23,000, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of December 31, 2018, SLP I had total investments with an aggregate fair value of approximately \$327,240, debt outstanding of \$242,567 and capital that had been called and funded of \$93,000. As of December 31, 2017, SLP I had total investments with an aggregate fair value of approximately \$348,652, debt outstanding of \$223,667 and capital that had been called and funded of \$93,000. The Company's investment in SLP I is disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2018 and December 31, 2017.

The Company, as an investment adviser registered under the Advisers Act, acts as the collateral manager to SLP I and is entitled to receive a management fee for its investment management services provided to SLP I. As a result, SLP I is classified as an affiliate of the Company. No management fee is charged on the Company's investment in SLP I in connection with the administrative services provided to SLP I. For the years ended December 31, 2018, December 31, 2017 and December 31, 2016, the Company earned approximately \$1,179, \$1,156 and \$1,163, respectively, in management fees related to SLP I, which is included in other income. As of December 31, 2018 and December 31, 2017, approximately \$288 and \$291, respectively, of management fees related to SLP I was included in receivable from affiliates. For the years ended December 31, 2018, December 31, 2017 and December 31, 2016, the Company earned

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**Notes to the Consolidated Financial Statements of
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Note 3. Investments (Continued)

approximately \$3,173, \$3,498 and \$3,728, respectively, of dividend income related to SLP I, which is included in dividend income. As of December 31, 2018 and December 31, 2017, approximately \$750 and \$836, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

NMFC Senior Loan Program III LLC

NMFC Senior Loan Program III LLC ("SLP III") was formed as a Delaware limited liability company and commenced operations on April 25, 2018. SLP III is structured as a private joint venture investment fund between the Company and SkyKnight Income II, LLC ("SkyKnight II") and operates under a limited liability company agreement (the "SLP III Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP III, which has equal representation from the Company and SkyKnight II. SLP III has a five year investment period and will continue in existence until April 25, 2025. The investment period may be extended for up to one year pursuant to certain terms of the SLP III Agreement.

SLP III is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP III to call down on capital commitments requires approval by the board of managers of SLP III. As of December 31, 2018, the Company and SkyKnight II have committed \$80,000 and \$20,000, respectively, of equity to SLP III. As of December 31, 2018, the Company and SkyKnight II have contributed \$78,400 and \$19,600, respectively, of equity to SLP III. The Company's investment in SLP III is disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2018.

On May 2, 2018, SLP III closed its \$300,000 revolving credit facility with Citibank, N.A., which matures on May 2, 2023 and bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.70% per annum. As of December 31, 2018, SLP III had total investments with an aggregate fair value of approximately \$365,357 and debt outstanding under its credit facility of \$280,300. As of December 31, 2018, none of SLP III's investments were on non-accrual. Additionally, as of December 31, 2018, SLP III had unfunded commitments in the form of delayed draws of \$8,811. Below is a summary of SLP III's portfolio, along with a listing of the individual investments in SLP III's portfolio as of December 31, 2018:

**December 31,
2018**

First lien investments ⁽¹⁾	383,289
Weighted average interest rate on first lien investments ⁽²⁾	6.50%
Number of portfolio companies in SLP III	39
Largest portfolio company investment ⁽¹⁾	18,958
Total of five largest portfolio company investments ⁽¹⁾	85,938

(1) Reflects principal amount or par value of investment.

(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 3. Investments (Continued)

The following table is a listing of the individual investments in SLP III's portfolio as of December 31, 2018:

Portfolio Company and Type of Investment	Industry	Interest Rate(1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value(2)
Funded Investments First lien						
Access CIG, LLC	Business Services	6.46% (L + 3.75%)	2/27/2025	\$ 1,216	\$ 1,216	\$ 1,185
Affordable Care Holding Corp.	Healthcare Services	7.25% (L + 4.75%)	10/24/2022	1,025	1,030	1,005
Bracket Intermediate Holding Corp.	Healthcare Services	7.00% (L + 4.25%)	9/5/2025	14,963	14,890	14,813
Brave Parent Holdings, Inc.	Software	6.52% (L + 4.00%)	4/18/2025	14,925	14,874	14,421
CentralSquare Technologies, LLC	Software	6.27% (L + 3.75%)	8/29/2025	15,000	14,964	14,648
Certara Holdco, Inc.	Healthcare I.T.	6.30% (L + 3.50%)	8/15/2024	1,275	1,280	1,255
CHA Holdings, Inc.	Business Services	7.30% (L + 4.50%)	4/10/2025	997	997	995
CommerceHub, Inc.	Software	6.27% (L + 3.75%)	5/21/2025	14,925	14,856	14,515
CRCI Longhorn Holdings, Inc.	Business Services	5.89% (L + 3.50%)	8/8/2025	14,963	14,891	14,588
Dentalcorp Perfect Smile ULC	Healthcare Services	6.27% (L + 3.75%)	6/6/2025	11,940	11,912	11,701
Dentalcorp Perfect Smile ULC	Healthcare Services	6.27% (L + 3.75%)	6/6/2025	1,686	1,685	1,652
Drilling Info Holdings, Inc.	Business Services	6.77% (L + 4.25%)	7/30/2025	17,591	17,507	17,525
Financial & Risk US Holdings, Inc.	Business Services	6.27% (L + 3.75%)	10/1/2025	8,000	7,980	7,512
GOBP Holdings, Inc.	Retail	6.55% (L + 3.75%)	10/22/2025	15,000	14,963	14,625
Greenway Health, LLC	Software	6.56% (L + 3.75%)	2/16/2024	14,821	14,831	14,450
Heartland Dental, LLC			4/30/2025	17,329	17,249	16,593

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	Healthcare Services	6.27% (L + 3.75%)				
HIG Finance 2 Limited	Business Services	6.06% (L + 3.50%)	12/20/2024	1,995	1,985	1,939
Idera, Inc.	Software	7.03% (L + 4.50%)	6/28/2024	2,294	2,289	2,248
J.D. Power (fka J.D. Power and Associates)	Business Services	6.27% (L + 3.75%)	9/7/2023	5,985	5,985	5,835
Market Track, LLC	Business Services	6.87% (L + 4.25%)	6/5/2024	4,827	4,821	4,633
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	4,596	4,576	4,596
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	600	597	600
National Intergovernmental Purchasing Alliance Company	Business Services	6.55% (L + 3.75%)	5/23/2025	14,925	14,912	14,552
Navex Topco, Inc.	Software	5.78% (L + 3.25%)	9/5/2025	14,963	14,890	14,102
Navicure, Inc.	Healthcare Services	6.27% (L + 3.75%)	11/1/2024	2,985	2,985	2,925
Netsmart Technologies, Inc.	Healthcare I.T.	6.27% (L + 3.75%)	4/19/2023	10,437	10,437	10,307
Newport Group Holdings II, Inc.	Business Services	6.54% (L + 3.75%)	9/12/2025	4,988	4,963	4,875
NorthStar Financial Services Group, LLC	Software	6.10% (L + 3.50%)	5/25/2025	14,925	14,856	14,628
OEConnection LLC	Business Services	6.53% (L + 4.00%)	11/22/2024	1,830	1,843	1,789
Outcomes Group Holdings, Inc.	Healthcare Services	6.28% (L + 3.50%)	10/24/2025	6,500	6,484	6,394
Pelican Products, Inc.	Business Products	5.88% (L + 3.50%)	5/1/2025	4,975	4,963	4,726
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	8.06% (L + 5.25%)	4/29/2024	15,588	15,517	15,199
Premise Health Holding Corp.	Healthcare Services	6.55% (L + 3.75%)	7/10/2025	13,862	13,796	13,689
Quest Software US Holdings Inc.	Software	6.78% (L + 4.25%)	5/16/2025	15,000	14,930	14,535
Sierra Enterprises, LLC	Food & Beverage	6.02% (L + 3.50%)	11/11/2024	2,481	2,478	2,463
SSH Group Holdings, Inc.	Education	6.77% (L + 4.25%)	7/30/2025	14,963	14,927	14,588
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	6.03% (L + 3.50%)	7/17/2025	3,790	3,772	3,759
VT Topco, Inc.	Business Services	6.55% (L + 3.75%)	8/1/2025	7,980	7,961	7,882
VT Topco, Inc.	Business Services	6.55% (L + 3.75%)	8/1/2025	1,004	1,004	992
Wirepath LLC	Distribution & Logistics	6.71% (L + 4.00%)	8/5/2024	17,477	17,477	17,215

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WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 3.50%)	6/7/2024	14,887	14,887	14,608
YI, LLC	Healthcare Services	6.80% (L + 4.00%)	11/7/2024	4,965	4,983	4,935
Total Funded Investments				\$ 374,478	\$ 373,443	\$ 365,497
Unfunded Investments First lien						
Dentalcorp Perfect Smile ULC	Healthcare Services		6/6/2020	\$ 1,308	\$ (3)	\$ (26)
Drilling Info Holdings, Inc.	Business Services		7/30/2020	1,367	(7)	(11)
Heartland Dental, LLC	Healthcare Services		4/30/2020	1,586		(67)
Ministry Brands, LLC	Software		10/18/2019	1,267	(6)	
Premise Health Holding Corp.	Healthcare Services		7/10/2020	1,103	(3)	(14)
University Support Services LLC (St. George's University Scholastic Services LLC)	Education		7/17/2019	1,187		(10)
VT Topco, Inc.	Business Services		8/1/2020	993	(2)	(12)
Total Unfunded Investments				\$ 8,811	\$ (21)	\$ (140)
Total Investments				\$ 383,289	\$ 373,422	\$ 365,357

(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2018.

(2) Represents the fair value in accordance with Accounting Standards Codification Topic 820, *Fair Value Measurement and Disclosures* ("ASC 820"). The Company's board of directors does not determine the fair value of the investments held by SLP III.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 3. Investments (Continued)

Below is certain summarized financial information for SLP III as of December 31, 2018 and for the year ended December 31, 2018:

Selected Balance Sheet Information:	December 31, 2018	
Investments at fair value (cost of \$373,422)	\$	365,357
Cash and other assets		9,138
Total assets	\$	374,495
Credit facility	\$	280,300
Deferred financing costs		(2,831)
Distribution payable		2,600
Other liabilities		4,415
Total liabilities		284,484
Members' capital	\$	90,011
Total liabilities and members' capital	\$	374,495

Selected Statement of Operations Information:	Year Ended December 31, 2018⁽¹⁾	
Interest income	\$	9,572
Other income		207
Total investment income		9,779
Interest and other financing expenses		5,402
Other expenses		509
Total expenses		5,911
Net investment income		3,868
Net realized gains on investments		9
Net change in unrealized appreciation (depreciation) of investments		(8,065)
Net decrease in members' capital	\$	(4,188)

(1)

SLP III commenced operations on April 25, 2018.

For the year ended December 31, 2018, the Company earned approximately \$3,040 of dividend income related to SLP III, which is included in dividend income. As of December 31, 2018 approximately \$2,080 of dividend income related to SLP III was included in interest and dividend receivable.

The Company has determined that SLP III is an investment company under ASC 946; however, in accordance with such guidance the Company will generally not consolidate its investment in a company other than a wholly-owned investment company subsidiary. Furthermore, Accounting Standards Codification Topic 810, *Consolidation* ("ASC 810") concludes that in a joint venture where both members have equal decision making authority, it is not appropriate for one member to consolidate the joint venture since neither has control. Accordingly, the Company does not consolidate SLP III.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 3. Investments (Continued)

Unconsolidated Significant Subsidiaries

In accordance with Regulation S-X Rules 3-09 and 4-08(g), the Company evaluates its unconsolidated controlled portfolio companies as significant subsidiaries under this rule. As of December 31, 2018, the following companies were considered a significant unconsolidated subsidiary under Regulation S-X Rule 4-08(g). Based on the requirements under Regulation S-X 4-08(g), the summarized consolidated financial information of these portfolio companies are shown below.

NMFC Senior Loan Program II LLC

NMFC Senior Loan Program II LLC ("SLP II") was formed as a Delaware limited liability company on March 9, 2016 and commenced operations on April 12, 2016. SLP II is structured as a private joint venture investment fund between the Company and SkyKnight Income, LLC ("SkyKnight") and operates under a limited liability company agreement (the "SLP II Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP II, which has equal representation from the Company and SkyKnight. SLP II has a three year investment period and will continue in existence until April 12, 2021. The term may be extended for up to one year pursuant to certain terms of the SLP II Agreement.

SLP II is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP II to call down on capital commitments requires approval by the board of managers of SLP II. As of December 31, 2018, the Company and SkyKnight have committed and contributed \$79,400 and \$20,600, respectively, of equity to SLP II. The Company's investment in SLP II is disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2018 and December 31, 2017.

On April 12, 2016, SLP II closed its \$275,000 revolving credit facility with Wells Fargo Bank, National Association, which matures on April 12, 2021 and bears interest at a rate of the LIBOR plus 1.75% per annum. Effective April 1, 2018, SLP II's revolving credit facility bears interest at a rate of LIBOR plus 1.60% per annum. As of December 31, 2018 and December 31, 2017, SLP II had total investments with an aggregate fair value of approximately \$336,869 and \$382,534, respectively, and debt outstanding under its credit facility of \$243,170 and \$266,270, respectively. As of December 31, 2018 and December 31, 2017, none of SLP II's investments were on non-accrual. Additionally, as of December 31, 2018 and December 31, 2017, SLP II had unfunded commitments in the form of delayed draws of \$5,858 and \$4,863, respectively. Below is a summary

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 3. Investments (Continued)

of SLP II's portfolio, along with a listing of the individual investments in SLP II's portfolio as of December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
First lien investments ⁽¹⁾	348,577	386,100
Weighted average interest rate on first lien investments ⁽²⁾	6.84%	6.05%
Number of portfolio companies in SLP II	31	35
Largest portfolio company investment ⁽¹⁾	17,150	17,369
Total of five largest portfolio company investments ⁽¹⁾	80,766	81,728

(1) Reflects principal amount or par value of investment.

