

New Mountain Guardian (Leveraged), L.L.C.  
Form N-2/A  
May 09, 2011

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As filed with the Securities and Exchange Commission on May 9, 2011

Securities Act File No. 333-168280  
and 333-172503

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form N-2**

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 <sup>y</sup>

Pre-Effective Amendment No. 3 <sup>y</sup>  
Post-Effective Amendment No. 0

**New Mountain Finance Corporation  
New Mountain Guardian (Leveraged), L.L.C.**

(Exact name of registrant as specified in charter)

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

(Address and telephone number,  
including area code, of principal executive offices)

**Robert A. Hamwee  
Chief Executive Officer  
New Mountain Finance Corporation  
787 7th Avenue, 48th Floor  
New York, NY 10019**

(Name and address of agent for service)

**COPIES TO:**

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Approximate date of proposed public offering: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. o

It is proposed that this filing will become effective (check appropriate box):

when declared effective pursuant to Section 8(c).

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**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933**

<b>Title of Securities Being Registered</b>	<b>Proposed Maximum Aggregate Offering Price(1)(2)</b>	<b>Amount of Registration Fee(3)</b>
Common Stock, \$0.01 par value per share(4)	\$200,000,000	\$14,260

- (1) Includes the underwriters' option to purchase additional shares.
- (2) Estimated pursuant to Rule 457(o) under the Securities Act of 1933 solely for the purpose of determining the registration fee.
- (3) Previously paid.
- (4) For each outstanding share of New Mountain Finance Corporation common stock, New Mountain Finance Corporation will hold one common membership unit of New Mountain Guardian (Leveraged), L.L.C. on a one-to-one basis. No separate consideration will be received for the New Mountain Guardian (Leveraged), L.L.C. common membership units in this offering.
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**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this preliminary prospectus is not complete and may be changed. The securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED MAY 9, 2011**

8,285,172 Shares

## **New Mountain Finance Corporation**

### **Common Stock**

This is an initial public offering of shares of common stock of New Mountain Finance Corporation. Following this offering, we will be a holding company with no direct operations of our own, and our only business and sole asset will be our ownership of common membership units of New Mountain Finance Holdings, L.L.C., or the Operating Company. The Operating Company will be an externally managed business development company managed by New Mountain Finance Advisers BDC, L.L.C. and will be the operating company for our business. New Mountain Finance Corporation and the Operating Company each intend to elect to be treated as business development companies under the Investment Company Act of 1940 prior to the completion of this offering.

Our investment objective is to generate current income and capital appreciation through investments in debt securities at all levels of the capital structure, including first and second lien debt, unsecured notes and mezzanine securities.

Following the completion of this offering, we will own approximately 36.4% of the common membership units of the Operating Company and affiliates of New Mountain Capital, L.L.C. will own approximately 63.6% of the common membership units of the Operating Company and approximately 28.6% of our outstanding common stock, assuming no exercise of the underwriters' option to purchase additional shares.

All of the 8,285,172 shares of common stock offered in this offering are being sold by us. After giving effect to the formation transactions, this offering and the concurrent private placement to certain individuals affiliated with New Mountain Capital, L.L.C., the adjusted unaudited net asset value of our common stock on March 31, 2011 was approximately \$14.14 per share on a fully diluted basis. See "Recent Developments - Net Asset Value." Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between \$14.00 and \$15.00. Our common stock has been approved for listing on the New York Stock Exchange under the symbol "NMFC".

**Investing in our common stock is highly speculative and involves a high degree of risk. See "Risk Factors" beginning on page 27. This is an initial public offering, and there is no prior public market for our shares of common stock. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. If our shares of common stock trade at a discount to net asset value, it may increase the risk of loss for purchasers in this offering. Assuming an initial public offering price of \$14.50 per share (the mid-point of the range set forth on this cover), purchasers in this offering will experience immediate dilution of approximately \$0.36 per share on a fully diluted basis based on our adjusted unaudited net asset value as of March 31, 2011. See "Dilution" on page 83.**

This prospectus contains important information about us that a prospective investor should know before investing in our common stock. Please read this prospectus before investing and keep it for future reference. Upon completion of this offering, we will file annual, quarterly and current reports, proxy statements and other information

about us with the Securities and Exchange Commission. This information will be available free of charge by contacting us at 787 7th Avenue, 48th Floor, New York, NY 10019 or by telephone at (212) 720-0300 or on our website at [www.newmountainfinancecorp.com](http://www.newmountainfinancecorp.com). Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus. The Securities and Exchange Commission also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	<b>Per Share</b>	<b>Total</b>
Public Offering Price	\$	\$
Sales Load (Underwriting Discounts and Commissions)	\$	\$
Proceeds to us(1)(2)	\$	\$

(1)

All expenses of the offering, including the sales load, will be borne by the Operating Company. The Operating Company will incur approximately \$5,272,610 of estimated expenses, excluding the sales load, in connection with this offering. Stockholders will indirectly bear such expenses, including the sales load, through our ownership of common membership units of the Operating Company.

(2)

To the extent that the underwriters sell more than 8,285,172 shares of our common stock, the underwriters have the option to purchase up to an additional 1,242,776 shares of our common stock at the initial public offering price, less the sales load, within 30 days of the date of this prospectus. If the underwriters exercise this option in full, the total public offering price, sales load and proceeds to us will be \$ \_\_\_\_\_, \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively. If the underwriters exercise their option to purchase additional shares of our common stock, we will use the proceeds from the exercise of this option to purchase additional common membership units of the Operating Company.

The underwriters expect to deliver the shares against payment in New York, New York on or about \_\_\_\_\_, 2011.

*Joint-Lead Bookrunners*

**Goldman,  
Sachs & Co.**

**Wells Fargo  
Securities**

**Morgan  
Stanley**

*Co-Lead Managers*

**Stifel Nicolaus  
Weisel**

**RBC Capital  
Markets**

*Co-Managers*

**Baird**

**BB&T Capital Markets  
A division of Scott & Stringfellow,  
LLC**

**Janney Montgomery Scott**

Prospectus dated \_\_\_\_\_, 2011.

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You should rely on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information or to make representations as to matters not stated in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date. To the extent required by law, we will amend or supplement the information contained in this prospectus to reflect any material changes to such information subsequent to the date of the prospectus and prior to the completion of the offering pursuant to this prospectus.

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**PROSPECTUS SUMMARY**

*This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under "Risk Factors" and the other information included in this prospectus.*

*In this prospectus, unless the context otherwise requires, references to:*

*"New Mountain Finance" refers to New Mountain Finance Corporation, a Delaware corporation, which was incorporated on June 29, 2010 in preparation for this offering;*

*"Senior Loan Funding", or "SLF", refers to New Mountain Guardian SPV Funding, L.L.C., together with New Mountain Guardian Partners SPV Funding, L.L.C., which will merge with and into New Mountain Guardian SPV Funding, L.L.C. prior to this offering. Upon the merger of these two entities, New Mountain Guardian SPV Funding, L.L.C. will be renamed New Mountain Finance SPV Funding, L.L.C.;*

*"Operating Company" refers to New Mountain Finance Holdings, L.L.C., a Delaware limited liability company, which will be the operating company for our business, and in which New Mountain Finance will acquire common membership units in connection with this offering. References to the Operating Company include New Mountain Finance Holdings, L.L.C.'s wholly-owned subsidiary, SLF, unless the context otherwise requires. References to the Operating Company refer to New Mountain Finance Holdings, L.L.C. without including SLF when referencing the Operating Company's common membership units, board of directors, and credit facility or leverage. Prior to the formation transactions to be undertaken in connection with this offering, the Operating Company was known as New Mountain Guardian (Leveraged), L.L.C. Upon completion of the formation transactions, the Operating Company will be the successor to the Predecessor Entities (as defined below) other than New Mountain Guardian Partners, L.P.;*

*New Mountain Guardian (Leveraged), L.L.C., together with its direct, wholly-owned subsidiaries, New Mountain Guardian Debt Funding, L.L.C. and New Mountain Guardian SPV Funding, L.L.C. (collectively referred to as "Guardian Leveraged"), and New Mountain Guardian Partners, L.P., together with its direct and indirect wholly-owned subsidiaries, New Mountain Guardian Partners (Leveraged), L.L.C., New Mountain Guardian Partners SPV Funding, L.L.C. and New Mountain Guardian Partners Debt Funding, L.L.C. (collectively referred to as "Guardian Partners"), are referred to collectively as the "Predecessor Entities";*

*"Guardian AIV" refers to New Mountain Guardian AIV, L.P., which, prior to the formation transactions, is the parent of New Mountain Guardian (Leveraged), L.L.C.;*

*"AIV Holdings" refers to New Mountain Finance AIV Holdings Corporation, a Delaware corporation which was incorporated on March 11, 2011, of which Guardian AIV will be the sole stockholder;*

*"Investment Adviser" refers to New Mountain Finance Advisers BDC, L.L.C., the Operating Company's investment adviser;*

*"Administrator" refers to New Mountain Finance's and the Operating Company's administrator, New Mountain Finance Administration, L.L.C.; and*

*"New Mountain" refers to the affiliated companies of New Mountain Capital Group, L.L.C.*

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*In connection with this offering, a series of formation transactions will be undertaken such that, prior to the completion of this offering, the Operating Company will own all of the operations of the Predecessor Entities existing immediately prior to the formation transactions, including all of the*

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*assets and liabilities related to such operations. Except where the context suggests otherwise, references to the "Company", "we", "us" and "our" refer to New Mountain Finance together with the Operating Company, including the combined operations of the Predecessor Entities prior to and after the completion of the formation transactions. Concurrently with the closing of this offering, certain executives and employees of, and other individuals affiliated with, New Mountain will buy 2,059,655 shares of New Mountain Finance common stock in a separate private placement at the initial public offering price per share. We refer to this transaction as the concurrent private placement.*

**The Company**

New Mountain Finance will be a holding company with no direct operations of its own, and its only business and sole asset will be its ownership of common membership units of the Operating Company. The Operating Company will be an externally managed business development company, which will own all of the operations of the Predecessor Entities existing immediately prior to the formation transactions, including all of the assets and liabilities related to such operations. Following the completion of this offering, New Mountain Finance will own approximately 36.4%, and Guardian AIV will indirectly own through AIV Holdings approximately 63.6%, of the common membership units of the Operating Company, assuming no exercise of the underwriters' option to purchase additional shares.

Our investment objective is to generate current income and capital appreciation through investments in debt securities at all levels of the capital structure, including first and second lien debt, unsecured notes and mezzanine securities, which we refer to as "Target Securities". We expect to primarily target loans to, and invest in, U.S. middle market businesses, a market segment we believe will continue to be underserved by other lenders. We define middle market businesses as those businesses with annual earnings before interest, taxes, depreciation, and amortization, or "EBITDA", between \$20 million and \$200 million. We expect to make investments through both primary originations and open-market secondary purchases. We intend to invest primarily in debt securities that are rated below investment grade and have unlevered yields of 10% to 15%.<sup>(1)</sup> However, there can be no assurance that targeted returns will be achieved on our investments as they are subject to risks, uncertainties and other factors, some of which are beyond our control, and which may lead to non-payment of interest and principal. See "Risk Factors – Risks Relating to Our Investments". We intend our investments to typically have maturities of between five and ten years and generally range in size between \$10 million and \$50 million. This investment size may vary proportionately as the size of the Operating Company's capital base changes. We believe our focus on investment opportunities with contractual current interest payments should allow us to provide New Mountain Finance stockholders with consistent dividend distributions and attractive risk adjusted total returns.