(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 3. Investments (Continued)

The following table is a listing of the individual investments in SLP II's portfolio as of December 31, 2018:

Portfolio Company and Type of Investment	Industry	Interest Rate(1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value(2)
Funded Investments						
First lien						
Access CIG, LLC	Business Services	6.46% (L + 3.75%)	2/27/2025	\$ 8,825	\$ 8,785	\$ 8,605
ADG, LLC	Healthcare Services	7.63% (L + 4.75%)	9/28/2023	16,862	16,740	16,609
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.62% (L + 4.00%)	8/21/2023	14,664	14,492	14,517
Brave Parent Holdings, Inc.	Software	6.52% (L + 4.00%)	4/18/2025	15,422	15,369	14,902
CentralSquare Technologies, LLC	Software	6.27% (L + 3.75%)	8/29/2025	15,000	14,964	14,648
CHA Holdings, Inc.	Business Services	7.30% (L + 4.50%)	4/10/2025	10,805	10,760	10,774
CommerceHub, Inc.	Software	6.27% (L + 3.75%)	5/21/2025	2,488	2,476	2,419
Drilling Info Holdings, Inc.	Business Services	6.77% (L + 4.25%)	7/30/2025	12,242	12,190	12,196
Greenway Health, LLC	Software	6.56% (L + 3.75%)	2/16/2024	14,775	14,718	14,406
GOBP Holdings, Inc.	Retail	6.55% (L + 3.75%)	10/22/2025	2,500	2,494	2,438
Idera, Inc.	Software	7.03% (L + 4.50%)	6/28/2024	12,492	12,388	12,242
J.D. Power (fka J.D. Power and Associates)	Business Services	6.27% (L + 3.75%)	9/7/2023	14,962	14,920	14,588
Keystone Acquisition Corp.	Healthcare Services	8.05% (L + 5.25%)	5/1/2024	5,332	5,289	5,226
LSCS Holdings, Inc.	Healthcare Services	6.86% (L + 4.25%)	3/17/2025	5,321	5,312	5,294
LSCS Holdings, Inc.			3/17/2025	1,374	1,371	1,367

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	Healthcare Services	6.89% (L + 4.25%)				
Market Track, LLC	Business Services	6.87% (L + 4.25%)	6/5/2024	11,820	11,772	11,347
Medical Solutions Holdings, Inc.	Healthcare Services	6.27% (L + 3.75%)	6/14/2024	4,432	4,413	4,343
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	2,116	2,109	2,116
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	600	597	600
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	12,285	12,238	12,285
NorthStar Financial Services Group, LLC	Software	6.10% (L + 3.50%)	5/25/2025	7,463	7,428	7,313
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	8.06% (L + 5.25%)	4/29/2024	10,342	10,301	10,084
Poseidon Intermediate, LLC	Software	6.78% (L + 4.25%)	8/15/2022	14,729	14,727	14,644
Premise Health Holding Corp.	Healthcare Services	6.55% (L + 3.75%)	7/10/2025	1,386	1,380	1,369
Project Accelerate Parent, LLC	Business Services	6.64% (L + 4.25%)	1/2/2025	14,887	14,821	14,663
PSC Industrial Holdings Corp.	Industrial Services	6.21% (L + 3.75%)	10/11/2024	10,395	10,307	10,161
Quest Software US Holdings Inc.	Software	6.78% (L + 4.25%)	5/16/2025	15,000	14,930	14,535
Salient CRGT Inc.	Federal Services	8.27% (L + 5.75%)	2/28/2022	13,509	13,418	13,306
Sierra Acquisition, Inc.	Food & Beverage	6.02% (L + 3.50%)	11/11/2024	3,713	3,696	3,685
SSH Group Holdings, Inc.	Education	6.77% (L + 4.25%)	7/30/2025	8,978	8,956	8,753
Wirepath LLC	Distribution & Logistics	6.71% (L + 4.00%)	8/5/2024	14,963	14,963	14,738
WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 3.50%)	6/7/2024	10,823	10,801	10,620
YI, LLC	Healthcare Services	6.80% (L + 4.00%)	11/7/2024	15,064	15,053	14,971
Zywave, Inc.	Software	7.52% (L + 5.00%)	11/17/2022	17,150	17,091	17,150

Total Funded Investments

\$ 342,719 \$ 341,269 \$ 336,914

**Unfunded Investments
First lien**

Access CIG, LLC	Business Services		2/27/2019	\$ 1,108	\$	\$ (28)
CHA Holdings, Inc.	Business Services		10/10/2019	2,143	(11)	(6)
			7/30/2020	1,230	(5)	(10)

Drilling Info Holdings, Inc.	Business Services			
Ministry Brands, LLC	Software	10/18/2019	1,267	(6)
Premise Health Holding Corp.	Healthcare Services	7/10/2020	110	(1)
Total Unfunded Investments			\$ 5,858	\$ (22)
Total Investments			\$ 348,577	\$ 341,247
			\$ 336,869	

-
- (1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2018.
- (2) Represents the fair value in accordance with ASC 820. The Company's board of directors does not determine the fair value of the investments held by SLP II.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 3. Investments (Continued)

The following table is a listing of the individual investments in SLP II's portfolio as of December 31, 2017:

Portfolio Company and Type of Investment	Industry	Interest Rate(1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value(2)
Funded Investments First lien						
ADG, LLC	Healthcare Services	6.32% (L + 4.75%)	9/28/2023	\$ 17,034	\$ 16,890	\$ 16,779
ASG Technologies Group, Inc.	Software	6.32% (L + 4.75%)	7/31/2024	7,481	7,446	7,547
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.69% (L + 5.00%)	8/21/2023	14,812	14,688	14,813
DigiCert, Inc.	Business Services	6.13% (L + 4.75%)	10/31/2024	10,000	9,951	10,141
Emerald 2 Limited	Business Services	5.69% (L + 4.00%)	5/14/2021	1,266	1,211	1,267
Evo Payments International, LLC	Business Services	5.57% (L + 4.00%)	12/22/2023	17,369	17,292	17,492
Explorer Holdings, Inc.	Healthcare Services	5.13% (L + 3.75%)	5/2/2023	2,940	2,917	2,973
Globallogic Holdings Inc.	Business Services	6.19% (L + 4.50%)	6/20/2022	9,677	9,611	9,755
Greenway Health, LLC	Software	5.94% (L + 4.25%)	2/16/2024	14,925	14,858	15,074
Idera, Inc.	Software	6.57% (L + 5.00%)	6/28/2024	12,619	12,499	12,556
J.D. Power (fka J.D. Power and Associates)	Business Services	5.94% (L + 4.25%)	9/7/2023	13,357	13,308	13,407
Keystone Acquisition Corp.	Healthcare Services	6.94% (L + 5.25%)	5/1/2024	5,386	5,336	5,424
Market Track, LLC	Business Services	5.94% (L + 4.25%)	6/5/2024	11,940	11,884	11,940
McGraw-Hill Global Education Holdings, LLC	Education	5.57% (L + 4.00%)	5/4/2022	9,850	9,813	9,844
Medical Solutions Holdings, Inc.	Healthcare Services	5.82% (L + 4.25%)	6/14/2024	6,965	6,932	7,043
Ministry Brands, LLC	Software		12/2/2022	2,138	2,128	2,138

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		6.38%				
		(L + 5.00%)				
		6.38%				
Ministry Brands, LLC	Software	(L + 5.00%)	12/2/2022	7,768	7,735	7,768
		5.82%				
Navex Global, Inc.	Software	(L + 4.25%)	11/19/2021	14,897	14,724	14,971
	Healthcare	5.11%				
Navicure, Inc.	Services	(L + 3.75%)	11/1/2024	15,000	14,926	15,000
	Business	5.69%				
OEConnection LLC	Services	(L + 4.00%)	11/22/2024	15,000	14,925	14,981
Pathway Partners Vet Management Company LLC	Consumer Services	5.82%				
		(L + 4.25%)	10/10/2024	6,963	6,929	6,980
Pathway Partners Vet Management Company LLC	Consumer Services	5.82%				
		(L + 4.25%)	10/10/2024	291	290	292
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	6.95%				
		(L + 5.25%)	4/29/2024	10,448	10,399	10,526
		5.82%				
Poseidon Intermediate, LLC	Software	(L + 4.25%)	8/15/2022	14,881	14,877	14,955
	Business	5.94%				
Project Accelerate Parent, LLC	Services	(L + 4.25%)	1/2/2025	15,000	14,925	15,038
	Industrial	5.71%				
PSC Industrial Holdings Corp.	Services	(L + 4.25%)	10/11/2024	10,500	10,398	10,500
		6.92%				
Quest Software US Holdings Inc.	Software	(L + 5.50%)	10/31/2022	9,899	9,775	10,071
	Federal	7.32%				
Salient CRGT Inc.	Services	(L + 5.75%)	2/28/2022	14,433	14,310	14,559
		6.32%				
Severin Acquisition, LLC	Software	(L + 4.75%)	7/30/2021	14,888	14,827	14,813
Shine Acquisitoin Co. S.à.r.l / Boing US Holdco Inc.	Consumer Services	4.88%				
		(L + 3.50%)	10/3/2024	15,000	14,964	15,108
	Food & Beverage	5.68%				
Sierra Acquisition, Inc.		(L + 4.25%)	11/11/2024	3,750	3,731	3,789
	Distribution & Logistics	4.88%				
TMK Hawk Parent, Corp.		(L + 3.50%)	8/28/2024	1,671	1,667	1,686
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	5.82%				
		(L + 4.25%)	7/6/2022	1,875	1,875	1,900
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	6.44%				
		(L + 4.75%)	11/23/2019	10,686	10,673	10,835
	Healthcare	5.69%				
WP CityMD Bidco LLC	Services	(L + 4.00%)	6/7/2024	14,963	14,928	15,009
	Healthcare	5.69%				
YI, LLC	Services	(L + 4.00%)	11/7/2024	8,240	8,204	8,230
		6.61%				
Zywave, Inc.	Software	(L + 5.00%)	11/17/2022	17,325	17,252	17,325
Total Funded Investments				\$ 381,237	\$ 379,098	\$ 382,529

Unfunded Investments First lien

10/10/2019 \$ 2,728 \$ (14) \$ 7

Pathway Partners Vet Management Company LLC	Consumer Services				
TMK Hawk Parent, Corp.	Distribution & Logistics	3/28/2018	75		1
YI, LLC	Healthcare Services	11/7/2018	2,060	(9)	(3)
Total Unfunded Investments			\$ 4,863	\$ (23)	5
Total Investments			\$ 386,100	\$ 379,075	\$ 382,534

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- (1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2017.
- (2) Represents the fair value in accordance with ASC 820. The Company's board of directors does not determine the fair value of the investments held by SLP II.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 3. Investments (Continued)

Below is certain summarized financial information for SLP II as of December 31, 2018 and December 31, 2017 and for the years ended December 31, 2018, December 31, 2017 and December 31, 2016:

Selected Balance Sheet Information:	December 31, 2018	December 31, 2017
Investments at fair value (cost of \$341,247 and \$379,075, respectively)	\$ 336,869	\$ 382,534
Cash and other assets	7,620	8,065
Total assets	\$ 344,489	\$ 390,599
Credit facility	\$ 243,170	\$ 266,270
Deferred financing costs	(1,374)	(1,966)
Payable for unsettled securities purchased	15,964	15,964
Distribution payable	3,250	3,500
Other liabilities	2,869	2,891
Total liabilities	247,915	286,659
Members' capital	\$ 96,574	\$ 103,940
Total liabilities and members' capital	\$ 344,489	\$ 390,599

Selected Statement of Operations Information:	Year Ended December 31,		
	2018	2017	2016⁽¹⁾
Interest income	\$ 24,654	\$ 22,551	\$ 7,463
Other income	199	351	572
Total investment income	24,853	22,902	8,035
Interest and other financing expenses	10,474	8,356	3,558
Other expenses	681	697	650
Total expenses	11,155	9,053	4,208
Net investment income	13,698	13,849	3,827
Net realized gains on investments	782	2,281	599
Net change in unrealized (depreciation) appreciation of investments	(7,837)	(822)	4,281

Net increase in members' capital	\$	6,643	\$	15,308	\$	8,707
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(1) For the year ended December 31, 2016, amounts reported relate to the period from April 12, 2016 (commencement of operations) to December 31, 2016.

For the years ended December 31, 2018, December 31, 2017 and December 31, 2016, the Company earned approximately \$11,124, \$12,406 and \$3,533, respectively, of dividend income related to SLP II, which is included in dividend income. As of December 31, 2018 and December 31, 2017, approximately \$2,581 and \$2,779, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

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Table of Contents**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)****December 31, 2018****(in thousands, except share data)****Note 3. Investments (Continued)**

The Company has determined that SLP II is an investment company under ASC 946, however, in accordance with such guidance the Company will generally not consolidate its investment in a company other than a wholly-owned investment company subsidiary. Furthermore, ASC 810 concludes that in a joint venture where both members have equal decision making authority, it is not appropriate for one member to consolidate the joint venture since neither has control. Accordingly, the Company does not consolidate SLP II.

UniTek Global Services, Inc. ("Unitek")

UniTek is a full service provider of technical services to customers in the wireline telecommunications, satellite television and broadband cable industries in the U.S. and Canada. UniTek's customers are primarily telecommunication services, satellite television, and broadband cable providers, their contractors, and municipalities and related agencies. UniTek's customers utilize its services to engineer, build and maintain their network infrastructure and to provide residential and commercial fulfillment services, which is critical to their ability to deliver voice, video and data services to end users.

Below is certain summarized financial information for Unitek as of December 31, 2018 and December 31, 2017 and for the years ended December 31, 2018, December 31, 2017 and December 31, 2016:

Balance Sheet:	December 31, 2018		December 31, 2017	
Current assets	\$	99,062	\$	86,105
Non-current assets		144,948		132,323
Total assets	\$	244,010	\$	218,428
Current liabilities	\$	35,837	\$	52,872
Noncurrent liabilities		113,959		93,068
Total liabilities	\$	149,796	\$	145,940
Total equity	\$	94,214	\$	72,488

Year Ended December 31,

Summary of Operations:	2018			2017			2016		
Net Sales	\$	315,526	\$	284,823	\$	279,929			
Cost of goods sold		257,767		223,513		214,938			

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Gross Profit	57,759	61,310	64,991
Other expenses	59,702	57,110	51,708
Net income from continuing operations before extraordinary items	(1,943)	4,200	13,283
Profit (loss) from discontinued operations	(223)	(9,090)	(9,801)
Net income (loss)	\$ (2,166)	\$ (4,890)	\$ 3,482

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 3. Investments (Continued)

Investment risk factors First and second lien debt that the Company invests in is almost entirely rated below investment grade or may be unrated. Debt investments rated below investment grade are often referred to as "leveraged loans", "high yield" or "junk" debt investments, and may be considered "high risk" compared to debt investments that are rated investment grade. These debt investments are considered speculative because of the credit risk of the issuers. Such issuers are considered more likely than investment grade issuers to default on their payments of interest and principal and such risk of default could reduce the net asset value and income distributions of the Company. In addition, some of the Company's debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity. First and second lien debt may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these first and second lien debt investments. This illiquidity may make it more difficult to value the debt.

Subordinated debt is generally subject to similar risks as those associated with first and second lien debt, except that such debt is subordinated in payment and/or lower in lien priority. Subordinated debt is subject to the additional risk that the cash flow of the borrower and the property securing the debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured and unsecured obligations of the borrower.

The Company may directly invest in the equity of private companies or, in some cases, equity investments could be made in connection with a debt investment. Equity investments may or may not fluctuate in value resulting in recognized realized gains or losses upon disposition.

Note 4. Fair Value

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

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

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

Quoted prices for similar assets or liabilities in active markets;

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 4. Fair Value (Continued)

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

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

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

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

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

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in the transfer of certain investments within the fair value hierarchy from period to period.

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of December 31, 2018:

	Total	Level I	Level II	Level III
First lien	\$ 1,173,459	\$	\$ 185,931	\$ 987,528
Second lien	662,556		355,741	306,815
Subordinated	65,297		25,210	40,087
Equity and other	440,641			440,641
Total investments	\$ 2,341,953	\$	\$ 566,882	\$ 1,775,071

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 4. Fair Value (Continued)

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of December 31, 2017:

	Total	Level I	Level II	Level III
First lien	\$ 693,563	\$	\$ 136,866	\$ 556,697
Second lien	682,950		239,868	443,082
Subordinated	70,257		43,156	27,101
Equity and other	378,890	16		378,874
Total investments	\$ 1,825,660	\$ 16	\$ 419,890	\$ 1,405,754

The following table summarizes the changes in fair value of Level III portfolio investments for the year ended December 31, 2018, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at December 31, 2018:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2017	\$ 1,405,754	\$ 556,697	\$ 443,082	\$ 27,101	\$ 378,874
Total gains or losses included in earnings:					
Net realized (losses) gains on investments	(4,368)	357	(14,704)		9,979
Net change in unrealized (depreciation) appreciation of investments	(5,467)	(4,466)	(4,523)	(3,752)	7,274
Purchases, including capitalized PIK and revolver fundings ⁽¹⁾	970,532	634,700	150,896	21,817	163,119
Proceeds from sales and paydowns of investments ⁽¹⁾	(632,804)	(278,371)	(230,749)	(5,079)	(118,605)
Transfers into Level III ⁽²⁾	113,612	106,564	7,048		
Transfers out of Level III ⁽²⁾	(72,188)	(27,953)	(44,235)		
Fair value, December 31, 2018	\$ 1,775,071	\$ 987,528	\$ 306,815	\$ 40,087	\$ 440,641

Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Company at the end of the period:

	\$ (1,032)	\$ (3,232)	\$ (4,064)	\$ (3,752)	\$ 10,016
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(1)

Includes reorganizations and restructurings.

(2)

As of December 31, 2018, the portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassifications occurred.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 4. Fair Value (Continued)

The following table summarizes the changes in fair value of Level III portfolio investments for the year ended December 31, 2017, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at December 31, 2017:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2016	\$ 1,066,878	\$ 530,601	\$ 324,177	\$ 24,653	\$ 187,447
Total gains or losses included in earnings:					
Net realized (losses) gains on investments	(41,086)	(13,848)	(27,195)		(43)
Net change in unrealized appreciation (depreciation) of investments	39,690	12,326	31,897	(1,305)	(3,228)
Purchases, including capitalized PIK and revolver fundings ⁽¹⁾	740,395	284,239	256,932	3,753	195,471
Proceeds from sales and paydowns of investments ⁽¹⁾	(380,700)	(229,144)	(150,783)		(773)
Transfers into Level III ⁽²⁾	39,902		39,902		
Transfers out of Level III ⁽²⁾	(59,325)	(27,477)	(31,848)		
Fair value, December 31, 2017	\$ 1,405,754	\$ 556,697	\$ 443,082	\$ 27,101	\$ 378,874
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Company at the end of the period:	\$ 1,478	\$ 2,115	\$ 4,163	\$ (1,305)	\$ (3,495)

(1) Includes reorganizations and restructurings.

(2) As of December 31, 2017, the portfolio investments were transferred into Level III from Level II or Level I and out of Level III into Level II at fair value as of the beginning of the period in which the reclassifications occurred.

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the years ended December 31, 2018 and December 31, 2017. Transfers into Level III occur as quotations obtained through pricing services are deemed not representative of fair value as of the balance sheet date and such assets are internally valued. As quotations obtained through pricing services are substantiated through additional market sources, investments are transferred out of Level III. In addition, transfers out of Level III and transfers into Level III occur based on the increase or decrease in the availability of certain observable inputs.

The Company invests in revolving credit facilities. These investments are categorized as Level III investments as these assets are not actively traded and their fair values are often implied by the term loans of the respective portfolio companies.

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The Company generally uses the following framework when determining the fair value of investments where there are little, if any, market activity or observable pricing inputs. The Company typically determines the fair value of its performing debt investments utilizing an income approach. Additional consideration is given using a market based approach, as well as reviewing the overall

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 4. Fair Value (Continued)

underlying portfolio company's performance and associated financial risks. The following outlines additional details on the approaches considered:

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

For debt investments, the Company may employ the Market Based Approach (as described below) to assess the total enterprise value of the portfolio company, in order to evaluate the enterprise value coverage of the Company's debt investment. For equity investments or in cases where the Market Based Approach implies a lack of enterprise value coverage for the debt investment, the Company may additionally employ a discounted cash flow analysis based on the free cash flows of the portfolio company to assess the total enterprise value.

After enterprise value coverage is demonstrated for the Company's debt investments through the method(s) above, the Income Based Approach (as described below) may be employed to estimate the fair value of the investment.

Market Based Approach: The Company may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. The Company considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, and relevant risk factors, as well as size, profitability and growth expectations. The Company may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of December 31, 2018 and December 31, 2017, the Company used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of its

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 4. Fair Value (Continued)

portfolio companies. The Company believes these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

Income Based Approach: The Company also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of December 31, 2018 and December 31, 2017, the Company used the discount ranges set forth in the table below to value investments in its portfolio companies.

The unobservable inputs used in the fair value measurement of the Company's Level III investments as of December 31, 2018 were as follows:

Type	Fair Value as of December 31, 2018	Approach	Unobservable Input	Range		Weighted Average		
				Low	High			
First lien	\$ 797,985	Market & income approach	EBITDA multiple	2.0x	32.0x	12.1x		
			Revenue multiple	3.5x	6.5x	5.8x		
			Discount rate	7.0%	15.3%	9.6%		
	129,837	Market quote	Broker quote	N/A	N/A	N/A		
		59,706	Other	N/A ⁽¹⁾	N/A	N/A	N/A	
Second lien	102,963	Market & income approach	EBITDA multiple	8.5x	15.0x	11.1x		
			Discount rate	10.0%	19.7%	12.8%		
			203,852	Market quote	Broker quote	N/A	N/A	N/A
Subordinated	40,087	Market & income approach	EBITDA multiple	5.0x	13.0x	10.2x		
			Discount rate	10.9%	21.4%	16.3%		
Equity and other	439,977	Market & income approach	EBITDA multiple	0.4x	18.0x	10.3x		
			Discount rate	6.5%	25.8%	13.5%		
			664	Black Scholes analysis	Expected life in years	7.3	7.3	7.3
					Volatility	37.9%	37.9%	37.9%
					Discount rate	2.9%	2.9%	2.9%
	\$ 1,775,071							

(1)

Fair value was determined based on transaction pricing or recent acquisition or sale as the best measure of fair value with no material changes in operations of the related portfolio company since the transaction date.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 4. Fair Value (Continued)

The unobservable inputs used in the fair value measurement of the Company's Level III investments as of December 31, 2017 were as follows:

Type	Fair Value as of December 31, 2017	Approach	Unobservable Input	Range		Weighted Average
				Low	High	
First lien	\$ 458,543	Market & income approach	EBITDA multiple	2.0x	20.0x	11.8x
			Revenue multiple	3.5x	8.0x	6.1x
			Discount rate	6.5%	11.2%	9.2%
Second lien	98,154	Market quote	Broker quote	N/A	N/A	N/A
			Market & income approach	EBITDA multiple	8.0x	16.0x
	220,597	Market quote	Discount rate	7.9%	12.5%	10.8%
			Broker quote	N/A	N/A	N/A
			Other	N/A ⁽¹⁾	N/A	N/A
Subordinated	27,101	Market & income approach	EBITDA multiple	4.5x	11.8x	9.0x
			Revenue multiple	0.5x	1.0x	0.8x
			Discount rate	7.9%	14.9%	12.8%
Equity and other	377,785	Market & income approach	EBITDA multiple	2.5x	18.0x	9.9x
			Revenue multiple	0.5x	1.0x	0.8x
			Discount rate	7.0%	23.6%	14.5%
	1,089	Black Scholes analysis	Expected life in years	8.3	8.3	8.3
			Volatility	39.4%	39.4%	39.4%
		Discount rate	2.4%	2.4%	2.4%	
	\$ 1,405,754					

(1)

Fair value was determined based on transaction pricing or recent acquisition or sale as the best measure of fair value with no material changes in operations of the related portfolio company since the transaction date.

Based on a comparison to similar BDC credit facilities, the terms and conditions of the Holdings Credit Facility, the NMFC Credit Facility and the DB Credit Facility (as defined in Note 7. *Borrowings*) are representative of market. The carrying values of the Holdings Credit Facility,

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NMFC Credit Facility and DB Credit Facility approximate fair value as of December 31, 2018, as the facilities are continually monitored and examined by both the borrower and the lender and are considered Level III. The carrying value of the SBA-guaranteed debentures, the 2016 Unsecured Notes, the 2017A Unsecured Notes, the 2018A Unsecured Notes and the 2018B Unsecured Notes (as defined in Note 7. *Borrowings*) approximate fair value as of December 31, 2018 based on a comparison of market interest rates for the Company's borrowings and similar entities and are considered Level III. The fair value of the Convertible Notes and the 5.75% Unsecured Notes (as defined in Note 7. *Borrowings*) as of December 31, 2018 was \$270,131 and \$50,933, respectively, which was based on quoted prices and considered Level II. See Note 7. *Borrowings*, for details. The carrying value of the collateralized agreement approximates fair value as of December 31, 2018 and is considered Level III. The fair value of other financial assets and liabilities approximates their carrying value based on the short-term nature of these items.

Fair value risk factors The Company seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the Company's portfolio companies conduct their operations, as well as general economic and political

Table of Contents**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)****December 31, 2018****(in thousands, except share data)****Note 4. Fair Value (Continued)**

conditions, may have a significant negative impact on the operations and profitability of the Company's investments and/or on the fair value of the Company's investments. The Company's investments are subject to the risk of non-payment of scheduled interest or principal, resulting in a reduction in income to the Company and their corresponding fair valuations. Also, there may be risk associated with the concentration of investments in one geographic region or in certain industries. These events are beyond the control of the Company and cannot be predicted. Furthermore, the ability to liquidate investments and realize value is subject to uncertainties.

Note 5. Agreements

The Company entered into an investment advisory and management agreement (the "Investment Management Agreement") with the Investment Adviser which was most recently re-approved by the Company's board of directors on February 6, 2019. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, the Investment Adviser receives a fee from the Company, consisting of two components—a base management fee and an incentive fee.

Pursuant to the Investment Management Agreement, the base management fee is calculated at an annual rate of 1.75% of the Company's gross assets, which equals the Company's total assets on the Consolidated Statements of Assets and Liabilities, less (i) the borrowings under the New Mountain Finance SPV Funding, L.L.C. Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the "SLF Credit Facility") and (ii) cash and cash equivalents. The base management fee is payable quarterly in arrears, and is calculated based on the average value of the Company's gross assets, which equals the Company's total assets, as determined in accordance with GAAP, less the borrowings under the SLF Credit Facility and cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter. The Company has not invested, and currently is not invested, in derivatives. To the extent the Company invests in derivatives in the future, the Company will use the actual value of the derivatives, as reported on the Consolidated Statements of Assets and Liabilities, for purposes of calculating its base management fee.

Since the IPO, the base management fee calculation has deducted the borrowings under the SLF Credit Facility. The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to the Company's existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the NMF Holdings Loan and Security Agreement, as amended and restated, dated May 19, 2011, and formed the Holdings Credit Facility on December 18, 2014 (as defined in Note 7.