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(1)

For this purpose, the equity of SLF, which has debt that is non-recourse to the Operating Company, is treated as an asset of the Operating Company.

Our investments may also include equity interests such as preferred stock, common stock, warrants or options received in connection with our debt investments. In some cases, we may invest directly in the equity of private companies. From time to time, we may also invest through the Operating Company in other types of investments, which are not our primary focus, to enhance the overall return of the portfolio. These investments may include, but are not limited to, distressed debt and related opportunities.

The Operating Company will be externally managed by the Investment Adviser, a wholly-owned subsidiary of New Mountain. The investment strategy, developed by our Investment Adviser, is to invest through the Operating Company primarily in the debt of defensive growth companies,

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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) opportunities for niche market dominance. The Investment Adviser, through its relationship with New Mountain, already has access to proprietary research and operating insights into many of the companies and industries that meet this template. We believe the presence within New Mountain of numerous former CEOs and other senior operating executives, and their active involvement in our underwriting process, combined with New Mountain'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.

Since the commencement of the Predecessor Entities' operations in October 2008 through December 31, 2010, approximately \$664.1 million has been invested in 61 companies and total realized and unrealized gains and investment income of approximately \$193.6 million have been earned with an average holding period of eight months.

The following charts summarize our portfolio mix by industry and type based on the fair value<sup>(1)</sup> of our investments as of December 31, 2010.

By Industry

By Type of Investment

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(1)

The fair value of our portfolio was determined as of December 31, 2010 using market quotations if readily available, indicative prices from pricing services or brokers or dealers if market quotations are not readily available, or independent valuation firms at least once annually if a materiality threshold is met and neither the market quotations nor indicative prices are readily available.

As of December 31, 2010, our portfolio had a fair value of approximately \$441.1 million in 43 portfolio companies and had a weighted average Yield to Maturity of approximately 12.5%. For purposes of this prospectus, references to "Yield to Maturity" assume that the investments in our portfolio as of a certain date, the "Portfolio Date", are purchased at fair value on that date and held until their respective maturities with no prepayments or losses and are exited at par at maturity. These references also assume that unfunded revolvers remain undrawn. Interest income is assumed to be received quarterly for all debt securities. For floating rate debt securities, the interest rate is calculated by adding the spread to the projected three-month LIBOR at each respective quarter, which is determined based on the forward three-month LIBOR curve per Bloomberg as of the Portfolio Date. This calculation excludes the impact of existing leverage, except for the non-recourse debt of SLF. SLF is treated as a fully levered asset of the Operating Company, with SLF's net asset value being included for yield calculation purposes. As of December 31, 2010, our portfolio had a weighted average Unadjusted Yield to Maturity of 10.6%. For purposes of this prospectus, references to "Unadjusted Yield to Maturity" have the same assumptions as Yield to Maturity, except that SLF is not treated as a fully levered asset of the Operating Company, and the assets of SLF are consolidated into the Operating Company. The actual yield to maturity may be

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higher or lower due to the future selection of LIBOR contracts by the individual companies in our portfolio or other factors. Since inception, the Predecessor Entities have not experienced any payment defaults or credit losses on our portfolio investments.

Prior to the completion of this offering, the Operating Company will become a party to a secured credit agreement with Wells Fargo Bank, N.A. (the "Credit Facility"), which amends and restates the \$120 million credit facility of the Predecessor Entities existing prior to this offering (the "Predecessor Credit Facility"). The Credit Facility, which matures on October 21, 2015, provides for potential borrowings up to \$160 million. Unlike many credit facilities for business development companies, the amount available under the Credit Facility is not subject to reduction as a result of mark to market fluctuations in our portfolio investments. Under the terms of the Credit Facility, the Operating Company is permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien debt securities or non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, N.A. and borrowings currently bear interest at an annual rate of one month LIBOR plus a margin of 3.0%. As of December 31, 2010, \$59.7 million was outstanding under the Predecessor Credit Facility. Borrowings have been used under the Predecessor Credit Facility to purchase the senior secured loans and bonds that constitute a portion of our current portfolio.

The Operating Company expects to continue to finance our investments using both debt and equity, including proceeds from equity issued by New Mountain Finance, which will be contributed to the Operating Company.

On October 7, 2010, the Predecessor Entities formed SLF, an entity that invests in first lien debt securities. SLF is a party to a secured revolving credit facility (the "SLF Credit Facility") with a maximum availability of \$150 million and with the Operating Company as the Collateral Administrator, Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as the Collateral Custodian. The debt under the SLF Credit Facility is non-recourse to the Operating Company and has a maturity date of October 27, 2015. Under the terms of this credit facility, SLF is permitted to borrow up to 67.0% of the purchase price of pledged debt securities subject to approval by Wells Fargo Bank, N.A. and borrowings currently bear interest at an annual rate of LIBOR plus a margin of 2.25%. As of December 31, 2010, \$56.9 million was outstanding under the SLF Credit Facility. SLF is consolidated on the financial statements of the Predecessor Entities.

For a detailed discussion of the Credit Facility, the Predecessor Credit Facility and the SLF Credit Facility, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Liquidity and Capital Resources - Credit Facilities".

### **New Mountain**

New Mountain manages private equity, public equity and debt investments with aggregate assets under management (which includes amounts committed, not all of which have been drawn down and invested to date) totaling more than \$9.0 billion as of December 31, 2010.

Guardian Leveraged was formed as a subsidiary of Guardian AIV by New Mountain in October 2008. Guardian AIV was formed through an allocation of approximately \$300 million of the \$5.1 billion of commitments supporting New Mountain Partners III, L.P., or "Fund III", a private equity fund managed by New Mountain, and in February 2009 New Mountain formed a co-investment vehicle, Guardian Partners, comprising \$20.4 million of commitments. See "Business - New Mountain" for more information on New Mountain.

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**The Investment Adviser**

The Investment Adviser, a wholly owned subsidiary of New Mountain, will manage the Operating Company's day-to-day operations and provide it with investment advisory and management services. In particular, the Investment Adviser will be responsible for identifying attractive investment opportunities, conducting research and due diligence on prospective investments, structuring our investments and monitoring and servicing our investments. Neither New Mountain Finance nor the Operating Company currently has or will have any employees. As of December 31, 2010, the Investment Adviser was supported by approximately 86 New Mountain staff members, including approximately 53 investment professionals (including 14 managing directors and 13 senior advisers) as well as 14 finance and operational professionals. These individuals will allocate a portion of their time in support of the Investment Adviser based on their particular expertise as it relates to a potential investment opportunity.

The Investment Adviser has an investment committee comprised of five members, including Steven Klinsky, Robert Hamwee, Adam Collins, Doug Londal and Alok Singh. The investment committee will be responsible for approving all of our investments above \$5 million. The investment committee will also monitor investments in our portfolio and approve all asset dispositions above \$5 million. Investments and dispositions below \$5 million may be approved by the Operating Company's Chief Executive Officer. These approval thresholds may change over time. We expect to benefit from the extensive and varied relevant experience of the investment professionals serving on the Investment Adviser's investment committee, which includes expertise in private equity, primary and secondary leveraged credit, private mezzanine finance and distressed debt.

**Recent Developments(1)**

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- (1) The numbers presented in the Recent Developments section are unaudited.

***Net Asset Value***

New Mountain Finance's March 31, 2011 unaudited net asset value per share is \$14.14 on an adjusted and fully diluted basis, reflecting contributions from our investors in the Predecessor Entities received after March 31, 2011, the consummation of the formation transactions, the initial public offering and concurrent private placement (assuming no exercise of the underwriters' option to purchase additional shares), and the temporary repayment of indebtedness. See "The Offering." Upon completion of this offering and the concurrent private placement, New Mountain Finance will own 36.4% of the Operating Company (assuming no exercise of the underwriters' option to purchase additional shares). On April 21, 2011, the Operating Company's board of directors, of which a majority of the board members are independent directors, approved the fair value of our portfolio investments as of March 31, 2011 in accordance with the Operating Company's valuation policy to be \$460.0 million and determined the Operating Company's unaudited net asset value as of March 31, 2011 to be \$313.5 million, which is adjusted to include \$23.3 million of contributions received from our investors in the Predecessor Entities after March 31, 2011. This will result in the issuance of 20,221,938 common membership units of the Operating Company (which are exchangeable on a one-for-one basis into shares of New Mountain Finance common stock) to AIV Holdings and 1,252,964 shares of New Mountain Finance common stock to Guardian Partners for their respective ownership interests in the Predecessor Entities. The Operating Company's March 31, 2011 adjusted net asset value is based on the board-approved fair value of our portfolio investments as well as other factors, including investment income earned on the portfolio since December 31, 2010. The 29.6% change in net asset value from December 31, 2010 was primarily due to additional purchases of \$87.3 million, sales of \$25.9 million, net contributions received since December 31, 2010 and the Operating Company's retained investment income. The March 31, 2011 adjusted unaudited net asset value is comprised of an estimated \$523.0 million in assets (36.2%

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from SLF) and an estimated \$209.5 million in liabilities (52.8% from SLF). The estimated assets include cash of \$27.2 million and contributions received from investors after March 31, 2011. The estimated liabilities include \$171.8 million of borrowings under the Predecessor Credit Facility and SLF Credit Facility, and a \$27.6 million payable for unsettled securities purchased. See "Determination of Net Asset Value". The adjusted unaudited net asset value per share as of March 31, 2011 will be different than our actual net asset value for March 31, 2011, primarily due to the contributions from the investors in our Predecessor Entities received after March 31, 2011.

***Distributions/Contributions***

For the period from March 31, 2011, to April 15, 2011, Guardian AIV and New Mountain Guardian Partners, L.P. received aggregate contributions of \$23.3 million from our investors in the Predecessor Entities and made no distributions to the partners of Guardian AIV and New Mountain Guardian Partners, L.P.

New Mountain Finance's first quarterly distribution, which will be payable for the second quarter of 2011, is expected to be between \$0.20 and \$0.25 per share. The amount of the dividend will be proportionately reduced to reflect the number of days remaining in the quarter after the completion of this offering. The actual amount of such distribution, if any, remains subject to approval by New Mountain Finance's board of directors, and there can be no assurance that any distribution paid will fall within such range. In addition, because New Mountain Finance will be a holding company, it will only be able to pay distributions on its common stock from distributions received from the Operating Company. The Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a regulated investment company, or "RIC", under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). New Mountain Finance intends to distribute to its stockholders substantially all of its annual taxable income, except that it may retain certain net capital gains for reinvestment in common membership units of the Operating Company.

***Recent Portfolio Activity***

After giving effect to the Predecessor Entities' purchases and sales between January 1, 2011 and March 31, 2011, our pro forma weighted average Yield to Maturity as of March 31, 2011 would have been 12.6% consisting of: (1) 9.8% cash interest based on LIBOR as of March 31, 2011, (2) an additional 0.6% representing the impact of using the forward three-month LIBOR curve on an asset by asset basis, (3) 1.0% current payment-in-kind ("PIK") interest and (4) 1.2% accretion of market discount. Our pro forma weighted average Unadjusted Yield to Maturity as of March 31, 2011 would have been 10.5%. For a list of the Predecessor Entities' and SLF's purchases and sales between January 1, 2011 and March 31, 2011, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments Recent Portfolio Activity".