Borrowings). The amendment merged the credit facilities and combined the amount of borrowings previously available. Post credit facility merger and to be consistent with the methodology since the IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility, which as of December 31, 2018, December 31, 2017 and December 31, 2016 was approximately \$525,658, \$281,174 and \$297,323, respectively. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the years ended December 31, 2018, December 31,

Table of Contents**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)****December 31, 2018****(in thousands, except share data)****Note 5. Agreements (Continued)**

2017 and December 31, 2016, management fees waived were approximately \$6,709, \$5,642 and \$4,824, respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of the Company's "Pre-Incentive Fee Adjusted Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature. "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, upfront, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the calendar quarter, minus the Company's operating expenses for the quarter (including the base management fee, expenses payable under an administration agreement, as amended and restated (the "Administration Agreement"), with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred stock (of which there are none as of December 31, 2018), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

Under GAAP, NMFC's IPO did not step-up the cost basis of the Predecessor Operating Company's existing investments to fair market value at the IPO date. Since the total value of the Predecessor Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, as well as different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold, repaid or mature in the future. The Company tracks the transferred (or fair market) value of each of its investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts Pre-Incentive Fee Net Investment Income to reflect the amortization of purchase or original issue discount on the Company's investments as if each investment was purchased at the date of the IPO, or stepped up to fair market value. This is defined as "Pre-Incentive Fee Adjusted Net Investment Income". The Company also uses the transferred (or fair market) value of each of its investments as of the time of the IPO to adjust capital gains ("Adjusted Realized Capital Gains") or losses ("Adjusted Realized Capital Losses") and unrealized capital appreciation ("Adjusted Unrealized Capital Appreciation") and unrealized capital depreciation ("Adjusted Unrealized Capital Depreciation"). As of December 31, 2017, all predecessor investments have been sold or matured.

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

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 5. Agreements (Continued)

The calculation of the Company's incentive fee with respect to the Pre-Incentive Fee Adjusted Net Investment Income for each quarter is as follows:

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

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

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

For the years ended December 31, 2018, December 31, 2017 and December 31, 2016, incentive fees waived were approximately \$0, \$1,800 and \$0, respectively. The Investment Adviser cannot recoup incentive fees that the Investment Adviser has previously waived.

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

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

Table of Contents**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)****December 31, 2018****(in thousands, except share data)****Note 5. Agreements (Continued)**

The following table summarizes the management fees and incentive fees incurred by the Company for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

	Year Ended December 31,		
	2018	2017	2016
Management fee	\$ 38,530	\$ 32,694	\$ 27,551
Less: management fee waiver	(6,709)	(5,642)	(4,824)
Total management fee	31,821	27,052	22,727
Incentive fee, excluding accrued capital gains incentive fees	\$ 26,508	\$ 25,101	\$ 22,011
Less: incentive fee waiver		(1,800)	
Total incentive fee	26,508	23,301	22,011
Accrued capital gains incentive fees ⁽¹⁾	\$	\$	\$

(1)

As of December 31, 2018, December 31, 2017 and December 31, 2016, no actual capital gains incentive fee was owed under the Investment Management Agreement by the Company, as cumulative net Adjusted Realized Capital Gains did not exceed cumulative Adjusted Unrealized Capital Depreciation.

As all predecessor investments have been sold or matured, no cost basis adjustment is necessary for the years ended December 31, 2018 and December 31, 2017.

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

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 5. Agreements (Continued)

The following Consolidated Statement of Operations for the year ended December 31, 2016 is adjusted to reflect this step-up to fair market value.

	Year Ended December 31, 2016	Stepped-up Cost Basis Adjustments	Adjusted Year Ended December 31, 2016
Investment income			
Interest income ⁽¹⁾	\$ 147,425	\$ (65)	\$ 147,360
Total dividend income ⁽²⁾	11,200		11,200
Other income	9,459		9,459
Total investment income⁽³⁾	168,084	(65)	168,019
Total expenses pre-incentive fee ⁽⁴⁾	57,965		57,965
Pre-Incentive Fee Net Investment Income	110,119	(65)	110,054
Incentive fee ⁽⁵⁾	22,011		22,011
Post-Incentive Fee Net Investment Income	88,108	(65)	88,043
Net realized losses on investments ⁽⁶⁾	(16,717)	(151)	(16,868)
Net change in unrealized appreciation (depreciation) of investments ⁽⁶⁾	40,131	216	40,347
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(486)		(486)
Benefit for taxes	642		642
Net increase in net assets resulting from operations	\$ 111,678		\$ 111,678

(1) Includes \$4,270 in PIK interest from investments.

(2) Includes \$3,178 in PIK dividends for investments.

(3)

Includes income from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

(4) Includes expense waivers and reimbursements of \$725 and management fee waivers of \$4,824.

(5) For the year ended December 31, 2016, the Company incurred total incentive fees of \$22,011, none of which was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.

(6) Includes net realized gains (losses) on investments and net change in unrealized appreciation (depreciation) of investments from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

The Company has entered into the Administration Agreement with the Administrator under which the Administrator provides administrative services. The Administrator maintains, or oversees the maintenance of, the Company's consolidated financial records, prepares reports filed with the SEC, generally monitors the payment of the Company's expenses and oversees the performance of administrative and professional services rendered by others. The Company will reimburse the

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 5. Agreements (Continued)

Administrator for the Company's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Company under the Administration Agreement. Pursuant to the Administration Agreement and further restricted by the Company, the Administrator may, in its own discretion, submit to the Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Company during any quarterly period. As a result, the amount of expenses for which the Company will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to the Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Company in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the years ended December 31, 2018, December 31, 2017 and December 31, 2016, approximately \$2,406, \$1,558 and \$1,641, respectively, of indirect administrative expenses were included in administrative expenses of which \$276, \$415 and \$725, respectively, of indirect administrative expenses were waived by the Administrator. As of December 31, 2018 and December 31, 2017, \$681 and \$444, respectively, of indirect administrative expenses were included in payable to affiliates.

As of December 31, 2018, December 31, 2017 and December 31, 2016, no expense waivers or reimbursements were receivable from an affiliate.

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

Note 6. Related Parties

The Company has entered into a number of business relationships with affiliated or related parties.

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

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 6. Related Parties (Continued)

The Company has entered into the Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the Company and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. The Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Company under the Administration Agreement which includes the fees and expenses associated with performing administrative, finance and compliance functions, and the compensation of the Company's chief financial officer and chief compliance officer and their respective staffs.

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

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

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole or in part, to the Company's investment mandates, including Guardian II. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Company or for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that the Company should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff and consistent with the Investment Adviser's allocation procedures. On December 18, 2017, the SEC issued an exemptive order (the "Exemptive Order"), which superseded a prior order issued on June 5, 2017, which permits the Company to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the Exemptive Order, the Company is permitted to co-invest with its affiliates if a "required majority" (as defined in Section 57(o) of the 1940 Act) of the Company's independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to the Company and its stockholders and do not involve overreaching in respect of the Company or its stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of the Company's stockholders and is consistent with its then-current investment objective and strategies.

Note 7. Borrowings

On March 23, 2018, the Small Business Credit Availability Act (the "SBCA") was signed into law, which included various changes to regulations under the federal securities laws that impact

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 7. Borrowings (Continued)

BDCs. The SBCA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150.0% from 200.0% under certain circumstances. On April 12, 2018, the Company's board of directors, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCA, and recommended the submission of a proposal for stockholders to approve the application of the 150.0% minimum asset coverage ratio to the Company at a special meeting of stockholders, which was held on June 8, 2018. The stockholder proposal was approved by the required votes of the Company's stockholders at such special meeting of stockholders, and thus the Company became subject to the 150.0% minimum asset coverage ratio on June 9, 2018. As a result of the Company's exemptive relief received on November 5, 2014, the Company is permitted to exclude its SBA-guaranteed debentures from the 150.0% asset coverage ratio that the Company is required to maintain under the 1940 Act. The agreements governing the NMFC Credit Facility, the 2018 Convertible Notes and the Unsecured Notes (as defined below) contain certain covenants and terms, including a requirement that the Company not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that the Company not exceed a secured debt ratio of 0.70 to 1.00 at any time. As of December 31, 2018, the Company's asset coverage ratio was 181.37%.

Holdings Credit Facility On December 18, 2014, the Company entered into the Second Amended and Restated Loan and Security Agreement among the Company, as the Collateral Manager, NMF Holdings, as the Borrower, Wells Fargo Securities, LLC, as the Administrative Agent and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian (as amended from time to time, the "Holdings Credit Facility"). As of the most recent amendment on November 19, 2018, the maturity date of the Holdings Credit Facility is October 24, 2022, and the maximum facility amount is the lesser of \$695,000 and the actual commitments of the lenders to make advances as of such date.

As of December 31, 2018, the maximum amount of revolving borrowings available under the Holdings Credit Facility is \$615,000. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by Wells Fargo Bank, National Association. The Holdings Credit Facility is non-recourse to the Company and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires the Company to maintain a minimum asset coverage ratio of 150.0%. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

As of the amendment entered into on April 1, 2018, the Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.25% per annum for all other investments. The Holdings

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 7. Borrowings (Continued)

Credit Facility also charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

	Year Ended December 31,		
	2018	2017	2016
Interest expense	\$ 16,062	\$ 11,612	\$ 9,546
Non-usage fee	\$ 610	\$ 749	\$ 772
Amortization of financing costs	\$ 2,519	\$ 1,780	\$ 1,615
Weighted average interest rate	4.2%	3.3%	2.8%
Effective interest rate	5.0%	4.1%	3.5%
Average debt outstanding	\$ 384,433	\$ 345,174	\$ 341,055

As of December 31, 2018, December 31, 2017 and December 31, 2016, the outstanding balance on the Holdings Credit Facility was \$512,563, \$312,363 and \$333,513, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

NMFC Credit Facility The Senior Secured Revolving Credit Agreement, (as amended from time to time, and together with the related guarantee and security agreement, the "NMFC Credit Facility"), dated June 4, 2014, among the Company, as the Borrower, Goldman Sachs Bank USA, as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, as Lenders, is structured as a senior secured revolving credit facility. The NMFC Credit Facility is guaranteed by certain of the Company's domestic subsidiaries and proceeds from the NMFC Credit Facility may be used for general corporate purposes, including the funding of portfolio investments. As of the most recent amendment on July 5, 2018, the maturity date of the NMFC Credit Facility is June 4, 2022 and the NMFC Credit Facility includes the financial covenants related to the asset coverage discussed above.

As of December 31, 2018, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$135,000. The Company is permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the related Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

The NMFC Credit Facility generally bears interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum, and charges a commitment fee, based on the unused facility amount multiplied by 0.375% per annum (as defined in the Senior Secured Revolving Credit Agreement).

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 7. Borrowings (Continued)

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

Year Ended December 31,

	2018	2017	2016
Interest expense	\$ 5,408	\$ 2,010	\$ 2,011
Non-usage fee	\$ 93	\$ 257	\$ 183
Amortization of financing costs	\$ 480	\$ 391	\$ 378
Weighted average interest rate	4.6%	3.6%	3.0%
Effective interest rate	5.1%	4.8%	3.8%
Average debt outstanding	\$ 117,719	\$ 54,853	\$ 66,876

As of December 31, 2018, December 31, 2017 and December 31, 2016, the outstanding balance on the NMFC Credit Facility was \$60,000, \$122,500 and \$10,000, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

DB Credit Facility The Loan Financing and Servicing Agreement (the "DB Credit Facility") dated December 14, 2018, among NMFDB as the borrower, Deutsche Bank AG, New York Branch ("Deutsche Bank") as the facility agent, Lender and other agent from time to time party thereto and U.S. Bank National Association, as collateral agent and collateral custodian, is structured as a secured revolving credit facility and matures on December 14, 2023.

As of December 31, 2018, the maximum amount of revolving borrowings available under the DB Credit Facility was \$100,000. The Company is permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Loan Financing and Servicing Agreement. The DB Credit Facility is non-recourse to the Company and is collateralized by all of the investments of NMFDB on an investment by investment basis. All fees associated with the origination of the DB Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the DB Credit Facility. The DB Credit Facility contains certain customary affirmative and negative covenants and events of default. The covenants are generally not tied to market fluctuations in the prices of NMFDB investments, but rather to the performance of the underlying portfolio companies.

The advances under the DB Credit Facility accrue interest at a per annum rate equal to the Applicable Margin plus the lender's Cost of Funds Rate. The "Applicable Margin" is equal to 2.85% during the Revolving Period and then increases by 0.20% during an Event of Default. The "Cost of Funds Rate" for a conduit lender is the lower of its commercial paper rate and the Base Rate plus 0.50%, and for any other lender is the Base Rate. The "Base Rate" is the three-months LIBOR Rate but may become an alternative base rate based on Deutsche Bank's base lending rate if certain LIBOR disruption events occur. The Company is also charged a non-usage fee, based on the unused facility amount multiplied by the Undrawn Fee Rate (as defined in the Loan Financing and Servicing Agreement).

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 7. Borrowings (Continued)

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the DB Credit Facility for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

	Year Ended December 31,		
	2018⁽¹⁾	2017⁽²⁾	2016⁽²⁾
Interest expense	\$ 140	\$	\$
Non-usage fee	\$ 13	\$	\$
Amortization of financing costs	\$ 13	\$	\$
Weighted average interest rate	5.7%	%	%
Effective interest rate	6.7%	%	%
Average debt outstanding	\$ 49,833	\$	\$

(1) For the year ended December 31, 2018, amounts reported relate to the period from December 14, 2018 (commencement of the DB Credit Facility) to December 31, 2018.

(2) Not applicable as the DB Credit Facility commenced on December 14, 2018.

As of December 31, 2018, the outstanding balance on the DB Credit Facility was \$57,000 and NMFDB was in compliance with the applicable covenants in the DB Credit Facility on such dates.

NMNL Credit Facility The Revolving Credit Agreement (together with the related guarantee and security agreement, the "NMNL Credit Facility"), dated September 21, 2018, among NMNL, as the Borrower, and KeyBank National Association, as the Administrative Agent and Lender, is structured as a senior secured revolving credit facility and matures on September 23, 2019. The NMNL Credit Facility is guaranteed by the Company and proceeds from the NMNL Credit Facility may be used for funding of additional acquisition properties.

The NMNL Credit Facility generally bears interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum, and charges a commitment fee, based on the unused facility amount multiplied by 0.15% per annum (as defined in the Revolving Credit Agreement).

As of December 31, 2018, the maximum amount of revolving borrowings available under the NMNL Credit Facility was \$30,000. For the year ended December 31, 2018, interest expense, non-usage fees and amortization of financing costs were \$47, \$11 and \$28, respectively. As of December 31, 2018, the outstanding balance on the NMNL Credit Facility was \$0 and NMNL was in compliance with the applicable covenants in the NMNL Credit Facility on such date.

Convertible Notes

2014 Convertible Notes On June 3, 2014, the Company closed a private offering of \$115,000 aggregate principal amount of unsecured convertible notes (the "2014 Convertible Notes"), pursuant to an indenture, dated June 3, 2014 (the "2014 Indenture"). The 2014 Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). As of June 3, 2015, the restrictions under Rule 144A under the Securities Act were removed, allowing the 2014

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 7. Borrowings (Continued)

Convertible Notes to be eligible and freely tradable without restrictions for resale pursuant to Rule 144(b)(1) under the Securities Act. On September 30, 2016, the Company closed a public offering of an additional \$40,250 aggregate principal amount of the 2014 Convertible Notes. These additional 2014 Convertible Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$115,000 aggregate principal amount of 2014 Convertible Notes that the Company issued on June 3, 2014.

The 2014 Convertible Notes bear interest at an annual rate of 5.0%, payable semi-annually in arrears on June 15 and December 15 of each year, which commenced on December 15, 2014. The 2014 Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option.

The Company may not redeem the 2014 Convertible Notes prior to maturity. No sinking fund is provided for the 2014 Convertible Notes. In addition, if certain corporate events occur, holders of the 2014 Convertible Notes may require the Company to repurchase for cash all or part of their 2014 Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the 2014 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

The 2014 Indenture contains certain covenants, including covenants requiring the Company to provide financial information to the holders of the 2014 Convertible Notes and the Trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the 2014 Indenture.

2018 Convertible Notes On August 20, 2018, the Company closed a registered public offering of \$100,000 aggregate principal amount of unsecured convertible notes (the "2018 Convertible Notes" and together with the 2014 Convertible Notes, the "Convertible Notes"), pursuant to an indenture, dated August 20, 2018, as supplemented by a first supplemental indenture thereto, dated August 20, 2018 (together the "2018A Indenture"). On August 30, 2018, in connection with the registered public offering, the Company issued an additional \$15,000 aggregate principal amount of the 2018 Convertible Notes pursuant to the exercise of an overallotment option by the underwriter of the 2018 Convertible Notes.

The 2018 Convertible Notes bear interest at an annual rate of 5.75%, payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2019. The 2018 Convertible Notes will mature on August 15, 2023 unless earlier converted, repurchased or redeemed pursuant to the terms of the 2018A Indenture. The Company may not redeem the 2018 Convertible Notes prior to May 15, 2023. On or after May 15, 2023, the Company may redeem the 2018 Convertible Notes for cash, in whole or from time to time in part, at its option at a redemption price, subject to an exception for redemption dates occurring after a record date but on or prior to the interest payment date, equal to the sum of (i) 100% of the principal amount of the 2018 Convertible Notes to be redeemed, (ii) accrued and unpaid interest thereon to, but excluding, the redemption date and (iii) a make-whole premium.

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New Mountain Finance Corporation (Continued)****December 31, 2018****(in thousands, except share data)****Note 7. Borrowings (Continued)**

No sinking fund is provided for the 2018 Convertible Notes. Holders of 2018 Convertible Notes may, at their option, convert their 2018 Convertible Notes into shares of the Company's common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date of the 2018 Convertible Notes. In addition, if certain corporate events occur, holders of the 2018 Convertible Notes may require the Company to repurchase for cash all or part of their 2018 Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the 2018 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

The 2018A Indenture contains certain covenants, including covenants requiring the Company to provide certain financial information to the holders of the 2018 Convertible Notes and the trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. The 2018A Indenture also includes additional financial covenants related to asset coverage. These covenants are subject to limitations and exceptions that are described in the 2018A Indenture.

The following table summarizes certain key terms related to the convertible features of the Company's Convertible Notes as of December 31, 2018.

	2014 Convertible Notes	2018 Convertible Notes
Initial conversion premium	12.5%	10.0%
Initial conversion rate ⁽¹⁾	62.7746	65.8762
Initial conversion price	\$ 15.93	\$ 15.18
Conversion premium at December 31, 2018	11.7%	10.0%
Conversion rate at December 31, 2018 ⁽¹⁾⁽²⁾	63.2794	65.8762
Conversion price at December 31, 2018 ⁽²⁾⁽³⁾	\$ 15.80	\$ 15.18
Last conversion price calculation date	June 3, 2018	August 20, 2018

- (1) Conversion rates denominated in shares of common stock per \$1 principal amount of the Convertible Notes converted.
- (2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.
- (3) The conversion price in effect at December 31, 2018 was calculated on the last anniversary of the issuance and will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in dividends in excess of \$0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of \$14.05 per share for the 2014 Convertible Notes and \$13.80 per share for the 2018 Convertible Notes. In no event will the total number of shares of common stock issuable upon conversion exceed 71.1893 per \$1 principal

amount of the 2014 Convertible Notes or 72.4637 per \$1 principal amount of the 2018 Convertible

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Table of Contents**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)****December 31, 2018****(in thousands, except share data)****Note 7. Borrowings (Continued)**

Notes. The Company has determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The Convertible Notes are unsecured obligations and rank senior in right of payment to the Company's existing and future indebtedness, if any, that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including existing unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries and financing vehicles. As reflected in Note 12. *Earnings Per Share*, the issuance is considered part of the if-converted method for calculation of diluted earnings per share.

The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Convertible Notes for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

	Year Ended December 31,		
	2018⁽¹⁾	2017	2016
Interest expense	\$ 10,169	\$ 7,763	\$ 6,259
Amortization of financing costs	\$ 1,268	\$ 1,190	\$ 859
Amortization of premium	\$ (111)	\$ (111)	\$ (28)
Weighted average interest rate	5.2%	5.0%	5.0%
Effective interest rate	5.7%	5.7%	5.7%
Average debt outstanding	\$ 197,058	\$ 155,250	\$ 125,227

(1)

For the year ended December 31, 2018, amounts reported include interest and amortization of financing costs related to the 2018 Convertible Notes for the period from August 20, 2018 (issuance of the 2018 Convertible Notes) to December 31, 2018.

As of December 31, 2018, December 31, 2017 and December 31, 2016, the outstanding balance on the Convertible Notes was \$270,250, \$155,250 and \$155,250, respectively, and NMFC was in compliance with the terms of the 2014 Indenture and 2018A Indenture on such dates, as applicable.

Unsecured Notes

On May 6, 2016, the Company issued \$50,000 in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the "2016 Unsecured Notes"), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, the Company entered into an amended and restated note purchase agreement (the "NPA") and issued an additional \$40,000 in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, the Company issued \$55,000 in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the "2017A Unsecured Notes"), pursuant to the NPA and a supplement to the NPA. On

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 7. Borrowings (Continued)

January 30, 2018, the Company issued \$90,000 in aggregate principal amount of five year unsecured notes that mature on January 30, 2023 (the "2018A Unsecured Notes") pursuant to the NPA and a second supplement to the NPA. On July 5, 2018, the Company issued \$50,000 in aggregate principal amount of five year unsecured notes that mature on June 28, 2023 (the "2018B Unsecured Notes") pursuant to the NPA and a third supplement to the NPA (the "Third Supplement"). The NPA provides for future issuances of unsecured notes in separate series or tranches.

The 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2018. The 2018A Unsecured Notes bear interest at an annual rate of 4.870%, payable semi-annually on February 15 and August 15 of each year, which commenced on August 15, 2018. The 2018B Unsecured Notes bear interest at an annual rate of 5.360%, payable semi-annually on January 15 and July 15 of each year, which commences on January 15, 2019. These interest rates are subject to increase in the event that: (i) subject to certain exceptions, the underlying unsecured notes or the Company ceases to have an investment grade rating or (ii) the aggregate amount of the Company's unsecured debt falls below \$150,000. In each such event, the Company has the option to offer to prepay the underlying unsecured notes at par, in which case holders of the underlying unsecured notes who accept the offer would not receive the increased interest rate. In addition, the Company is obligated to offer to prepay the underlying unsecured notes at par if the Investment Adviser, or an affiliate thereof, ceases to be the Company's investment adviser or if certain change in control events occur with respect to the Investment Adviser.

The NPA contains customary terms and conditions for unsecured notes issued in a private placement, including, without limitation, an option to offer to prepay all or a portion of the unsecured notes under its governance at par (plus a make-whole amount, if applicable), affirmative and negative covenants such as information reporting, maintenance of the Company's status as a BDC under the 1940 Act and a RIC under the Code, minimum stockholders' equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes at the Company or any subsidiary guarantor, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under other indebtedness of the Company or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy. The Third Supplement includes additional financial covenants related to asset coverage as well as other terms.

On September 25, 2018, the Company closed a registered public offering of \$50,000 in aggregate principal amount of five-year unsecured notes that mature on October 1, 2023 (the "5.75% Unsecured Notes" and together with the 2016 Unsecured Notes, 2017A Unsecured Notes, 2018A Unsecured Notes and 2018B Unsecured Notes, the "Unsecured Notes") pursuant to an indenture, dated August 20, 2018, as supplemented by a second supplemental indenture thereto, dated September 25, 2018 (together, the "2018B Indenture"). On October 17, 2018, in connection with the registered public offering, the Company issued an additional \$1,750 aggregate principal

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 7. Borrowings (Continued)

amount of the 5.75% Unsecured Notes pursuant to the exercise of an overallotment option by the underwriters of the 5.75% Unsecured Notes.

The 5.75% Unsecured Notes bear interest at an annual rate of 5.75%, payable quarterly on January 1, April 1, July 1 and October 1 of each year, which commenced on January 1, 2019. The 5.75% Unsecured Notes will mature on October 1, 2023 unless earlier redeemed. The 5.75% Unsecured Notes are listed on the New York Stock Exchange and trade under the trading symbol "NMFV."

The Company may redeem the 5.75% Unsecured Notes, in whole or in part, at any time, or from time to time, at its option on or after October 1, 2020, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption.

No sinking fund is provided for the 5.75% Unsecured Notes and holders of the 5.75% Unsecured Notes have no option to have their 5.75% Unsecured Notes repaid prior to the stated maturity date.

The 2018B Indenture contains certain covenants, including covenants requiring the Company to (i) comply with the asset coverage requirements set forth in Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act as may be applicable to the Company from time to time or any successor provisions, whether or not the Company continues to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to the Company by the SEC and (ii) provide certain financial information to the holders of the 5.75% Unsecured Notes and the trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. The 2018B Indenture also includes additional financial covenants related to asset coverage. These covenants are subject to limitations and exceptions that are described in the 2018B Indenture.

The 2018B Indenture provides for customary events of default and further provides that the trustee or the holders of 25% in aggregate principal amount of the outstanding 5.75% Unsecured Notes may declare such 5.75% Unsecured Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

The Unsecured Notes are unsecured obligations and rank senior in right of payment to the Company's existing and future indebtedness, if any, that is expressly subordinated in right of payment to the Unsecured Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including existing unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries and financing vehicles.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 7. Borrowings (Continued)

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

	Year Ended December 31,		
	2018⁽¹⁾	2017⁽²⁾	2016⁽³⁾
Interest expense	\$ 13,533	\$ 6,098	\$ 2,271
Amortization of financing costs	\$ 818	\$ 493	\$ 202
Weighted average interest rate	5.1%	5.2%	5.3%
Effective interest rate	5.4%	5.6%	5.8%
Average debt outstanding	\$ 266,296	\$ 117,877	\$ 65,500

- (1) For the year ended December 31, 2018, amounts reported include interest and amortization of financing costs related to the 2018A Unsecured Notes for the period from January 30, 2018 (issuance of the 2018A Unsecured Notes) to December 31, 2018, the 2018B Unsecured Notes for the period from July 5, 2018 (issuance of the 2018B Unsecured Notes) to December 31, 2018 and the 5.75% Unsecured Notes for the period from September 25, 2018 (issuance of the 5.75% Unsecured Notes) to December 31, 2018.
- (2) For the year ended December 31, 2017, amounts reported include interest and amortization of financing costs related to the 2017A Unsecured Notes for the period from June 30, 2017 (issuance of the 2017A Unsecured Notes) to December 31, 2017.
- (3) For the year ended December 31, 2016 amounts reported include interest and amortization of financing costs for the period from May 6, 2016 (issuance of the 2016 Unsecured Notes) to December 31, 2016.

As of December 31, 2018, December 31, 2017 and December 31, 2016, the outstanding balance on the Unsecured Notes was \$336,750, \$145,000 and \$90,000, respectively, and the Company was in compliance with the terms of the NPA and the 2018B Indenture as of such dates, as applicable.

SBA-guaranteed debentures On August 1, 2014 and August 25, 2017, respectively, SBIC I and SBIC II received licenses from the SBA to operate as SBICs.

The SBIC licenses allow SBICs to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse to the Company, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with ten year maturities. The SBA, as a creditor, will have a superior claim to the assets of SBIC I and SBIC II over the Company's stockholders in the event SBIC I and SBIC II are liquidated or the SBA exercises remedies upon an event of default.

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The maximum amount of borrowings available under current SBA regulations for a single licensee is \$150,000 as long as the licensee has at least \$75,000 in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to

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Table of Contents**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)****December 31, 2018****(in thousands, except share data)****Note 7. Borrowings (Continued)**

licensing. In June 2018, legislation amended the 1958 Act by increasing the individual leverage limit from \$150,000 to \$175,000, subject to SBA approvals.

As of December 31, 2018 and December 31, 2017, SBIC I had regulatory capital of \$75,000 and \$75,000, respectively, and SBA-guaranteed debentures outstanding of \$150,000 and \$150,000, respectively. As of December 31, 2018 and December 31, 2017, SBIC II had regulatory capital of \$42,500 and \$2,500, respectively, and \$15,000 and \$0, respectively, of SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes the Company's SBA-guaranteed debentures as of December 31, 2018.

Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
Fixed SBA-guaranteed debentures⁽¹⁾:				
March 25, 2015	March 1, 2025	\$ 37,500	2.517%	0.355%
September 23, 2015	September 1, 2025	37,500	2.829%	0.355%
September 23, 2015	September 1, 2025	28,795	2.829%	0.742%
March 23, 2016	March 1, 2026	13,950	2.507%	0.742%
September 21, 2016	September 1, 2026	4,000	2.051%	0.742%
September 20, 2017	September 1, 2027	13,000	2.518%	0.742%
March 21, 2018	March 1, 2028	15,255	3.187%	0.742%
Fixed SBA-guaranteed debentures⁽²⁾:				
September 19, 2018	September 1, 2028	15,000	3.548%	0.222%
Total SBA-guaranteed debentures		\$ 165,000		

(1) SBA-guaranteed debentures are held in SBIC I.

(2) SBA-guaranteed debentures are held in SBIC II.

Prior to pooling, the SBA-guaranteed debentures bear interest at an interim floating rate of LIBOR plus 0.30%. Once pooled, which occurs in March and September each year, the SBA-guaranteed debentures bear interest at a fixed rate that is set to the current 10-year treasury rate plus a spread at each pooling date.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 7. Borrowings (Continued)

The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

	Year Ended December 31,		
	2018	2017	2016
Interest expense	\$ 5,124	\$ 4,160	\$ 3,758
Amortization of financing costs	\$ 530	\$ 444	\$ 403
Weighted average interest rate	3.2%	3.1%	3.1%
Effective interest rate	3.6%	3.5%	3.5%
Average debt outstanding	\$ 158,471	\$ 132,572	\$ 119,819

The SBIC program is designed to stimulate the flow of private investor capital into eligible smaller businesses, as defined by the SBA. Under SBA regulations, SBICs are subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible smaller businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in smaller businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to the Company. SBICs are subject to an annual periodic examination by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared on a basis of accounting other than GAAP (such as ASC 820) by an independent auditor. As of December 31, 2018, December 31, 2017 and December 31, 2016, SBIC I was in compliance with SBA regulatory requirements and as of December 31, 2018 and December 31, 2017, SBIC II was in compliance with SBA regulatory requirements.

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

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 8. Regulation

The Company has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. In order to continue to qualify and be subject to tax as a RIC, among other things, the Company is required to timely distribute to its stockholders at least 90.0% of investment company taxable income, as defined by the Code, for each year. The Company, among other things, intends to make and will continue to make the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal, state, and local income taxes (excluding excise taxes which may be imposed under the Code).

Additionally, as a BDC, the Company must not acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70.0% of its total assets are qualifying assets (with certain limited exceptions). In addition, the Company must offer to make available to all eligible portfolio companies managerial assistance.

Note 9. Commitments and Contingencies

In the normal course of business, the Company may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments or delayed draw commitments. As of December 31, 2018, the Company had unfunded commitments on revolving credit facilities of \$43,539, no outstanding bridge financing commitments and other future funding commitments of \$94,407. As of December 31, 2017, the Company had unfunded commitments on revolving credit facilities of \$23,716, no outstanding bridge financing commitments and other future funding commitments of \$53,712. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedules of Investments.

The Company also has revolving borrowings available under the Holdings Credit Facility, the NMFC Credit Facility, the DB Credit Facility and the NMNLC Credit Facility as of December 31, 2018 and December 31, 2017. See Note 7. *Borrowings*, for details.

The Company may from time to time enter into financing commitment letters. As of December 31, 2018 and December 31, 2017, the Company had commitment letters to purchase investments in the aggregate par amount of \$27,536 and \$13,907, respectively, which could require funding in the future.

As of December 31, 2018 and December 31, 2017, the Company owed \$6,000 and \$12,000, respectively, related to a settlement agreement with a trustee of Black Elk Energy Offshore Operations, LLC. The Company began to make semi-annual payments of \$3,000 in June 2018 with the final payment due in December 2019.

As of December 31, 2018, the Company had unfunded commitments related to an equity investment in SLP III of \$1,600 which may be funded at the Company's discretion.

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New Mountain Finance Corporation (Continued)****December 31, 2018****(in thousands, except share data)****Note 10. Distributions**

Differences between taxable income and the results of operations for financial reporting purposes may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. During the years ended December 31, 2018, December 31, 2017 and December 31, 2016, the Company's reclassifications of amounts for book purposes arising from permanent book/tax differences related to return of capital distributions were as follows:

	Year Ended December 31,		
	2018	2017	2016
Undistributed net investment income	\$ 20,166	\$ 35,793	\$ (1,435)
Distributions in excess of net realized gains			(21,572)
Additional paid-in-capital	(20,166)	(35,793)	23,007

For U.S. federal income tax purposes, distributions paid to stockholders of the Company are reported as ordinary income, return of capital, long term capital gains or a combination thereof. The tax character of distributions paid by the Company for the years ended December 31, 2018, December 31, 2017 and December 31, 2016 were estimated to be as follows:

	Year Ended December 31,		
	2018	2017	2016
Ordinary income (non-qualified)	\$ 51,573	\$ 72,150	\$ 79,415
Ordinary income (qualified)	35,000		
Capital gains			
Return of capital	16,815	28,755	9,349
Total	\$ 103,388	\$ 100,905	\$ 88,764

As of December 31, 2018, December 31, 2017 and December 31, 2016, the costs of investments for the Company for tax purposes were \$2,330,134, \$1,799,563 and \$1,602,607, respectively.

	December 31, 2018⁽¹⁾	December 31, 2017⁽¹⁾
Tax cost	\$ 2,330,134	\$ 1,799,563
Gross unrealized appreciation on investments	79,589	63,167
Gross unrealized depreciation on investments	(44,262)	(11,858)
Total investments at fair value	\$ 2,365,461	\$ 1,850,872

(1)

Includes securities purchased under collateralized agreement to resell.

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At December 31, 2018, December 31, 2017 and December 31, 2016, the components of distributable earnings on a tax basis differ from the amounts reflected per the Company's Consolidated Statements of Assets and Liabilities by temporary book/tax differences primarily

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 10. Distributions (Continued)

arising from differences between the tax and book basis of the Company's investment in securities held directly as well as through the Predecessor Operating Company and undistributed income.

As of December 31, 2018, December 31, 2017 and December 31, 2016, the Company's components of accumulated earnings (deficit) on a tax basis were as follows:

	Year Ended December 31,		
	2018	2017	2016
Accumulated capital gains (capital loss carryforwards)	\$ (66,505)	\$ (70,701)	\$ (39,517)
Other temporary differences	12,551	11,521	2,072
Undistributed ordinary income			
Unrealized (appreciation) depreciation	23,834	39,928	(26,093)
Total	\$ (30,120)	\$ (19,252)	\$ (63,538)

The Company is subject to a 4.0% nondeductible U.S. federal excise tax on certain undistributed income unless the Company distributes, in a timely manner as required by the Code, an amount at least equal to the sum of (1) 98.0% of its net ordinary income earned for the calendar year and (2) 98.2% of its capital gain net income for the one-year period ending October 31 in the calendar year. For the year ended December 31, 2018, the Company does not expect to incur any excise taxes. For the years ended December 31, 2017 and December 31, 2016, the Company did not incur any excise taxes.

The following information is hereby provided with respect to distributions declared during the calendar years ended December 31, 2018, December 31, 2017 and December 31, 2016:

	Year Ended December 31,		
(unaudited)	2018	2017	2016
Distributions per share	\$ 1.36	\$ 1.36	\$ 1.36
Ordinary dividends	83.74%	71.50%	89.46%
Long-term capital gains	%	%	%
Qualified dividend income	33.85%	%	%
Dividends received deduction	%	%	%
Interest-related dividends ⁽¹⁾	76.77%	92.59%	89.78%
Qualified short-term capital gains ⁽¹⁾	%	%	%
Return of capital	16.26%	28.50%	10.54%

(1)

Represents the portion of the taxable ordinary dividends eligible for exemption from U.S. withholding tax for nonresident aliens and foreign corporations.

Dividends and distributions that were reinvested through the Company's dividend reinvestment plan are treated, for tax purposes, as if they had been paid in cash. Therefore, stockholders who participated in the dividend reinvestment plan should also refer to the information as provided in the table above.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 11. Net Assets

The table below illustrates the effect of certain transactions on the net asset accounts of the Company:

	Common Stock		Treasury Stock at	Paid in Capital in	Accumulated Undistributed Net Investment	Accumulated Undistributed Net Realized	Net Unrealized Appreciation	Total
	Shares	Par Amount	Cost	Excess of Par	Income	Gains (Losses)	(Depreciation)	Net Assets
Balance at December 31, 2015	64,005,387	\$ 640		\$ 899,713	\$ 4,164	\$ 1,342	(\$ 68,951)	\$ 836,900
Issuances of common stock	5,750,000	58		79,005				79,063
Purchases of common stock	(248,499)		(2,948)					(2,948)
Issuance of common stock	210,926		2,488	465				2,951
Deferred issuance costs				(328)				(328)
Distributions declared					(88,764)			(88,764)
Net increase (decrease) in net assets resulting from operations					88,108	(16,717)	40,287	111,678
Reclassification of assets related to return of capital distributions (see Note 10)				23,007	(1,435)	(21,572)		
Balance at December 31, 2016	69,717,814	\$ 698	(\$ 460)	\$ 1,001,862	\$ 2,073	(\$ 36,947)	(\$ 28,664)	\$ 938,566
Issuances of common stock	6,179,706	61		87,552				87,613
	37,573		460	100				56

issuance of common stock								
Offer			(81)					(81)
Offered								
Offering costs			(172)					(172)
Distributions declared					(100,905)			(100,905)
Net increase (decrease) in net assets resulting from operations					102,204	(39,734)	46,928	109,398
Income tax classifications related to return of capital distributions (see Note 10)			(35,793)		35,793			
Balance at December 31, 2017	75,935,093 \$	759 \$	\$ 1,053,468 \$		39,165 \$	(76,681)\$	18,264 \$	1,034,970
Issuances of common stock	171,279	2	2,327					2,327
Distributions declared					(103,388)			(103,388)
Net increase (decrease) in net assets resulting from operations					106,032	(9,657)	(24,022)	72,353
Income tax classifications related to return of capital distributions (see Note 10)			(20,166)		20,166			
Balance at December 31, 2018	76,106,372 \$	761 \$	\$ 1,035,629 \$		61,975 \$	(86,338)\$	(5,758)\$	1,006,260

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 12. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase in the Company's net assets per share resulting from operations for the years ended December 31, 2018, December 31, 2017 and December 31, 2016:

	Year Ended December 31,		
	2018	2017	2016
Earnings per share basic			
Numerator for basic earnings per share:	\$ 72,353	\$ 109,398	\$ 111,678
Denominator for basic weighted average share:	76,022,375	74,171,268	64,918,191
Basic earnings per share:	\$ 0.95	\$ 1.47	\$ 1.72
Earnings per share diluted			
Numerator for increase in net assets per share	\$ 72,353	\$ 109,398	\$ 111,678
Adjustment for interest on Convertible Notes and incentive fees, net	8,135	6,210	5,007
Numerator for diluted earnings per share:	\$ 80,488	\$ 115,608	\$ 116,685
Denominator for basic weighted average share	76,022,375	74,171,268	64,918,191
Adjustment for dilutive effect of Convertible Notes	12,605,366	9,824,127	7,945,196
Denominator for diluted weighted average share	88,627,741	83,995,395	72,863,387
Diluted earnings per share	\$ 0.91	\$ 1.38	\$ 1.60

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 13. Financial Highlights

The following information sets forth the Company's financial highlights for the years ended December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015 and December 31, 2014.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Per share data⁽¹⁾:					
Net asset value at the beginning of the period	\$ 13.63	\$ 13.46	\$ 13.08	\$ 13.83	\$ 14.38
Net investment income	1.39	1.38	1.36	1.38	1.10
Net realized and unrealized (losses) gains ⁽²⁾	(0.44)	0.15	0.38	(0.77)	(0.80)
Net increase (decrease) in net assets resulting from operations allocated from NMF Holdings:					
Net investment income ⁽³⁾					0.44
Net realized and unrealized gains (losses) ⁽²⁾⁽³⁾					0.19
Total net increase	0.95	1.53	1.74	0.61	0.93
Distributions declared to stockholders from net investment income	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)
Distributions declared to stockholders from net realized gains					(0.12)
Net asset value at the end of the period	\$ 13.22	\$ 13.63	\$ 13.46	\$ 13.08	\$ 13.83
Per share market value at the end of the period	\$ 12.58	\$ 13.55	\$ 14.10	\$ 13.02	\$ 14.94
Total return based on market value ⁽⁴⁾	2.70%	5.54%	19.68%	(4.00)%	9.66%
Total return based on net asset value ⁽⁵⁾	7.16%	11.77%	13.98%	4.32%	6.56%
Shares outstanding at end of period	76,106,372	75,935,093	69,717,814	64,005,387	57,997,890
Average weighted shares outstanding for the period	76,022,375	74,171,268	64,918,191	59,715,290	51,846,164
Average net assets for the period	\$ 1,026,313	\$ 1,011,562	\$ 863,193	\$ 832,805	\$ 749,732
Ratio to average net assets ⁽⁶⁾ :					
Net investment income	10.33%	10.10%	10.21%	9.91%	10.68%
Total expenses, before waivers/reimbursements	12.90%	10.23%	9.91%	9.28%	7.65%
Total expenses, net of waivers/reimbursements	12.22%	9.45%	9.27%	8.57%	7.41%

(1) Per share data is based on weighted average shares outstanding for the respective period (except for distributions declared to stockholders which is based on actual rate per share).

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 13. Financial Highlights (Continued)

- (2) Includes the accretive effect of common stock issuances per share, which for the years ended December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015 and December 31, 2014 were \$0.00, \$0.05, \$0.02, \$0.06 and \$0.05, respectively.
- (3) For the year ended December 31, 2014, per share data is based on the summation of the per share results of operations items over the outstanding shares for the period in which the respective line items were realized or earned.
- (4) Total return is calculated assuming a purchase of common stock at the opening of the first day of the year and a sale on the closing of the last business day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Company's dividend reinvestment plan.
- (5) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the year and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.
- (6) Ratio to average net assets for the year ended December 31, 2014 is based on the summation of the results of operations items over the net assets for the period in which the respective line items were realized or earned. For the year ended December 31, 2014, the Company is reflecting its net investment income and expenses as well as its proportionate share of the Predecessor Operating Company's net investment income and expenses.