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**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 intends to apply New Mountain's long-standing, consistent investment approach that has been in place since its founding more than 10 years ago. We expect to 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 expect to benefit directly from New Mountain'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 focuses on companies and end markets with sustainable strengths in all economic cycles, particularly ones that are defensive in nature, that are non-cyclical and can maintain pricing power in the midst of a recessionary and/or inflationary environment. New Mountain focuses on companies within sectors in which it has significant expertise (examples include federal services, software, education, niche healthcare, business services, energy and logistics) while typically avoiding investments in companies with end markets that are highly cyclical, face secular headwinds, 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, 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 Klinsky, New Mountain's Founder and Chief Executive Officer, was a general partner of the manager of debt and equity funds, totaling multiple billions of dollars at Forstmann Little & Co. 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 Hamwee, Managing Director of New Mountain, was formerly President of GSC Group, Inc., or "GSC", where he was the portfolio manager of GSC's distressed debt funds and led the development of GSC's CLOs. Doug Londal, Managing Director of New Mountain, was previously co-head of Goldman, Sachs & Co.'s U.S. mezzanine debt team. Alok Singh, Managing Director of New Mountain, has extensive experience structuring debt products as a long-time partner at Bankers Trust Company.

Many of the debt investments that we have made to date have been in the same companies with which New Mountain 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's private equity underwriting teams possess regarding the individual companies and industries. Business and industry due diligence is led by a team of investment

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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 will differentiate 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's historical and current reviews of private equity opportunities in the business segments we target. To date, a significant majority of the investments we have made through the Operating Company are in the debt of companies and industry sectors that were first identified and reviewed in connection with New Mountain'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/agenting community which they have and will continue to utilize to generate investment opportunities.

***Risk Management through Various Cycles***

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

Emphasize 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;

Target 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

Emphasize capital structure seniority in the Investment Adviser's underwriting process.

***Access to Non Mark to Market, Seasoned Leverage Facility***

The Operating Company's and the SLF's amounts available under their existing credit facilities are not subject to reduction as a result of mark to market fluctuations in their portfolio investments. For a detailed discussion of the Credit Facility and the SLF Credit Facility, 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 Target Securities, 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.

*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.*

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*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 in recent years as institutional investors have sought to invest in larger, more liquid offerings. In addition, many private finance companies and hedge funds have reduced their middle market lending activities due to decreased availability of financing.

*Consolidation among commercial banks has reduced the focus on 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.

*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 typically have included meaningful upfront fees, prepayment protections and, in some cases, warrants to purchase common stock, all of which should enhance the profitability of new loans to lenders.

*Conservative deal structures.* 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.

*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 provided by companies such as ours.

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**Our History and Structure**

New Mountain Finance was incorporated in Delaware on June 29, 2010 as New Mountain Guardian Corporation, and it changed its name to New Mountain Finance Corporation on February 25, 2011. Prior to this offering, it did not engage in any activities, except in preparation for this offering, and it had no operations or assets. New Mountain currently owns the only issued and outstanding share of common stock of New Mountain Finance.

The simplified diagram below depicts our current organizational structure prior to the structuring transactions contemplated by this offering:

In connection with this offering, a series of formation transactions will be undertaken such that, prior to the completion of this offering, the Operating Company will own all of the operations of the Predecessor Entities existing immediately prior to the formation transactions, including all of the assets and liabilities related to such operations. As a result of these transactions, Guardian AIV will indirectly own through

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its wholly-owned subsidiary, AIV Holdings, common membership units of the Operating Company. New Mountain Finance will enter into a joinder agreement with respect to the amended and restated limited liability company agreement of the Operating Company, pursuant to which New Mountain Finance will be admitted as a member of the Operating Company and will

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agree to acquire from the Operating Company, with the gross proceeds of this offering and the concurrent private placement, common membership units of the Operating Company (the number of common membership units will equal the number of shares of New Mountain Finance's common stock sold in this offering and the concurrent private placement) in connection with the completion of this offering. The per unit purchase price New Mountain Finance will pay for the common membership units acquired pursuant to a joinder agreement to the amended and restated limited liability company agreement of the Operating Company will be equal to the per share offering price at which New Mountain Finance's common stock is sold pursuant to this offering. After the completion of this offering, New Mountain Finance will be a holding company with no direct operations of its own, and its only business and sole asset will be its ownership of common membership units of the Operating Company. See "Formation Transactions and Related Agreements".

At the closing of this offering New Mountain Finance will own approximately 36.4%, and Guardian AIV will indirectly own through AIV Holdings approximately 63.6%, of the common membership units of the Operating Company, assuming no exercise of the underwriters' option to purchase additional shares. If the underwriters exercise this option to purchase additional shares of New Mountain Finance's common stock, pursuant to the amended and restated limited liability company agreement of the Operating Company, or the "LLC Agreement", immediately thereafter New Mountain Finance will acquire from the Operating Company an equivalent number of additional common membership units in exchange for the gross proceeds New Mountain Finance receives upon exercise of the option.

The Operating Company has calculated the unaudited, adjusted net asset value of the Operating Company, the "cutoff NAV", as of March 31, 2011, the "cutoff date". The cutoff NAV was determined and approved by the Operating Company's board of directors and was calculated consistent with its policies for determining net asset value. See "Determination of Net Asset Value". Consistent with these policies, an independent third party valuation firm will provide the Operating Company with annual valuation assistance with respect to investments for which market quotations are not available. The Operating Company accrued interest income and related expenses as of the cutoff date. The cutoff NAV calculation was comprised of all the investments at fair value plus any interest income accruals, less any expense accruals through the cutoff date.

In addition, certain executives and employees of, and other individuals affiliated with, New Mountain will purchase 2,059,655 shares of New Mountain Finance's common stock in connection with the consummation of this offering in the concurrent private placement. These shares will be sold at the same offering price paid by investors in this offering, in a private placement transaction exempt from registration under the Securities Act of 1933, as amended, or the Securities Act.

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The simplified diagram below depicts our summarized organizational structure immediately after the transactions described in this prospectus (assuming no exercise of the underwriters' option to purchase additional shares):

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Following the offering, stockholders of New Mountain Finance will include partners of New Mountain Guardian Partners, L.P.

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These common membership units are exchangeable into shares of New Mountain Finance common stock on a one-for-one basis.

**Operating and Regulatory Structure**

After the completion of this offering, New Mountain Finance will be a closed-end, non-diversified management investment company that has elected to be treated as a business development company under the 1940 Act and will use leverage but will be required to maintain an asset coverage ratio, as defined in the 1940 Act, of at least 200%. New Mountain Finance will have no material long-term liabilities itself and its only

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business and sole asset will be its ownership of common membership units of the Operating Company. As a result, New Mountain Finance will look to the Operating Company's assets for purposes of satisfying the requirements under the 1940 Act

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otherwise applicable to New Mountain Finance. The Operating Company will be an externally managed, closed-end non-diversified management investment company that has elected to be treated as a business development company under the 1940 Act. As a business development company, the Operating Company will also be required to maintain an asset coverage ratio, as defined in the 1940 Act, of at least 200%. See "Regulation". The Operating Company and the SLF have long term liabilities related to their credit facilities.

New Mountain Finance intends to elect to be treated, and intends to qualify annually, as a RIC under Subchapter M of the Code, commencing with its taxable year ending on December 31, 2011. See "Material Federal Income Tax Considerations". As a RIC, New Mountain Finance generally will not have to pay corporate-level federal income taxes on any net ordinary income or capital gains that it timely distributes to its stockholders as dividends if it meets certain source-of-income, distribution and asset diversification requirements. The Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC. New Mountain Finance intends to distribute to its stockholders substantially all of its annual taxable income, except that it may retain certain net capital gains for reinvestment in common membership units of the Operating Company.

**Risk Factors**

An investment in New Mountain Finance's common stock involves risk, including the risk of leverage and the risk that our operating policies and strategies may change without prior notice to New Mountain Finance stockholders or prior stockholder approval. See "Risk Factors" and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of New Mountain Finance's common stock. The value of the Operating Company's assets, as well as the market price of New Mountain Finance's shares, will fluctuate. Our investments may be risky, and you may lose all or part of your investment in New Mountain Finance. Investing in New Mountain Finance involves other risks, including the following:

We have a limited operating history;

We do not expect to replicate the Predecessor Entities' historical performance or the historical performance of other entities managed or supported by New Mountain;

There will be uncertainty as to the value of our portfolio investments because most of our investments are, and will continue to be in private companies and recorded at fair value. In addition, because New Mountain Finance will be a holding company, the fair value of our investments will be initially determined by the Operating Company's board of directors in accordance with our valuation policy;

Our ability to achieve our investment objective depends on key investment personnel of the Investment Adviser. If the Investment Adviser were to lose any of its key investment personnel, our ability to achieve our investment objective could be significantly harmed;

The Investment Adviser does not have any prior experience managing a business development company or a RIC, which could adversely affect our business;

We operate in a highly competitive market for investment opportunities and may not be able to compete effectively;

The Operating Company will borrow money, which could magnify the potential for gain or loss on amounts invested in us and increase the risk of investing in us;

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Changes in interest rates may affect the Operating Company's cost of capital and net investment income;

Regulations governing the operations of business development companies will affect New Mountain Finance's ability to raise additional equity capital as well as the Operating

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Company's 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 experience fluctuations in our annual and quarterly results due to the nature of our business;

The Operating Company's board of directors may change our investment objective, operating policies and strategies without prior notice or member approval, the effects of which may be adverse to your interest as a stockholder;

New Mountain Finance will be subject to corporate-level federal income tax on all of its income if it is unable to qualify as a RIC under Subchapter M of the Code, which would have a material adverse effect on its financial performance;

New Mountain Finance may not be able to pay you distributions on its common stock, its distributions to you may not grow over time and a portion of its distributions to you may be a return of capital for federal income tax purposes;

Our investments in portfolio companies may be risky, and we could lose all or part of our investment;

The lack of liquidity in our investments may adversely affect our business;

Economic recessions or downturns could impair our portfolio companies and harm our operating results;

New Mountain Finance will be a holding company with no direct operations of its own, and will depend on distributions from the Operating Company to meet its ongoing obligations;

Any future exchange by AIV Holdings of common membership units of the Operating Company for shares of New Mountain Finance's common stock would significantly dilute your voting power with respect to the election of New Mountain Finance directors or other matters that require the approval of New Mountain Finance stockholders only. In addition, the interests of the partners of Guardian AIV following such exchange by AIV Holdings may be adverse to your interests as stockholders and could limit your ability to influence the outcome of key transactions, including any change of control;

The market price of New Mountain Finance's common stock may fluctuate significantly;

Prior to this offering, there has been no public market for New Mountain Finance's common stock, and we cannot assure you that the market price of New Mountain Finance's common stock will not decline following the offering;

We have not identified specific investments in which the Operating Company will invest the proceeds of this offering;

Investors in this offering may incur immediate dilution; and

Sales of substantial amounts of New Mountain Finance's common stock in the public market may have an adverse effect on the market price of its common stock.

**Company Information**

Our administrative and executive offices are located at 787 7th Avenue, 48th Floor, New York, New York 10019, and our telephone number is (212) 720-0300. We expect to establish a website at <http://www.newmountainfinancecorp.com> upon completion of this offering. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus.

**Presentation of Historical Financial Information and Market Data**

***Historical Financial Information***

Unless otherwise indicated, historical references contained in this prospectus in "Selected Financial and Other Data", "Capitalization", "Management's Discussion and Analysis of Financial

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Condition and Results of Operations", "Senior Securities" and "Portfolio Companies" relate to the Operating Company, which will be New Mountain Finance's sole investment following the completion of this offering. The combined financial statements of New Mountain Finance Holdings, L.L.C., formerly known as New Mountain Guardian (Leveraged), L.L.C., and New Mountain Guardian Partners, L.P. are the Operating Company's historical combined financial statements.

***Market Data***

Statistical and market data used in this prospectus has been obtained from governmental and independent industry sources and publications. We have not independently verified the data obtained from these sources, and we cannot assure you of the accuracy or completeness of the data. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements contained in this prospectus. See "Special Note Regarding Forward-Looking Statements".

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**THE OFFERING**

Common Stock Offered by New Mountain Finance	8,285,172 shares, excluding 1,242,776 shares of common stock issuable pursuant to the option to purchase additional shares granted to the underwriters.
Concurrent Private Placement	Concurrently with the closing of this offering, New Mountain Finance will sell 2,059,655 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain in a separate private placement at the initial public offering price per share. New Mountain Finance will receive the full proceeds of approximately \$29,865,000, assuming an initial public offering price of \$14.50 per share (the mid-point of the range set forth on the cover of this prospectus), from the sale of these shares, and no underwriting discounts or commissions will be paid in respect of these shares.
Common Stock to be Outstanding After this Offering and Concurrent Private Placement	11,597,791 shares (including 3,312,619 shares purchased in the concurrent private placement and shares New Mountain Guardian Partners, L.P. will receive in connection with this offering), excluding 1,242,776 shares of common stock issuable pursuant to the option to purchase additional shares granted to the underwriters.
Common Membership Units of the Operating Company to be Outstanding After this Offering and Concurrent Private Placement	31,819,729 common membership units (33,062,505 common membership units if the option to purchase additional shares granted to the underwriters is exercised in full). Guardian AIV, indirectly through AIV Holdings, will hold 20,221,938 common membership units immediately after this offering.
Exchange Right	AIV Holdings, which is wholly-owned by Guardian AIV, will have the right to exchange all or any portion of its common membership units of the Operating Company for shares of New Mountain Finance's common stock on a one-for-one basis. If, following the completion of the transactions described in this prospectus, AIV Holdings exercised its right to exchange its common membership units of the Operating Company, Guardian AIV, indirectly through AIV Holdings, would own approximately 63.6% of all outstanding shares of New Mountain Finance's common stock (or 61.2% if the option to purchase additional shares granted to the underwriters was exercised in full). In addition, if exemptive relief is granted from the SEC to permit the Operating Company to pay 50%, on an after tax basis, of the incentive fee in common membership units of the Operating Company, the Investment Adviser will also have the right to exchange all or any portion of its common membership units so received for shares of New Mountain Finance's common stock.

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Use of Proceeds

We estimate that New Mountain Finance will receive proceeds from the sale of common stock in this offering and the concurrent private placement of approximately \$150.0 million, or approximately \$168.0 million if the underwriters exercise their option to purchase additional shares in full, in each case assuming an initial public offering price of \$14.50 per share (the mid-point of the range set forth on the cover of this prospectus). New Mountain Finance will use all of the proceeds from this offering as well as the proceeds from the concurrent private placement, to acquire from the Operating Company a number of common membership units equal to the number of shares of New Mountain Finance's common stock sold in this offering and in the concurrent private placement at a price per unit equal to the public offering price per share. The Operating Company, in turn, will use a portion of these proceeds to pay the underwriting discounts and commissions and estimated expenses of this offering, and intends to use the remaining net proceeds for new investments in portfolio companies in accordance with our investment objective and strategies described in this prospectus, to temporarily repay indebtedness (which will be subject to reborrowing), to pay New Mountain Finance's and its operating expenses and distributions to its members and for general corporate purposes. Pending such use, the Operating Company will invest the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality investments that mature in one year or less from the date of the investment. See "Use of Proceeds".

NYSE Symbol

Investment Advisory Fees

"NMFC"

New Mountain Finance will not have an investment adviser. The Operating Company will pay the Investment Adviser a fee for its services under the Investment Management Agreement consisting of two components – a base management fee and an incentive fee. The base management fee is payable quarterly in arrears and is calculated at an annual rate of 1.75% of the Operating Company's gross assets less (i) the borrowings under the SLF Credit Facility and (ii) cash and cash equivalents. The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20% of the Operating 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. 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% of the Operating Company's adjusted realized capital gains, if any, on a cumulative basis from inception through the end of the year, computed net of all adjusted realized capital losses

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and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee. New Mountain Finance and the Operating Company intend to seek exemptive relief from the SEC to permit the Operating Company to pay 50%, on an after tax basis, of the incentive fee in common membership units of the Operating Company having a total market price, calculated based on the market price of New Mountain Finance's common stock, equal to the amount of the incentive fee, which common membership units will be exchangeable into shares of New Mountain Finance's common stock on a one-for-one basis. There can be no assurance that this exemptive relief will be granted. If exemptive relief is not granted, the Operating Company will pay the entire incentive fee in cash. See "Investment Management Agreement".

Administrator

The Administrator serves as the administrator for New Mountain Finance and the Operating Company and arranges office space for us and provides us with office equipment and administrative services. The Administrator also oversees our financial records, prepares reports to New Mountain Finance's stockholders and the Operating Company's members and reports filed by us with the SEC, and generally monitors the payment of our expenses and the performance of administrative and professional services rendered to us by others. The Operating Company will reimburse the Administrator for New Mountain Finance's and the Operating Company's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to New Mountain Finance and the Operating Company under the Administration Agreement. See "Administration Agreement".

Lock-up Agreement

New Mountain Finance, each of its officers and directors, New Mountain Guardian Partners, L.P. (and its transferees), and each of the members of our Investment Adviser's investment committee have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any shares of New Mountain Finance's common stock or securities convertible into or exchangeable for shares of New Mountain Finance's common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co., Wells Fargo Securities, LLC and Morgan Stanley & Co. Incorporated. AIV Holdings has also entered into a similar lock-up agreement that prevents the exchange of its common membership units of the Operating Company for up to 180 days after the date of this prospectus, subject to carve outs and an extension in certain circumstances. In addition, if New Mountain Finance and the Operating Company receive exemptive relief from the SEC to permit us to pay 50%, on an after tax basis, of the incentive fee in common membership units of the Operating Company, any

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	<p>common membership units so received by the Investment Adviser will be subject to a 3-year lock-up agreement, pursuant to which, one-third of the common membership units received by the Investment Adviser will be released from the lock-up on an annual basis until the expiration of each 3-year lock-up period. See "Underwriting" and "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.</p>
Distributions	<p>New Mountain Finance intends to pay quarterly distributions to its stockholders out of assets legally available for distribution, beginning with the first full quarter after the completion of this offering. The quarterly distributions, if any, will be determined by New Mountain Finance's board of directors. The distributions New Mountain Finance pays to its stockholders in a year may exceed its taxable income for that year and, accordingly, a portion of such distributions may constitute a return of capital for federal income tax purposes. The specific tax characteristics of New Mountain Finance's distributions will be reported to stockholders after the end of the calendar year. The Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders. See "Distributions".</p>
Taxation of New Mountain Finance	<p>New Mountain Finance intends to elect to be treated, and intends to qualify annually, as a RIC under Subchapter M of the Code, commencing with its taxable year ending on December 31, 2011. As a RIC, New Mountain Finance generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that it timely distributes to its stockholders as dividends. To obtain and maintain its RIC status, New Mountain Finance must meet specified source-of-income and asset diversification requirements and distribute annually to its stockholders at least 90% of its net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. The Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to obtain and maintain its status as a RIC. See "Distributions" and "Material Federal Income Tax Considerations".</p>
Taxation of Operating Company	<p>The Operating Company expects to be treated as a partnership for federal income tax purposes for as long as it has at least two members. As a result, the Operating Company will itself not be subject to federal income tax. Rather, each of the Operating Company's members, including New Mountain Finance, will be required to take into account, for federal income tax purposes, its allocable share of the Operating Company's items of income, gain, loss, deduction and credit. SLF expects to be treated as a disregarded entity for federal income tax purposes. As a result, SLF will itself not be subject to federal income tax and, for federal income tax purposes, the Operating Company will take into account all of SLF's assets and items of income, gain, loss, deduction and credit. See "Material Federal Income Tax Considerations".</p>

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Dividend Reinvestment Plan	New Mountain Finance has adopted an "opt out" dividend reinvestment plan for its stockholders. As a result, if New Mountain Finance declares a distribution, then your cash distributions will be automatically reinvested in additional shares of New Mountain Finance's common stock, unless you specifically "opt out" of the dividend reinvestment plan so as to receive cash distributions. Stockholders who receive distributions in the form of stock will be subject to the same federal income tax consequences as stockholders who elect to receive their distributions in cash. Cash distributions reinvested in additional shares of New Mountain Finance's common stock will be automatically reinvested by New Mountain Finance in additional common membership units of the Operating Company. New Mountain Finance 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% of the last determined net asset value of the shares. New Mountain Finance reserves the right to purchase shares of its common stock 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% of the last determined net asset value of the shares. See "Dividend Reinvestment Plan".
Trading at a Discount	Shares of closed-end investment companies frequently trade at a discount to their net asset value. The possibility that New Mountain Finance's common stock may trade at a discount to its net asset value per share is separate and distinct from the risk that its net asset value per share may decline. New Mountain Finance cannot predict whether its common stock will trade above, at or below net asset value.
License Agreement	New Mountain Finance and the Operating Company have entered into a royalty-free license agreement with New Mountain, pursuant to which New Mountain has agreed to grant New Mountain Finance and the Operating Company a non-exclusive license to use the name "New Mountain". See "License Agreement".
Leverage	We expect that the Operating Company will continue to use leverage to make investments. As a result, we may continue to be exposed to the risks of leverage, which include that leverage may be considered a speculative investment technique. The use of leverage magnifies the potential for gain and loss on amounts invested by the Operating Company and therefore, indirectly, increases the risks associated with investing in shares of New Mountain Finance's common stock. See "Risk Factors".
Anti-Takeover Provisions	New Mountain Finance's and the Operating Company's respective boards of directors are divided into three classes of directors serving staggered three-year terms. This structure is intended to provide us with a greater likelihood of continuity of management, which may be necessary for us to realize the full value of our investments. A staggered

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Available Information

board of directors also may serve to deter hostile takeovers or proxy contests, as may certain other measures that we may adopt. These measures may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of New Mountain Finance stockholders. See "Description of New Mountain Finance's Capital Stock - Delaware Law and Certain Certificate of Incorporation and Bylaw Provisions; Anti-Takeover Measures".

After completion of this offering, New Mountain Finance will be required to file periodic reports, current reports, proxy statements and other information with the SEC. Unless and until exemptive relief is granted from the SEC, the Operating Company will also be required to file similar reports with the SEC. This information will be available at the SEC's public reference room at 100 F Street, NE, Washington, D.C. 20549 and on the SEC's website at

<http://www.sec.gov>. The public may obtain information on the operation of the SEC's public reference room by calling the SEC at 202-551-8090. This information will also be available free of charge by contacting us at New Mountain Finance Corporation, 787 7th Avenue, 48th Floor, New York, NY 10019, by telephone at (212) 720-0300, or on our website at

<http://www.newmountainfinancecorp.com>. The information on our website is not incorporated by reference into this prospectus.

Unless otherwise indicated, all information in this prospectus reflects the consummation of the formation transactions described in "Formation Transactions and Related Agreements" and the concurrent private placement.