The following information sets forth the financial highlights for the Company for the years ended December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015 and December 31, 2014.

		Year Ended December 31,				
		2018	2017	2016	2015	2014
Average debt outstanding	Holdings Credit Facility ⁽¹⁾	\$ 384,433	\$ 345,174	\$ 341,055	\$ 394,945	\$ 243,693
Average debt outstanding	SLF Credit Facility ⁽²⁾					208,377
Average debt outstanding	Convertible Notes ⁽³⁾	197,058	155,250	125,227	115,000	115,000
Average debt outstanding	SBA-guaranteed debentures ⁽⁴⁾	158,471	132,572	119,819	71,921	29,167
Average debt outstanding	Unsecured Notes ⁽⁵⁾	266,296	117,877	65,500		
Average debt outstanding	NMFC Credit Facility ⁽⁶⁾	117,719	54,853	66,876	60,477	11,227

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Average debt outstanding	DB Credit Facility ⁽⁷⁾	49,833				
Average debt outstanding	NMNL Credit Facility ⁽⁸⁾	3,570				
Asset coverage ratio ⁽⁹⁾		181.37%	240.76%	259.34%	234.05%	226.70%
Portfolio turnover ⁽¹⁰⁾		36.75%	41.98%	36.07%	33.93%	29.51%

- (1) For the year ended December 31, 2014, average debt outstanding represents the Company's average debt outstanding as well as the Company's proportionate share of the Predecessor Operating Company's average debt outstanding. The average debt outstanding for the year ended December 31, 2014 at the Holdings Credit Facility was \$244,598.
- (2) For the year ended December 31, 2014, average debt outstanding represents the Company's average debt outstanding as well as the Company's proportionate share of the Predecessor Operating Company's average debt outstanding for the period January 1, 2014 to December 17, 2014 (date of SLF Credit Facility merger with and into the Holdings Credit Facility). The average debt outstanding for the period January 1, 2014 to December 17, 2014 at the SLF Credit Facility was \$209,333.
- (3) For the year ended December 31, 2014, average debt outstanding represents the period from June 3, 2014 (issuance of the 2014 Convertible Notes) to December 31, 2014.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 13. Financial Highlights (Continued)

- (4) For the year ended December 31, 2014, average debt outstanding represents the period from November 17, 2014 (date of initial SBA-guaranteed debenture borrowing) to December 31, 2014.
- (5) For the year ended December 31, 2016, average debt outstanding represents the period from May 6, 2016 (issuance of the 2016 Unsecured Notes) to December 31, 2016.
- (6) For the year ended December 31, 2014, average debt outstanding represents the period from June 4, 2014 (commencement of the NMFC Credit Facility) to December 31, 2014.
- (7) For the year ended December 31, 2018, average debt outstanding represents the period from December 14, 2018 (commencement of the DB Credit Facility) to December 31, 2018.
- (8) For the year ended December 31, 2018, average debt outstanding represents the period from September 21, 2018 (commencement of the NMNLC Credit Facility) to December 31, 2018.
- (9) On November 5, 2014, the Company received exemptive relief from the SEC allowing the Company to modify the asset coverage requirement to exclude the SBA-guaranteed debentures from this calculation.
- (10) For the year ended December 31, 2014, portfolio turnover represents the investment activity of the Predecessor Operating Company and the Company.

Note 14. Selected Quarterly Financial Data (unaudited)

The below selected quarterly financial data is for the Company.

(in thousands except for per share data)

Total Investment Income	Net Investment Income	Total Net Realized Gains (Losses) and Net Changes in Unrealized Appreciation	Net Increase (Decrease) in Net Assets Resulting from Operations
--	----------------------------------	---	--

**(Depreciation)
of
Investments(1)**

Quarter Ended	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
December 31, 2018	\$ 63,509	\$ 0.83	\$ 27,458	\$ 0.36	\$ (28,842)	\$ (0.38)	\$ (1,384)	\$ (0.02)
September 30, 2018	60,469	0.79	27,117	0.35	(357)		26,760	0.35
June 30, 2018	54,598	0.72	25,721	0.34	(2,588)	(0.03)	23,133	0.31
March 31, 2018	52,889	0.70	25,736	0.34	(1,892)	(0.03)	23,844	0.31
December 31, 2017	\$ 53,244	\$ 0.70	\$ 26,683	\$ 0.35	\$ 194		\$ 26,877	\$ 0.35
September 30, 2017	51,236	0.68	26,292	0.35	(1,516)	(0.02)	24,776	0.33
June 30, 2017	50,019	0.66	25,798	0.34	1,530	0.02	27,328	0.36
March 31, 2017	43,307	0.62	23,431	0.34	6,986	0.10	30,417	0.44
December 31, 2016	\$ 43,784	\$ 0.64	\$ 22,980	\$ 0.34	\$ 10,875	\$ 0.16	\$ 33,855	\$ 0.50
September 30, 2016	41,834	0.66	21,729	0.34	3,350	0.05	25,079	0.39
June 30, 2016	41,490	0.65	21,832	0.34	22,861	0.36	44,693	0.70
March 31, 2016	40,976	0.64	21,567	0.34	(13,516)	(0.21)	8,051	0.13

(1)

Includes securities purchased under collateralized agreements to resell, benefit (provision) for taxes and the accretive effect of common stock issuances per share, if applicable.

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**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2018

(in thousands, except share data)

Note 15. Recent Accounting Standards Updates

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The standard will modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period. The Company is permitted to early adopt any removed or modified disclosures upon issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective date. The Company has elected to early adopt ASU 2018-13 as of December 31, 2018.

Note 16. Subsequent Events

On January 8, 2019 and January 25, 2019, the Company entered into certain Joinder Supplements (the "Joinders") to add Old Second National Bank and Sumitomo Mitsui Trust Bank, Limited, New York, respectively, as new lenders under the Holdings Credit Facility. After giving effect to the Joinders, the aggregate commitments of the lenders under the Holdings Credit Facility equals \$675,000. The Holdings Credit Facility continues to have a revolving period ending on October 24, 2020, and will still mature on October 24, 2022.

On February 14, 2019, the Company completed a public offering of 4,312,500 shares of the Company's common stock (including 562,500 shares of common stock that were issued pursuant to the full exercise of the overallotment option granted to the underwriters to purchase additional shares) at a public offering price of \$13.57 per share. The Investment Adviser paid all of the underwriters' sales load of \$0.42 per share and an additional supplemental payment of \$0.18 per share to the underwriters, which reflects the difference between the public offering price of \$13.57 per share and the net proceeds of \$13.75 per share received by the Company in this offering. All payments made by the Investment Adviser are not subject to reimbursement by the Company. The Company received total net proceeds of approximately \$59,297 in connection with this offering.

On February 22, 2019, the Company's board of directors declared a first quarter 2019 distribution of \$0.34 per share payable on March 29, 2019 to holders of record as of March 15, 2019.

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\$750,000,000

New Mountain Finance Corporation

Common Stock

Preferred Stock

Subscription Rights

Warrants

Debt Securities

PRELIMINARY PROSPECTUS

, 2019

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PART C
Other Information

Item 25. Financial Statements And Exhibits

(1)
Financial Statements

The following financial statements of New Mountain Finance Corporation ("NMFC", the "Registrant", "we", "us" and "our") are included in Part C of this Registration Statement.

INDEX TO FINANCIAL STATEMENTS

	PAGE
AUDITED FINANCIAL STATEMENTS	
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
New Mountain Finance Corporation	
<u>Consolidated Statements of Assets and Liabilities as of December 31, 2018 and December 31, 2017</u>	<u>F-3</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2018, December 31, 2017 and December 31, 2016</u>	<u>F-4</u>
<u>Consolidated Statements of Changes in Net Assets for the years ended December 31, 2018, December 31, 2017 and December 31, 2016</u>	<u>F-5</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2018, December 31, 2017 and December 31, 2016</u>	<u>F-6</u>
<u>Consolidated Schedule of Investments as of December 31, 2018</u>	<u>F-7</u>
<u>Consolidated Schedule of Investments as of December 31, 2017</u>	<u>F-22</u>
<u>Notes to the Consolidated Financial Statements of New Mountain Finance Corporation</u>	<u>F-36</u>
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(2) Exhibits

- (a)(1) Amended and Restated Certificate of Incorporation of New Mountain Finance Corporation⁽²⁾
- (a)(2) Certificate of Change of Registered Agent and/or Registered Office of New Mountain Finance Corporation⁽³⁾
- (a)(3) Certificate of Amendment to the Amended and Restated Certificate of Incorporation of New Mountain Finance Corporation⁽²⁹⁾
- (b) Amended and Restated Bylaws of New Mountain Finance Corporation⁽²⁾
- (d)(1) Form of Stock Certificate of New Mountain Finance Corporation⁽¹⁾
- (d)(2) Form of Indenture⁽⁶⁾
- (d)(3) Indenture by and between New Mountain Finance Corporation, as Issuer, and U.S. National Bank Association, as Trustee, dated June 3, 2014⁽⁹⁾
- (d)(4) Form of Global Note 5.00% Convertible Note Due 2019 (included as part of Exhibit (d)(3))⁽⁹⁾
- (d)(5) Statement of Eligibility of Trustee on Form T-1⁽³⁰⁾
- (d)(6) Indenture by and between New Mountain Finance Corporation, as Issuer, and U.S. Bank National Association, as Trustee, dated August 20, 2018⁽²³⁾
- (d)(7) First Supplemental Indenture, dated August 20, 2018, relating to the 5.75% Convertible Notes Due 2023, by and between New Mountain Finance Corporation and U.S. Bank National Association, as trustee⁽²³⁾
- (d)(8) Form of Global Note 5.75% Convertible Note Due 2023 (included as part of Exhibit (d)(7))⁽²³⁾
- (d)(9) Second Supplemental Indenture, dated September 25, 2018, relating to the 5.75% Notes Due 2023, by and between New Mountain Finance Corporation and U.S. Bank National Association, as trustee⁽²⁴⁾
- (d)(10) Form of Global Note 5.75% Note Due 2023 (included as part of Exhibit (d)(9))⁽²⁴⁾
- (e) Dividend Reinvestment Plan⁽²⁾
- (g) Investment Advisory and Management Agreement by and between New Mountain Finance Corporation and New Mountain Finance Advisers BDC, LLC⁽⁸⁾
- (h) Form of Underwriting Agreement⁽⁵⁾
- (j)(1) Form of Safekeeping Agreement among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as Safekeeping Agent⁽¹⁾
- (j)(2) Custody Agreement by and between New Mountain Finance Corporation and U.S. Bank National Association⁽⁷⁾
- (k)(1) Second Amended and Restated Administration Agreement⁽¹²⁾
- (k)(2) Form of Trademark License Agreement⁽¹⁾
- (k)(3) Amendment No. 1 to Trademark License Agreement⁽⁴⁾

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- (k)(4) Form of Indemnification Agreement by and between New Mountain Finance Corporation and each director⁽¹⁾
- (k)(5) Limited Liability Company Agreement of NMFC Senior Loan Program II LLC, dated March 9, 2016⁽¹⁵⁾
- (k)(6) Limited Liability Company Agreement for NMFC Senior Loan Program III LLC, dated April 25, 2018⁽²¹⁾
- (k)(7) Third Amended and Restated Loan and Security Agreement, conformed through Amendment No. 2, dated as of November 19, 2018, by and among New Mountain Finance Corporation, as the collateral manager, New Mountain Finance Holdings, L.L.C., as the borrower, Wells Fargo Bank, National Association, as the administrative agent, the lenders party thereto and Wells Fargo Bank, National Association, as the collateral custodian⁽²⁵⁾
- (k)(8) Form of Joinder Supplement, dated as of December 13, 2018, by and among TIAA, FSB, New Mountain Finance Holdings, L.L.C., as the borrower, and Wells Fargo Bank, National Association, as the administrative agent⁽²⁶⁾
- (k)(9) Form of Joinder Supplement, dated as of January 8, 2019, by and among Old Second National Bank, New Mountain Finance Holdings, L.L.C., as the borrower, and Wells Fargo Bank, National Association, as the administrative agent⁽²⁷⁾
- (k)(10) Form of Joinder Supplement, dated as of January 25, 2019, by and among Sumitomo Mitsui Trust Bank, Limited, New York, New Mountain Finance Holdings, L.L.C., as the borrower, and Wells Fargo Bank, National Association, as the administrative agent⁽²⁷⁾
- (k)(11) Form of Amended and Restated Account Control Agreement, among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as Securities Intermediary⁽¹⁾
- (k)(12) Form of Senior Secured Revolving Credit Agreement, by and between New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent, dated June 4, 2014⁽¹⁰⁾
- (k)(13) Form of Guarantee and Security Agreement dated June 4, 2014, among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent⁽¹⁰⁾
- (k)(14) Amendment No. 1, dated December 29, 2014, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent⁽¹¹⁾
- (k)(15) Amendment No. 2, dated June 26, 2015, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent⁽¹³⁾
- (k)(16) Commitment Increase Agreement, dated March 23, 2016, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Bank USA, as Administrative Agent and Syndication Agent⁽¹⁴⁾
- (k)(17) Commitment Increase Agreement, dated May 4, 2016, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Bank USA, as Administrative Agent and Syndication Agent⁽¹⁵⁾