A nominal amount of shares of New Mountain Finance's common stock was outstanding prior to the completion of this offering. The number of shares of New Mountain Finance's common stock to be outstanding after completion of this offering is based on 10,344,827 shares of New Mountain Finance's common stock to be sold in this offering and the concurrent private placement and 1,252,964 shares of New Mountain Finance's common stock to be received by Guardian Partners in the formation transactions, and except where we state otherwise, the common stock information presented in this prospectus:

excludes 20,221,938 shares of New Mountain Finance's common stock issuable upon exchange of common membership units of the Operating Company held by AIV Holdings upon exercise of its exchange rights, as described under "Formation Transactions and Related Agreements - Structure-Related Agreements - The Operating Company Agreement"; and

assumes no exercise by the underwriters of their option to purchase up to 1,242,776 additional shares of New Mountain Finance's common stock.

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**FEES AND EXPENSES**

The following table is intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "you", "New Mountain Finance", the "Operating Company", or "us" or that "we", "New Mountain Finance", or the "Operating Company" will pay fees or expenses, stockholders will indirectly bear such fees or expenses through New Mountain Finance's investment in the Operating Company.

<b>Stockholder transaction expenses:</b>	
Sales load (as a percentage of offering price)	7.00%(1)
Offering expenses (as a percentage of offering price)	4.39%(2)
Dividend reinvestment plan fees	(3)
<b>Total stockholder transaction expenses (as a percentage of offering price)</b>	<b>11.39%</b>
<b>Annual expenses (as a percentage of net assets attributable to common stock(4)):</b>	
Base management fees	2.45%(5)
Incentive fees payable under Investment Management Agreement	%(6)
Interest payments on borrowed funds	0.89%(7)
Other expenses (estimated)	1.19%(8)
<b>Total annual expenses</b>	<b>4.53%(9)</b>

**Example**

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in New Mountain Finance's common stock. In calculating the following expense amounts, we have assumed that the Operating Company's borrowings and annual expenses would remain at the levels set forth in the table above and assumed that you would pay a sales load of 7.00% (the underwriting discount and commission to be paid by the Operating Company with respect to common stock sold by New Mountain Finance in this offering).

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return	\$ 42	\$ 127	\$ 212	\$ 426

- (1) The underwriting discounts and commissions (sales load) with respect to the shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.
- (2) All expenses of this offering, including the sales load, will be borne by the Operating Company. The Operating Company will incur approximately \$5,272,610 of estimated expenses, excluding the sales load, in connection with this offering. Stockholders will indirectly bear such expenses, including the sales load, through ownership of common membership units of the Operating Company.
- (3) The expenses of the dividend reinvestment plan are included in "other expenses".
- (4) The net assets attributable to common stock is the December 31, 2010 net asset value of the Predecessor Entities plus the gross proceeds from this offering and concurrent private placement, assuming an initial public offering price of \$14.50 per share (the mid-point of the

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range set forth on the front cover of this prospectus), less the sales load and offering expenses.

(5) The base management fee under the Investment Management Agreement is based on the Operating Company's gross assets less (i) the borrowings under the SLF Credit Facility and (ii) cash and cash equivalents. See "Investment Management Agreement".

(6) The incentive fee under the Investment Management Agreement, which, assuming a 5% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the example. The incentive fee consists of two parts. The first part, which is payable quarterly in arrears, will equal 20% of the excess, if any, of the Operating Company's "Pre-Incentive Fee Adjusted Net Investment Income" that exceeds a 2% quarterly (8% annualized) hurdle rate, subject to a "catch-up" provision measured at the end of each calendar quarter. The first part of the incentive fee will be computed and paid on income that may include interest that is accrued but not yet received in cash. The operation of the first part of the incentive fee for each quarter is as follows:

no incentive fee is payable to the Investment Adviser in any calendar quarter in which the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income does not exceed the hurdle rate of 2%, or the hurdle.

100% of the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income with respect to that portion of the 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% annualized) is payable to the Investment Adviser. We refer to this portion of the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income (which exceeds the hurdle rate but is less than or equal to 2.5%) as the "catch-up". The "catch-up" provision is intended to provide the Investment Adviser with an incentive fee of 20% on all of the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income as if a hurdle rate did not apply when its Pre-Incentive Fee Adjusted Net Investment Income exceeds 2.5% in any calendar quarter; and

20% of the amount of the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income, if any, that exceeds 2.5% in any calendar quarter (10% annualized) is payable to the Investment Adviser (once the hurdle is reached and the catch-up is achieved, 20% of all Pre-Incentive Fee Adjusted Net Investment Income thereafter is allocated to the Investment Adviser).

The second part of the incentive fee will equal 20% of our "Incentive Fee Capital Gains", which will equal the Operating Company's realized capital gains on a cumulative basis from inception through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. The second part of the incentive fee will be payable, in arrears, at the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date), commencing with the year ending December 31, 2011. New Mountain Finance and the Operating Company intend to seek exemptive relief from the SEC to permit the Operating Company to pay 50%, on an after tax basis, of the incentive fee in common membership units of the Operating Company having a total market price, calculated based on the market price of New Mountain Finance's common stock, equal to the amount of the incentive fee, which common membership units will be exchangeable into shares of New Mountain Finance's common stock on a one-for-one basis. There can be no assurance that this exemptive relief will be granted. If exemptive relief is not granted, the Operating Company will pay the entire incentive fee in cash.

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- (7) The Operating Company intends to borrow funds from time to time to make investments to the extent it determines that additional capital would allow it to take advantage of additional investment opportunities or if the economic situation is otherwise conducive to doing so. The costs associated with these borrowings are indirectly borne by New Mountain Finance's stockholders through its investment in the Operating Company. As of December 31, 2010, \$59.7 million and \$56.9 million were outstanding under the Predecessor Credit Facility and the SLF Credit Facility, respectively. For purposes of this section, we have assumed the December 31, 2010 amounts outstanding under these credit facilities, and have computed interest expense using an assumed interest rate of 3.3% for the Credit Facility and 2.5% for the SLF Credit Facility, which were the rates payable as of December 31, 2010. See "Senior Securities".
- (8) "Other expenses" are based on estimated amounts of New Mountain Finance's and the Operating Company's expenses for the current fiscal year and include New Mountain Finance's and the Operating Company's estimated overhead expenses, including payments by the Operating Company under the Administration Agreement based on the estimated allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to New Mountain Finance and the Operating Company under the Administration Agreement. Direct expenses have been capped at \$3.0 million for the Operating Company's first year of operations. See "Administration Agreement".
- (9) Total annual expenses are based on estimated amounts for the current fiscal year. You will incur these fees and expenses indirectly through New Mountain Finance's investment in the Operating Company.

**The example and the expenses in the tables above should not be considered a representation of future expenses, and actual expenses may be greater or less than those shown.** While the example assumes, as required by the applicable rules of the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the Investment Management Agreement, which, assuming a 5% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the example. If the Operating Company achieves sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, its expenses, and returns to New Mountain Finance investors, would be higher. In addition, while the example assumes reinvestment of all distributions at net asset value, participants in New Mountain Finance's dividend reinvestment plan will receive a number of shares of New Mountain Finance's common stock, determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of New Mountain Finance's common stock at the close of trading on the dividend payment date fixed by New Mountain Finance's board of directors, which may be at, above or below net asset value. See "Dividend Reinvestment Plan" for additional information regarding the dividend reinvestment plan.

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**SELECTED FINANCIAL AND OTHER DATA**

The selected combined financial and other data below reflects the combined historical operations of New Mountain Finance Holdings, L.L.C., formerly known as New Mountain Guardian (Leveraged), L.L.C., and New Mountain Guardian Partners, L.P., the assets of which will be contributed to the Operating Company in connection with the formation transactions. This combined financial and other data is the Operating Company's historical financial and other data. The Operating Company will be New Mountain Finance's sole investment following the completion of this offering. To date, New Mountain Finance Corporation has had no operations. As described in "Formation Transactions and Related Agreements - Holding Company Structure", following the completion of this offering, New Mountain Finance will be a holding company with no direct operations of its own, and its only business and sole asset will be its ownership of common membership units of the Operating Company.

We have derived the selected historical balance sheet information as of December 31, 2008, 2009 and 2010 and the selected statement of operations information for the period from October 29, 2008 (inception) through December 31, 2008 and for the years ended December 31, 2009 and 2010 from the Operating Company's audited combined financial statements included elsewhere in this prospectus.

The historical financial information does not reflect the allocation of certain general and administrative costs or other expenses or the impact of management fees that were incurred by affiliates of New Mountain. We expect that, following the completion of this offering, our share of expenses and management fees as a stand-alone company will be higher than those historically incurred by the Operating Company. Accordingly, the historical financial information should not be relied upon as being representative of our financial position or operating results had we operated on a stand-alone basis under similar regulatory constraints, nor are they representative of our financial position or operating results following this offering. In addition, following the completion of this offering, New Mountain Finance will own approximately 36.4% of the common membership units of the Operating Company, assuming no exercise of the underwriters' option to purchase additional shares. Depending on New Mountain Finance's ownership interest in the Operating Company, the Operating Company's results of operations may not be consolidated with New Mountain Finance's results of operations in future periods. As a result, the historical and future financial information may not be representative of New Mountain Finance's financial information in future periods.

The financial and other information below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Senior Securities" and

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the Operating Company's combined financial statements and related notes, which are included elsewhere in this prospectus.

	Year ended December 31, 2010	Year ended December 31, 2009	Period from October 29, 2008 (inception) through December 31, 2008
(dollars in thousands)			
<b>Income statement data:</b>			
Total investment income	\$ 41,375	\$ 21,767	\$ 256
Total expenses	3,911	1,359	
Net investment income	37,464	20,408	256
Realized gains on investments	\$ 66,287	\$ 37,129	
Net change in unrealized (depreciation) / appreciation of investments	(39,959)	68,143	(1,435)
Net increase (decrease) in net assets resulting from operations	\$ 63,792	\$ 125,680	\$ (1,179)
<b>Other data:</b>			
Weighted average Yield to Maturity(1)	12.5%	12.7%	18.8%
Number of portfolio companies at period end	43	24	6
<b>Balance sheet data:</b>			
Total investments at fair value	\$ 441,058	\$ 320,523	\$ 61,451
Total cash and cash equivalents	10,744	4,110	189
Total assets	460,224	330,558	61,669
Borrowings outstanding	116,633	77,745	
Net assets	241,927	239,441	30,354

- (1) Assumes that the investments in our portfolio as of the Portfolio Date are purchased at fair value on that date and held until their respective maturities with no prepayments or losses and are exited at par at maturity. Also assumes that unfunded revolvers remain undrawn. Interest income is assumed to be received quarterly for all debt securities. For floating rate debt securities, the interest rate is calculated by adding the spread to the projected three-month LIBOR at each respective quarter, which is determined based on the forward three-month LIBOR curve per Bloomberg as of the Portfolio Date. This calculation excludes the impact of existing leverage, except for the non-recourse debt of SLF. SLF is treated as a fully levered asset of the Operating Company, with SLF's net asset value being included for yield calculation purposes.

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**RISK FACTORS**

*Investing in New Mountain Finance's common stock involves a number of significant risks. In addition to the other information contained in this prospectus, you should consider carefully the following information before making an investment in New Mountain Finance's common stock. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us might also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value and the trading price of New Mountain Finance's common stock could decline, and you may lose all or part of your investment.*

**Risks Relating to Our Business**

***We have a limited operating history.***

New Mountain Finance is a newly-formed entity and the Operating Company commenced operations in October 2008. Prior to the completion of this offering, the Operating Company will own all of the operations of the Predecessor Entities existing immediately prior to the formation transactions, including all of the assets and liabilities related to such operations. New Mountain Finance will be a holding company with no direct operations of its own, and its only business and sole asset will be its ownership of common membership units of the Operating Company. As a result, we will be subject to many of the business risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objective and that, as a result, the value of New Mountain Finance's common stock could decline substantially.

***We do not expect to replicate the Predecessor Entities' historical performance or the historical performance of other entities managed or supported by New Mountain.***

We do not expect that we will replicate the Predecessor Entities' historical performance or the historical performance of New Mountain's investments, and our investment returns may be substantially lower than the returns achieved by the Predecessor Entities. Although the Predecessor Entities commenced operations during otherwise unfavorable economic conditions, this was a favorable environment in which to conduct our business in light of our investment objectives and strategy. In addition, our investment strategies may differ from those of New Mountain or its affiliates. New Mountain Finance and the Operating Company, as business development companies, and New Mountain Finance, as a RIC, and the Operating Company as a result of New Mountain Finance being a RIC, are subject to certain regulatory restrictions that do not apply to New Mountain or its affiliates.

The Operating Company will generally not be permitted to invest in any private company in which New Mountain or any of its affiliates holds an existing investment, except to the extent permitted by the 1940 Act. This may adversely affect the pace at which the Operating Company makes investments. Moreover, we expect the Operating Company will operate with a different leverage profile than the Predecessor Entities. Furthermore, none of the prior results were from public reporting companies, and all or a portion of these results were achieved in particularly favorable market conditions for our investment strategy which may never be repeated. Finally, we can offer no assurance that our investment team will be able to continue to implement our investment objective with the same degree of success as it has had in the past.

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***There will be uncertainty as to the value of our portfolio investments because most of our investments are, and will continue to be in private companies and recorded at fair value. In addition, because New Mountain Finance will be a holding company, the fair value of our investments will be initially determined by the Operating Company's board of directors in accordance with our valuation policy.***

Some of our investments are and will be in the form of securities or loans that are not publicly traded. The fair value of these investments may not be readily determinable. Under the 1940 Act, the Operating Company is required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined in good faith by its board of directors, including to reflect significant events affecting the value of our securities. The Operating Company will value our investments for which it does not have readily available market quotations quarterly, or more frequently as circumstances require, at fair value as determined in good faith by its board of directors in accordance with its valuation policy, which is at all times consistent with generally accepted accounting principles.

The Operating Company's board of directors expects to utilize the services of one or more independent third-party valuation firms to aid it in determining the fair value with respect to its material unquoted assets. We expect that inputs into the determination of fair value of these investments may require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information.

The types of factors that the board of directors may take into account in determining the fair value of our investments generally include, as appropriate: available market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows and the markets in which it does business, comparisons of financial ratios of peer companies that are public, comparable merger and acquisition transactions and the principal market and enterprise values. Because these valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, the Operating Company's determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed.

Due to this uncertainty, the Operating Company's fair value determinations may cause its net asset value and, consequently, New Mountain Finance's net asset value on any given date to materially understate or overstate the value that the Operating Company may ultimately realize upon the sale of one or more of our investments. In addition, investors purchasing New Mountain Finance's common stock based on an overstated net asset value would pay a higher price than the realizable value of our investments might warrant. Because New Mountain Finance will be a holding company and its only business and sole asset will be its ownership of common membership units of the Operating Company, New Mountain Finance's net asset value will be based on the Operating Company's valuation and its percentage interest in the Operating Company.

Although the Operating Company's initial board of directors will be comprised of the same individuals as New Mountain Finance's board of directors, there can be no assurances that the Operating Company's board composition will remain the same as New Mountain Finance's following the completion of this offering. As a result, the value of your investment in New Mountain Finance could be similarly understated or overstated based on the Operating Company's fair value determinations. However, in the event that New Mountain Finance's board of directors believes that

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a different fair value for the Operating Company's investments is appropriate, New Mountain Finance's board of directors will endeavor to discuss the differences in the valuations with the Operating Company's board of directors for the purposes of resolving the differences in valuation. The valuation procedures of New Mountain Finance will be substantially similar to those utilized by the Operating Company described above.

The Operating Company will adjust quarterly the valuation of our portfolio to reflect its board of directors' determination of the fair value of each investment in our portfolio. Any changes in fair value will be recorded in the Operating Company's statement of operations as net change in unrealized appreciation or depreciation.

***Our ability to achieve our investment objective depends on key investment personnel of the Investment Adviser. If the Investment Adviser were to lose any of its key investment personnel, our ability to achieve our investment objective could be significantly harmed.***

We will depend on the investment judgment, skill and relationships of the investment professionals of the Investment Adviser, particularly Steven Klinsky and Robert Hamwee, as well as other key personnel to identify, evaluate, negotiate, structure, execute, monitor and service our investments. The Investment Adviser is an affiliate of New Mountain and will be supported by New Mountain's team, which as of December 31, 2010 consisted of approximately 86 staff members, including approximately 53 investment professionals (including 14 managing directors and 13 senior advisers) as well as 14 finance and operational professionals and other resources of New Mountain and its affiliates to fulfill its obligations to the Operating Company under the Investment Management Agreement. The Investment Adviser may also depend upon New Mountain to obtain access to investment opportunities originated by the professionals of New Mountain and its affiliates. Our future success will depend to a significant extent on the continued service and coordination of the key investment personnel of the Investment Adviser. The departure of any of these individuals could have a material adverse effect on our ability to achieve our investment objective.

The Investment Adviser's investment committee, which provides oversight over our investment activities, is provided by the Investment Adviser. The Investment Adviser's investment committee currently consists of five members. The loss of any member of the Investment Adviser's investment committee or of other senior professionals of the Investment Adviser and its affiliates without suitable replacement could limit our ability to achieve our investment objective and operate as we anticipate. This could have a material adverse effect on our financial condition, results of operation and cash flows. To achieve our investment objective, the Investment Adviser may need to hire, train, supervise and manage new investment professionals to participate in our investment selection and monitoring process. If the Investment Adviser is unable to find investment professionals or do so in a timely manner, our business, financial condition and results of operations could be adversely affected.

***The Investment Adviser does not have any prior experience managing a business development company or a RIC, which could adversely affect our business.***

The Investment Adviser has not previously managed a business development company or a RIC. The 1940 Act and the Code impose numerous constraints on the operations of business development companies and RICs that do not apply to the other investment vehicles previously managed by the investment professionals of the Investment Adviser. For example, under the 1940 Act, business development companies are required to invest at least 70% of their total assets primarily in securities of qualifying U.S. private or thinly traded companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. See "Regulation". Moreover, qualification for taxation as a RIC under subchapter M of the Code

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requires satisfaction of source-of-income, asset diversification and annual distribution requirements. New Mountain Finance will have no assets other than its ownership of common membership units of the Operating Company and will have no material long-term liabilities. As a result, New Mountain Finance will look to the Operating Company's assets and income for purposes of satisfying the requirements under the 1940 Act applicable to business development companies and the requirements under the Code applicable to RICs. The failure to comply with these provisions in a timely manner could prevent New Mountain Finance and the Operating Company from qualifying as business development companies or New Mountain Finance from qualifying as a RIC and could force us to pay unexpected taxes and penalties, which would have a material adverse effect on our performance. The Investment Adviser's lack of experience in managing a portfolio of assets under the constraints applicable to business development companies and RICs may hinder its ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objective. If the Operating Company fails to maintain its status as a business development company or operate in a manner consistent with New Mountain Finance's status as a RIC, its operating flexibility could be significantly reduced and New Mountain Finance may be unable to maintain its status as a business development company or a RIC.

***We operate in a highly competitive market for investment opportunities and may not be able to compete effectively.***

We compete for investments with other business development companies and investment funds (including private equity funds), as well as traditional financial services companies such as commercial banks and other sources of funding. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have. Furthermore, many of our competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act will impose on New Mountain Finance and the Operating Company as business development companies or the source-of-income, asset diversification and distribution requirements that New Mountain Finance must satisfy to obtain and maintain its RIC status. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do. There are a number of new business development companies that have recently completed their initial public offerings or that have filed registration statements with the SEC, which could create increased competition for investment opportunities.

We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. With respect to the investments we make, we will not seek to compete based primarily on the interest rates we will offer, and we believe that some of our competitors may make loans with interest rates that will be lower than the rates we offer. In the secondary market for acquiring existing loans, we expect to compete generally on the basis of pricing terms. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income, lower yields and increased risk of credit loss. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. Part of our competitive advantage stems from the fact that we believe the market for middle-market lending is underserved by traditional bank lenders and other financial sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. We may also compete for investment opportunities with accounts managed by the Investment Adviser or its affiliates. Although the Investment Adviser will allocate opportunities in accordance with its policies and procedures, allocations to such other accounts will reduce the amount and frequency of opportunities available

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to us and may not be in the best interests of us and, consequently, New Mountain Finance's stockholders. Moreover, the performance of investment opportunities will not be known at the time of allocation. See " The Investment Adviser has significant potential conflicts of interest with New Mountain Finance and the Operating Company and, consequently, your interests as stockholders which could adversely impact our investment returns" and "Certain Relationships and Related Transactions". If we are not able to compete effectively, our business, financial condition and results of operations will be adversely affected. Because of this competition, there can be no assurance that we will be able to identify and take advantage of attractive investment opportunities that we identify or that we will be able to fully invest our available capital.

***Our business, results of operations and financial condition will depend on the Operating Company's ability to manage future growth effectively.***

Our ability to achieve our investment objective and to grow depends on the Investment Adviser's ability to identify, invest in and monitor companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of the Investment Adviser's structuring of the investment process, its ability to provide competent, attentive and efficient services to the Operating Company and its ability to access financing on acceptable terms. The Investment Adviser has substantial responsibilities under the Investment Management Agreement and may also be called upon to provide managerial assistance to our portfolio companies. These demands on the time of the Investment Adviser and its investment professionals may distract them or slow the Operating Company's rate of investment. In order to grow, the Operating Company and the Investment Adviser may need to retain, train, supervise and manage new investment professionals. However, these investment professionals may not be able to contribute effectively to the work of the Investment Adviser. If we are unable to manage our future growth effectively, our business, results of operations and financial condition could be materially adversely affected.

***The incentive fee may induce the Investment Adviser to make speculative investments.***

The incentive fee payable to the Investment Adviser may create an incentive for the Investment Adviser to pursue investments that are risky or more speculative than would be the case in the absence of such compensation arrangement, which could result in higher investment losses, particularly during cyclical economic downturns. The incentive fee payable to the Investment Adviser is calculated based on a percentage of the Operating Company's return on investment capital. This may encourage the Investment Adviser to use leverage to increase the return on our investments. In addition, because the base management fee is payable based upon the Operating Company's gross assets, which includes any borrowings for investment purposes, but excludes cash and cash equivalents for investment purposes, the Investment Adviser may be further encouraged to use leverage to make additional investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would impair the value of New Mountain Finance's common membership units of the Operating Company and, consequently, the value of New Mountain Finance's common stock.