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- (k)(18) Commitment Increase Agreement, dated January 25, 2018, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Bank USA, as Administrative Agent and Syndication Agent⁽²⁰⁾
- (k)(19) Amendment No. 3, dated February 27, 2018, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent⁽²⁰⁾
- (k)(20) Amendment No. 4, dated July 5, 2018, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent⁽²²⁾
- (k)(21) Amendment No. 5, dated as of December 12, 2018, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as borrower, Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent⁽²⁸⁾
- (k)(22) Form of Amended and Restated Note Purchase Agreement relating to 5.313% Notes due 2021, dated September 30, 2016, by and between New Mountain Finance Corporation and the purchasers party thereto⁽¹⁶⁾
- (k)(23) Form of Amended and Restated Note Purchase Agreement relating to 4.760% Notes due 2022, dated June 30, 2017, by and between New Mountain Finance Corporation and the purchasers party thereto⁽¹⁸⁾
- (k)(24) Form of Amended and Restated Note Purchase Agreement relating to 4.870% Notes due 2023, dated January 30, 2018, by and between New Mountain Finance Corporation and the purchasers party thereto⁽¹⁹⁾
- (k)(25) Form of Amended and Restated Note Purchase Agreement relating to 5.360% Notes due 2023, dated July 5, 2018, by and between New Mountain Finance Corporation and the purchasers party thereto⁽²²⁾
- (k)(26) Form of First Amended and Restated Loan Finance and Servicing Agreement, conformed through Amendment No. 1, dated on March 18, 2019, by and among New Mountain Finance DB, L.L.C., New Mountain Finance Corporation, as equityholder and servicer, the lenders from time to time party thereto, Deutsche Bank, as the facility agent, the other agents from time to time party thereto and U.S. Bank National Association, as collateral agent and collateral custodian*
- (k)(27) Form of Sale and Contribution Agreement, dated as of December 14, 2018, between New Mountain Finance Corporation, as seller, and New Mountain Finance DB, L.L.C., as purchaser⁽²⁶⁾
 - (l) Opinion and Consent of Eversheds Sutherland (US) LLP*
 - (n)(1) Consent of Deloitte & Touche LLP*
 - (n)(2) Report of Deloitte & Touche LLP⁽³⁰⁾
 - (r) Code of Ethics⁽¹⁾
- 99.1 Form of Prospectus Supplement for Common Stock Offerings⁽¹⁷⁾
- 99.2 Form of Prospectus Supplement for Preferred Stock Offerings⁽¹⁷⁾
- 99.3 Form of Prospectus Supplement for Rights Offerings⁽¹⁷⁾

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- 99.4 Form of Prospectus Supplement for Warrants Offerings⁽¹⁷⁾
 - 99.5 Form of Prospectus Supplement Retail Notes Offerings⁽¹⁷⁾
 - 99.6 Form of Prospectus Supplement for Institutional Notes Offerings⁽¹⁷⁾
 - 99.7 Form of Prospectus Supplement for Convertible Notes Offerings⁽¹⁷⁾
-

*

Filed herewith.

- (1) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Pre-Effective Amendment No. 3 (File Nos. 333-168280 and 333-172503) filed on May 9, 2011.
- (2) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on August 11, 2011.
- (3) Previously filed in connection with New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation report on Form 8-K filed on August 25, 2011.
- (4) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on November 14, 2011.
- (5) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Pre-Effective Amendment No. 1 (File Nos. 333-180689 and 333-180690) filed on July 10, 2012.
- (6) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Pre-Effective Amendment No. 1 (File Nos. 333-189706 and 333-189707) filed on November 20, 2013.
- (7) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Post-Effective Amendment No. 2 (File Nos. 333-189706 and 333-189707) filed on April 11, 2014.
- (8) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on May 8, 2014.
- (9) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on June 4, 2014.
- (10)

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Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on June 10, 2014.

- (11) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on January 5, 2015.
- (12) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on May 5, 2015.
- (13) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on June 30, 2015.
- (14) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on March 29, 2016.
- (15) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on May 4, 2016.
- (16) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on October 3, 2016.
- (17) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Pre-Effective Amendment No. 1 (File No. 333-218040) filed on June 22, 2017.
- (18) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on July 3, 2017.
- (19) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on February 5, 2018.
- (20) Previously filed in connection with New Mountain Finance Corporation's annual report on Form 10-K filed on February 28, 2018.
- (21) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on May 7, 2018.
- (22) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on July 11, 2018.

- (23) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Post-Effective Amendment No. 3 (File No. 333-218040) filed on August 20, 2018.
- (24) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Post-Effective Amendment No. 4 (File No. 333-218040) filed on September 25, 2018.

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- (25) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on November 27, 2018.
- (26) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on December 19, 2018.
- (27) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Post-Effective Amendment No. 5 (File No. 333-218040) filed on February 13, 2019.
- (28) Previously filed in connection with New Mountain Finance Corporation's report on Form 10-K filed on February 27, 2019.
- (29) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on April 3, 2019.
- (30) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 (File No. 333-230326) filed on March 14, 2019.

Item 26. Marketing Arrangements

The information contained under the heading "Plan of Distribution" in this Registration Statement is incorporated herein by reference.

Item 27. Other Expenses Of Issuance And Distribution

SEC registration fee	\$ 57,603
FINRA filing fee	113,000*
New York Stock Exchange listing fee	200,000
Accounting fees and expenses	350,000
Legal fees and expenses	550,000
Printing and engraving	250,000
Miscellaneous fees and expenses	5,000
 Total	 \$ 1,525,603

Note: All listed amounts, except the SEC registration fee and the FINRA filing fee, are estimates.

*

\$41,209.40 of this amount has been offset against filing fees associated with unsold securities registered under a previous registration statement.

Item 28. Persons Controlled By Or Under Common Control

The following list sets forth each of our subsidiaries, the state under whose laws the subsidiary is organized and the voting securities owned by us, directly or indirectly, in such subsidiary:

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New Mountain Finance Holdings, L.L.C. (Delaware)	100.0%
NMF Ancora Holdings, Inc. (Delaware)	100.0%
NMF QID NGL Holdings, Inc. (Delaware)	100.0%
NMF YP Holdings, Inc. (Delaware)	100.0%
New Mountain Net Lease Corporation (Maryland)	100.0%
New Mountain Finance Servicing, L.L.C. (Delaware)	100.0%
New Mountain Finance SBIC G.P., L.L.C. (Delaware)	100.0%
New Mountain Finance SBIC, L.P. (Delaware)	100.0%
New Mountain Finance SBIC II G.P., L.L.C. (Delaware)	100.0%
New Mountain Finance SBIC II, L.P. (Delaware)	100.0%
New Mountain Finance D.B., LLC (Delaware)	100.0%

Each of our subsidiaries is consolidated for financial reporting purposes.

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In addition, we may be deemed to control certain portfolio companies. See "Portfolio Companies" in the prospectus.

Item 29. Number Of Holders Of Securities

The following table sets forth the number of record holders of our common stock as of April 24, 2019.

<u>Title of Class</u>	Number of Record Holders
Common stock, \$0.01 par value	15

Item 30. Indemnification

Section 145 of the Delaware General Corporation Law empowers a Delaware corporation to indemnify its officers and directors and specific other persons to the extent and under the circumstances set forth therein.

Section 102(b)(7) of the Delaware General Corporation Law allows a Delaware corporation to eliminate the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liabilities arising (a) from any breach of the director's duty of loyalty to the corporation or its stockholders; (b) from acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (c) under Section 174 of the Delaware General Corporation Law; or (d) from any transaction from which the director derived an improper personal benefit.

Subject to the 1940 Act or any valid rule, regulation or order of the SEC thereunder, NMFC's amended and restated bylaws provide that it will indemnify any person who was or is a party or is threatened to be made a party to any threatened action, suit or proceeding whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of NMFC, or is or was serving at the request of NMFC as a director or officer of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, in accordance with provisions corresponding to Section 145 of the Delaware General Corporation Law. The 1940 Act provides that a company may not indemnify any director or officer against liability to it or its security holders to which he or she might otherwise be subject by reason of his or her willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office unless a determination is made by final decision of a court, by vote of a majority of a quorum of directors who are disinterested, non-party directors or by independent legal counsel that the liability for which indemnification is sought did not arise out of the foregoing conduct. In addition, NMFC's amended and restated bylaws provide that the indemnification described therein is not exclusive and shall not exclude any other rights to which the person seeking to be indemnified may be entitled under statute, any bylaw, agreement, vote of stockholders or directors who are not interested persons, or otherwise, both as to action in his or her official capacity and to his or her action in another capacity while holding such office.

The above discussion of Section 145 of the Delaware General Corporation Law and NMFC's amended and restated bylaws is not intended to be exhaustive and is respectively qualified in its entirety by such statute and NMFC's amended and restated bylaws.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim

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for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant has obtained primary and excess insurance policies insuring our directors and officers against some liabilities they may incur in their capacity as directors and officers. Under such policies, the insurer, on the Registrant's behalf, may also pay amounts for which the Registrant has granted indemnification to the directors or officers.

The Investment Management Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, New Mountain Finance Advisers BDC, L.L.C., or the Investment Adviser, and its officers, managers, agents, employees, controlling persons, members (or their owners) and any other person or entity affiliated with it are entitled to indemnification from NMFC for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Investment Adviser's services under the Investment Management Agreement or otherwise as investment adviser of NMFC.

The Administration Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of their respective duties or by reason of the reckless disregard of their respective duties and obligations, New Mountain Finance Administration, L.L.C. and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of services under the Administration Agreement or otherwise as administrator for the Registrant.

Item 31. Business And Other Connections Of Investment Adviser

A description of any other business, profession, vocation, or employment of a substantial nature in which the Investment Adviser, and each director or executive officer of the Investment Adviser, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the sections entitled "Management Biographical Information Directors", "Portfolio Management Investment Personnel", "Management Biographical Information Executive Officers Who Are Not Directors" and "Investment Management Agreement". Additional information regarding the Investment Adviser and its officers and directors is set forth in its Form ADV, as filed with the United States Securities and Exchange Commission (SEC File No. 801-71948), and is incorporated herein by reference.

Item 32. Location Of Accounts And Records

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940, and the rules thereunder are maintained at the offices of:

- (1) the Registrant, New Mountain Finance Corporation, 787 Seventh Avenue, 48th Floor, New York, New York 10019;
- (2) the Transfer Agent, American Stock Transfer & Trust Company, LLC, 6201 15th Avenue, Brooklyn, New York 11219;

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- (3) the Safekeeping Agent, Wells Fargo Bank, National Association, 9062 Old Annapolis Road, Columbia, Maryland 21045;
- (4) the Custodian, U.S. Bank National Association, One Federal Street, 3rd Floor, Boston, Massachusetts 02110;
- (5) the Investment Adviser, New Mountain Finance Advisers BDC, L.L.C., 787 Seventh Avenue, 48th Floor, New York, New York 10019; and
- (6) the Administrator, New Mountain Finance Administration, L.L.C., 787 Seventh Avenue, 48th Floor, New York, New York 10019.

Item 33. Management Services

Not Applicable.

Item 34. Undertakings

- (1) Registrant undertakes to suspend the offering of the shares of common stock covered hereby until it amends its prospectus contained herein if (a) subsequent to the effective date of this Registration Statement, its net asset value per share of common stock declines more than 10.0% from its net asset value per share of common stock as of the effective date of this Registration Statement, or (b) its net asset value per share of common stock increases to an amount greater than its net proceeds as stated in the prospectus contained herein.
- (2) Not applicable.
- (3) Registrant undertakes in the event that the securities being registered are to be offered to existing stockholders pursuant to warrants or rights, and any securities not taken by shareholders are to be reoffered to the public, to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by underwriters, and the terms of any subsequent underwriting thereof. Registrant further undertakes that if any public offering by the underwriters of the securities being registered is to be made on terms differing from those set forth on the cover page of the prospectus, the Registrant shall file a post-effective amendment to set forth the terms of such offering.
- (4) The Registrant hereby undertakes:
 - (a) To file, during any period in which offers or sales are being made, a post-effective amendment to the registration statement:
 - (i) to include any prospectus required by Section 10(a)(3) of the 1933 Act;
 - (ii) to reflect in the prospectus any facts or events after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price

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set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

- (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs 4(a)(i), (ii), and (iii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act of 1934 that are incorporated by reference into the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement;

- (b) That, for the purpose of determining any liability under the 1933 Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of those securities at that time shall be deemed to be the initial bona fide offering thereof; and

- (c) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and

- (d) that, for the purpose of determining liability under the 1933 Act to any purchaser:

- (i) if the Registrant is relying on Rule 430B:

- (A) Each prospectus filed by the Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

- (B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (x), or (xi) for the purpose of providing the information required by Section 10(a) of the 1933 Act shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

- (ii) if the Registrant is subject to Rule 430C: Each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the 1933 Act as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or

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other than prospectuses filed in reliance on Rule 430A under the 1933 Act, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness; *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use;

(e)

That, for the purpose of determining liability of the Registrant under the 1933 Act to any purchaser in the initial distribution of securities, the undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser:

(i)

any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 or 424 under the 1933 Act;

(ii)

any free writing prospectus relating to the offering prepared by or on behalf of the undersigned Registrant or used or referred to by the undersigned Registrant;

(iii)

the portion of any other free writing prospectus or advertisement pursuant to Rule 482 under the 1933 Act relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(iv)

any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(f)

To file a post-effective amendment to the registration statement, and to suspend any offers or sales pursuant the registration statement until such post-effective amendment has been declared effective under the 1933 Act, in the event the shares of Registrant are trading below its net asset value and either (i) Registrant receives, or has been advised by its independent registered accounting firm that it will receive, an audit report reflecting substantial doubt regarding the Registrant's ability to continue as a going concern or (ii) Registrant has concluded that a material adverse change has occurred in its financial position or results of operations that has caused the financial statements and other disclosures on the basis of which the offering would be made to be materially misleading.

(5)

(a) For the purposes of determining any liability under the 1933 Act, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant under Rule 497(h) or 424(b)(1) under the 1933 Act shall be deemed to be part of the Registration Statement as of the time it was declared effective.

(b)

For the purpose of determining any liability under the 1933 Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

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- (6) The Registrant hereby undertakes that, for purposes of determining any liability under the 1933 Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference into the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (7) Insofar as indemnification for liabilities arising under the 1933 Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.
- (8) The Registrant undertakes to send by first class mail or other means designed to ensure equally prompt delivery within two business days of receipt of a written or oral request, any Statement of Additional Information.

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Signature

Title

*

Director

Kurt J. Wolfgruber

*

Signed by Robert A. Hamwee pursuant to a power of attorney signed by each individual and filed with this Registration Statement on March 14, 2019

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