The incentive fee payable to the Investment Adviser also may create an incentive for the Investment Adviser to invest in instruments that have a deferred interest feature, even if such deferred payments would not provide the cash necessary for the Operating Company to make distributions to New Mountain Finance that enable New Mountain Finance to pay current distributions to its stockholders. Under these investments, the Operating Company would accrue the interest over the life of the investment but would not receive the cash income from the investment until the end of the investment's term, if at all. The Operating Company's net investment income used to calculate the income portion of the incentive fee, however, includes accrued interest. Thus, a portion of the incentive fee would be based on income that the Operating

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Company has not yet received in cash and may never receive in cash if the portfolio company is unable to satisfy such interest payment obligations. In addition, the "catch-up" portion of the incentive fee may encourage the Investment Adviser to accelerate or defer interest payable by portfolio companies from one calendar quarter to another, potentially resulting in fluctuations in timing and dividend amounts.

***The Operating Company will borrow money, which could magnify the potential for gain or loss on amounts invested in us and increase the risk of investing in us.***

The Operating Company intends to borrow money as part of our business plan. Borrowings, also known as leverage, magnify the potential for gain or loss on invested equity capital and may, consequently, increase the risk of investing in us. We expect the Operating Company to continue to use leverage to finance our investments, through senior securities issued by banks and other lenders. The Operating Company is restricted from incurring additional indebtedness under the Credit Facility, without lender consent. Lenders of these senior securities will have fixed dollar claims on the Operating Company's assets that will be superior to New Mountain Finance's claim as a member of the Operating Company, and, consequently, superior to claims of New Mountain Finance's common stockholders. If the value of the Operating Company's assets decreases, leveraging would cause its net asset value and, consequently, New Mountain Finance's net asset value, to decline more sharply than it otherwise would have had it not leveraged. Similarly, any decrease in the Operating Company's income would cause its net income and consequently New Mountain Finance's net income to decline more sharply than it would have had it not borrowed. Such a decline could adversely affect the Operating Company's ability to make distributions to its members and, consequently, New Mountain Finance's ability to make common stock dividend payments. In addition, because our investments may be illiquid, the Operating Company may be unable to dispose of them or to do so at a favorable price in the event it needs to do so if it is unable to refinance any indebtedness upon maturity and, as a result, we may suffer losses. Leverage is generally considered a speculative investment technique.

The Operating Company's ability to service any debt that it incurs will depend largely on its financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, as the Investment Adviser's management fee will be payable to the Investment Adviser based on gross assets, including those assets acquired through the use of leverage, the Investment Adviser may have a financial incentive to incur leverage which may not be consistent with New Mountain Finance's interests and the interests of its common stockholders. In addition, holders of New Mountain Finance's common stock will, indirectly, bear the burden of any increase in the Operating Company's expenses as a result of leverage, including any increase in the management fee payable to the Investment Adviser.

At December 31, 2010, the Predecessor Entities had \$59.7 million and \$56.9 million of indebtedness outstanding under the Predecessor Credit Facility and the SLF Credit Facility, respectively. The Predecessor Credit Facility had an effective annual interest rate of 3.3% for the year ended December 31, 2010 and the SLF Credit Facility had an effective interest rate of 2.5% for the period October 7, 2010 (commencement of SLF operations) through December 31, 2010. In order for the Operating Company to cover these annualized interest payments on indebtedness, it must achieve annual returns on its assets of at least 1.0% based on the amount of its assets at December 31, 2010.

*Illustration.* The following table illustrates the effect of leverage on returns from an investment in New Mountain Finance's common stock assuming various annual returns, net of expenses and adjusted for unsettled securities purchased. The calculations in the table below are hypothetical. Actual returns may be higher or lower than those appearing below and will also depend on New Mountain Finance's ownership interest in the Operating Company. The calculation assumes

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(i) \$460.2 million in total assets, (ii) a weighted average cost of borrowings of 2.8%, (iii) \$167.7 million in debt outstanding and (iv) \$285.3 million in stockholders' equity.

**Assumed Return on Our Portfolio  
(net of expenses)**

	-10%	-5%	0%	5%	10%
Corresponding return to stockholder	(17.80)%	(9.73)%	(1.67)%	6.40%	14.47%

*New Mountain Finance and the Operating Company may need to raise additional capital to grow because New Mountain Finance must distribute most of its income.*

All of the proceeds from this offering and the concurrent private placement will be contributed to the Operating Company in exchange for New Mountain Finance's acquisition of common membership units of the Operating Company. New Mountain Finance and the Operating Company may need additional capital to fund new investments and grow our portfolio of investments once the Operating Company has fully invested these proceeds. New Mountain Finance may access the capital markets periodically to issue equity securities, which would in turn increase the equity capital available to the Operating Company. In addition, the Operating Company may also issue debt securities or borrow from financial institutions in order to obtain such additional capital. However, the Operating Company is restricted from incurring additional indebtedness under the Credit Facility, without lender consent. Under the 1940 Act, New Mountain Finance is not permitted to own any other securities other than its common membership units of the Operating Company. As a result, any proceeds from offerings by New Mountain Finance of equity securities would be contributed to the Operating Company. Unfavorable economic conditions could increase New Mountain Finance's and the Operating Company's funding costs, limit their access to the capital markets or result in a decision by lenders not to extend credit to the Operating Company. A reduction in the availability of new capital could limit our ability to grow. In addition, New Mountain Finance will be required to distribute at least 90% of its net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to its stockholders to obtain and maintain its RIC status. As a result, these earnings will not be available to fund new investments. If New Mountain Finance or the Operating Company is unable to access the capital markets or if the Operating Company is unable to borrow from financial institutions, the Operating Company may be unable to grow our business and execute our business strategy fully and our earnings, if any, could decrease which could have an adverse effect on the value of New Mountain Finance's securities.

*If the Operating Company is unable to comply with the covenants or restrictions in the Credit Facility, our business could be materially adversely affected.*

The Credit Facility includes covenants that, subject to exceptions, among other things, restrict the Operating Company's ability to dispose of assets, incur additional indebtedness, pay distributions, create liens on assets, make investments, make acquisitions and engage in mergers or consolidations. The Credit Facility also includes change of control provisions that accelerate the indebtedness under the facility in the event of certain change of control events. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Credit Facilities – The Credit Facility". Complying with these restrictions may prevent the Operating Company from taking actions that we believe would help it to grow our business or are otherwise consistent with our investment objective. These restrictions could also limit the Operating Company's ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Credit

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Facilities The Credit Facility" for additional information regarding the Operating Company's credit arrangements. In addition, the restrictions contained in the Credit Facility could limit the Operating Company's ability to make distributions to its members in certain circumstances which could result in New Mountain Finance failing to qualify as a RIC and thus becoming subject to corporate-level federal income tax (and any applicable state and local taxes).

The breach of any of the covenants or restrictions unless cured within the applicable grace period, would result in a default under the Credit Facility that would permit the lender to declare all amounts outstanding to be due and payable. In such an event, the Operating Company may not have sufficient assets to repay such indebtedness. As a result, any default could have serious consequences to our financial condition. An event of default or an acceleration under the Credit Facility could also cause a cross-default or cross-acceleration of another debt instrument or contractual obligation, which would adversely impact the Operating Company's liquidity. An event of default under the Credit Facility will trigger an event of default under the SLF Credit Facility. The Operating Company may not be granted waivers or amendments to the Credit Facility if for any reason it is unable to comply with it, and the Operating Company may not be able to refinance the Credit Facility on terms acceptable to it, or at all.

***If SLF is unable to comply with the covenants or restrictions in the SLF Credit Facility, our business could be materially adversely affected.***

The SLF Credit Facility includes covenants that, subject to exceptions, among other things, restrict SLF's ability to dispose of assets, incur additional indebtedness, pay distributions, create liens on assets, make investments, make acquisitions and engage in mergers or consolidations. The SLF Credit Facility also includes change of control provisions that accelerate the indebtedness under the facility in the event of certain change of control events. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Credit Facilities The SLF Credit Facility". Complying with these restrictions may prevent SLF from taking actions that we believe would help it to grow our business or are otherwise consistent with our investment objective. These restrictions could also limit SLF's ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Credit Facilities The SLF Credit Facility" for additional information regarding SLF's credit arrangements. In addition, the restrictions contained in the SLF Credit Facility could limit SLF's ability to make distributions to the Operating Company in certain circumstances which could limit the Operating Company's ability to make distributions to its members. This could result in New Mountain Finance failing to qualify as a RIC and thus becoming subject to corporate-level federal income tax (and any applicable state and local taxes).

The breach of any of the covenants or restrictions, unless cured within the applicable grace period, or an "Event of Default" under the Credit Facility, would result in a default under the SLF Credit Facility that would permit the lender to declare all amounts outstanding to be due and payable. In such an event, SLF may not have sufficient assets to repay such indebtedness. As a result, any default could have serious consequences for the Operating Company's results of operations and financial condition. SLF may not be granted waivers or amendments to the SLF Credit Facility if for any reason it is unable to comply with it, and SLF may not be able to refinance the SLF Credit Facility on terms acceptable to it, or at all.

***The Operating Company may enter into reverse repurchase agreements, which are another form of leverage.***

Subject to limitations in the Credit Facility, the Operating Company may enter into reverse repurchase agreements as part of its management of our temporary investment portfolio. Under a

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reverse repurchase agreement, the Operating Company will effectively pledge its assets as collateral to secure a short-term loan. Generally, the other party to the agreement makes the loan in an amount equal to a percentage of the fair value of the pledged collateral. At the maturity of the reverse repurchase agreement, the payor will be required to repay the loan and correspondingly receive back its collateral. While used as collateral, the assets continue to pay principal and interest which are for the benefit of the Operating Company.

The Operating Company's use of reverse repurchase agreements, if any, involves many of the same risks involved in its use of leverage, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities acquired with the proceeds of a reverse repurchase agreement may decline below the price of the securities that it has sold but remains obligated to repurchase under the reverse repurchase agreement. In addition, there is a risk that the market value of the securities effectively pledged by the Operating Company may decline. If a buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experience insolvency, the Operating Company may be adversely affected. Also, in entering into reverse repurchase agreements, the Operating Company would bear the risk of loss to the extent that the proceeds of such agreements at settlement are more than the fair value of the underlying securities being pledged. In addition, due to the interest costs associated with reverse repurchase agreements transactions, the Operating Company's net asset value would decline, and, in some cases, we may be worse off than if such instruments had not been used.

***If the Operating Company is unable to obtain additional debt financing, or if its borrowing capacity is materially reduced, our business could be materially adversely affected.***

The Operating Company may want to obtain additional debt financing, or need to do so upon maturity of its Credit Facility, in order to obtain funds which may be made available for investments. The Operating Company is restricted from incurring additional indebtedness under the Credit Facility without lender consent. The revolving period under the Credit Facility ends on October 21, 2013, and the Credit Facility matures on October 21, 2015. If the Operating Company is unable to increase, renew or replace any such facility and enter into a new debt financing facility or other debt financing on commercially reasonable terms, its liquidity may be reduced significantly. In addition, if the Operating Company is unable to repay amounts outstanding under any such facilities and is declared in default or is unable to renew or refinance these facilities, it may not be able to make new investments or operate our business in the normal course. These situations may arise due to circumstances that the Operating Company may be unable to control, such as lack of access to the credit markets, a severe decline in the value of the U.S. dollar, a further economic downturn or an operational problem that affects third parties or the Operating Company, and could materially damage the Operating Company's business operations and, consequently, New Mountain Finance's business, results of operations and financial condition.

***An extended continuation of the disruption in the capital markets and the credit markets could adversely affect our business.***

As business development companies, New Mountain Finance and the Operating Company must maintain their ability to raise additional capital for investment purposes. If New Mountain Finance or the Operating Company is unable to access the capital markets or credit markets, the Operating Company may be forced to curtail its business operations and may be unable to pursue new investment opportunities. The capital markets and the credit markets have experienced extreme volatility in recent periods, and, as a result, there has been and will likely continue to be uncertainty in the financial markets in general. Disruptions in the capital markets increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in

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parts of the capital markets. In addition, a prolonged period of market illiquidity may cause the Operating Company to reduce the volume of loans it originates and/or funds and adversely affect the value of our portfolio investments. Unfavorable economic conditions could also increase the Operating Company's funding costs, limit New Mountain Finance's and the Operating Company's access to the capital markets or result in a decision by lenders not to extend credit to the Operating Company. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results. Ongoing disruptive conditions in the financial industry and the impact of new legislation in response to those conditions could restrict the Operating Company's business operations and, consequently, could adversely impact New Mountain Finance's business, results of operations and financial condition.

If the fair value of the Operating Company's assets declines substantially, it may fail to maintain the asset coverage ratios imposed upon it by the 1940 Act and contained in its Credit Facility. Any such failure would affect the Operating Company's ability to issue senior securities, including borrowings, draw on its Credit Facility and pay distributions, which could materially impair its business operations. The Operating Company's liquidity could be impaired further by New Mountain Finance's or the Operating Company's inability to access the capital or credit markets. For example, we cannot be certain that the Operating Company will be able to renew its credit facilities as they mature or to consummate new borrowing facilities to provide capital for normal operations, including new originations. Reflecting concern about the stability of the financial markets, many lenders and institutional investors have reduced or ceased providing funding to borrowers. This market turmoil and tightening of credit have led to increased market volatility and widespread reduction of business activity generally. In addition, adverse economic conditions due to these disruptive conditions could materially impact the Operating Company's ability to comply with the financial and other covenants in any existing or future credit facilities. If the Operating Company is unable to comply with these covenants, its business could be materially adversely affected, which could, as a result, materially adversely affect New Mountain Finance's business, results of operations and financial condition.

*Changes in interest rates may affect the Operating Company's cost of capital and net investment income.*

To the extent the Operating Company borrows money to make investments, the Operating Company's net investment income will depend, in part, upon the difference between the rate at which it borrows funds and the rate at which it invests those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on the Operating Company's net investment income in the event it uses debt to finance its investments. In periods of rising interest rates, the Operating Company's cost of funds would increase, which could reduce its net investment income. We expect that the Operating Company's long-term fixed-rate investments will be financed primarily with proceeds of issuances of equity by New Mountain Finance and long-term debt securities by the Operating Company. The Operating Company may use interest rate risk management techniques in an effort to limit its exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

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***Because the Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to obtain and maintain its status as a RIC, and because New Mountain Finance intends to distribute substantially all of its income to its stockholders to obtain and maintain its status as a RIC, New Mountain Finance and the Operating Company will continue to need additional capital to finance our growth. If additional funds are unavailable or not available on favorable terms, our ability to grow will be impaired.***

In order for New Mountain Finance to qualify for the tax benefits available to RICs and to avoid payment of excise taxes, the Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to obtain and maintain its status as a RIC, and New Mountain Finance intends to distribute to its stockholders substantially all of its annual taxable income, except that it may retain certain net capital gains for reinvestment in common membership units of the Operating Company, and treat such amounts as deemed distributions to its stockholders. If New Mountain Finance elects to treat any amounts as deemed distributions, New Mountain Finance must pay income taxes at the corporate rate on such deemed distributions on behalf of its stockholders. As a result of these requirements, New Mountain Finance and the Operating Company will likely need to raise capital from other sources to grow our business. As a business development company, the Operating Company will be required to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities, to total senior securities, which includes all of the Operating Company's borrowings and any outstanding preferred membership units, of at least 200%. The Operating Company will consolidate the assets and liabilities of SLF for the purposes of its financial statements and calculating compliance with the 200% asset coverage ratio. Because New Mountain Finance will have no assets other than its ownership of common membership units of the Operating Company and will have no material long-term liabilities, New Mountain Finance will look to the Operating Company's assets for purposes of satisfying this test. These requirements limit the amount that the Operating Company may borrow. Because the Operating Company will continue to need capital to grow our investment portfolio, these limitations may prevent the Operating Company from incurring debt and require New Mountain Finance to raise additional equity at a time when it may be disadvantageous to do so. While we expect the Operating Company will be able to borrow and to issue additional debt securities and expect that New Mountain Finance will be able to issue additional equity securities, which would in turn increase the equity capital available to the Operating Company, we cannot assure you that debt and equity financing will be available to New Mountain Finance or the Operating Company on favorable terms, or at all. In addition, as a business development company, New Mountain Finance generally will not be permitted to issue equity securities priced below net asset value without stockholder approval. If additional funds are not available to New Mountain Finance or the Operating Company, the Operating Company could be forced to curtail or cease new investment activities, and the Operating Company's net asset value and, consequently, New Mountain Finance's net asset value, could decline.

***Our ability to enter into transactions with our affiliates is restricted.***

As business development companies, New Mountain Finance and the Operating Company will be prohibited under the 1940 Act from participating in certain transactions with their respective affiliates without the prior approval of their respective independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of New Mountain Finance's outstanding voting securities will be New Mountain Finance's and the Operating Company's affiliate for purposes of the 1940 Act. New Mountain Finance and the Operating Company will generally be prohibited from buying or selling any securities (other than their respective securities) from or to an affiliate. The 1940 Act also prohibits certain "joint" transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of independent directors and, in some cases, the SEC. If a person acquires more than

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25% of New Mountain Finance's voting securities, New Mountain Finance and the Operating Company are prohibited from buying or selling any security (other than their respective securities) from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. Similar restrictions limit New Mountain Finance's and the Operating Company's ability to transact business with their respective officers or directors or their affiliates. As a result of these restrictions, the Operating Company may be prohibited from buying or selling any security from or to any portfolio company of a private equity fund managed by any affiliate of the Investment Adviser without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to the Operating Company.

***New Mountain Finance and the Operating Company expect to file an application with the SEC requesting exemptive relief from certain provisions of the 1940 Act and the Securities Exchange Act of 1934.***

The 1940 Act prohibits certain transactions between New Mountain Finance, the Operating Company and their respective affiliates without first obtaining an exemptive order from the SEC. New Mountain Finance and the Operating Company expect to file an application with the SEC requesting an order exempting them from certain provisions of the 1940 Act and from certain reporting requirements mandated by the Securities Exchange Act of 1934, or the Exchange Act. If the relief under the Exchange Act is granted, the Operating Company would be exempt from the reporting obligations under the Exchange Act. However, New Mountain Finance would continue to be required to file these reports which would include disclosure with respect to the Operating Company. There may be delays and costs involved in obtaining this relief, and there is no assurance that the application for exemptive relief will be granted by the SEC. New Mountain Finance and the Operating Company also intend to seek exemptive relief to permit the Operating Company to pay the incentive fee payable to the Investment Adviser in common membership units of the Operating Company, which will be exchangeable into shares of New Mountain Finance's common stock and there is no assurance that the application for exemptive relief will be granted by the SEC. See " The Operating Company's ability to pay 50%, on an after tax basis, of the incentive fee to the Investment Adviser in common membership units of the Operating Company is contingent on receipt of exemptive relief from the SEC".

***The Investment Adviser has significant potential conflicts of interest with New Mountain Finance and the Operating Company and, consequently, your interests as stockholders which could adversely impact our investment returns.***

New Mountain Finance's and the Operating Company's executive officers and directors, as well as the current or future investment professionals 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 New Mountain Finance's and the Operating Company's affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in your interests as stockholders. Although we are currently New Mountain's only vehicle focused primarily on investing in the Target Securities, in the future, the investment professionals of the Investment Adviser and/or New Mountain employees that provide services pursuant to the Investment Management Agreement may manage other funds which may from time to time have overlapping investment objectives with our own and, accordingly, may invest in, whether principally or secondarily, asset classes similar to those targeted by us. If this occurs, the Investment Adviser may face conflicts of interest in allocating investment opportunities to the Operating Company and such other funds. Although the investment professionals will endeavor to allocate investment opportunities in a fair and equitable manner, it is possible that the Operating Company may not be given the opportunity to participate in certain investments made by the

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Investment Adviser or persons affiliated with the Investment Adviser or that certain of these investment funds may be favored over the Operating Company. When these investment professionals identify an investment, they will be forced to choose which investment fund should make the investment.

If the Investment Adviser forms other affiliates in the future, the Operating Company may co-invest on a concurrent basis with such other affiliate, subject to compliance with applicable regulations and regulatory guidance or an exemptive order from the SEC and the Operating Company's allocation procedures. In addition, the Operating Company pays management and incentive fees to the Investment Adviser and reimburses the Investment Adviser for certain expenses it incurs. As a result, investors in New Mountain Finance's common stock will invest in New Mountain Finance and indirectly in the Operating Company, on a "gross" basis and receive distributions on a "net" basis after New Mountain Finance's pro rata share of the Operating Company's expenses. Also, the incentive fee payable to the Investment Adviser may create an incentive for the Investment Adviser to pursue investments that are riskier or more speculative than would be the case in the absence of such compensation arrangements. Any potential conflict of interest arising as a result of the arrangements with the Investment Adviser could have a material adverse effect on our business, results of operations and financial condition.

***The incentive fee the Operating Company pays to the Investment Adviser in respect of capital gains may be effectively greater than 20%.***

As a result of the operation of the cumulative method of calculating the capital gains portion of the incentive fee the Operating Company will pay to the Investment Adviser, the cumulative aggregate capital gains fee received by the Investment Adviser could be effectively greater than 20%, depending on the timing and extent of subsequent net realized capital losses or net unrealized depreciation. For additional information on this calculation, see the disclosure in footnote 2 to Example 2 under the caption "Investment Management Agreement Overview of the Investment Adviser Management Fee Incentive Fee". We cannot predict whether, or to what extent, this payment calculation would affect your investment in New Mountain Finance's common stock.

***The Investment Adviser's investment committee, the Investment Adviser or its affiliates may, from time to time, possess material non-public information, limiting the Operating Company's investment discretion.***

The Investment Adviser's investment professionals, investment committee or their respective affiliates may serve as directors of, or in a similar capacity with, companies in which we invest through the Operating Company, the securities of which are purchased or sold on the Operating Company's behalf. In the event that material non-public information is obtained with respect to such companies, or we became subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, the Operating Company could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on the Operating Company and, consequently, your interests as stockholders of New Mountain Finance.

***The valuation process for certain of our portfolio holdings creates a conflict of interest.***

Some of our portfolio investments are expected to be made in the form of securities that are not publicly traded. As a result, the Operating Company's board of directors will determine the fair value of these securities in good faith. In connection with this determination, investment professionals from the Investment Adviser may provide the Operating Company's board of directors with portfolio company valuations based upon the most recent portfolio company financial

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statements available and projected financial results of each portfolio company. In addition, Steven Klinsky, a member of New Mountain Finance's and the Operating Company's board of directors, has an indirect pecuniary interest in the Investment Adviser. The participation of the Investment Adviser's investment professionals in our valuation process, and the indirect pecuniary interest in the Investment Adviser by a member of New Mountain Finance's and the Operating Company's board of directors, could result in a conflict of interest as the Investment Adviser's management fee is based, in part, on the Operating Company's gross assets and incentive fees will be based, in part, on unrealized gains and losses.

***Conflicts of interest may exist related to other arrangements with the Investment Adviser or its affiliates.***

New Mountain Finance and the Operating Company have entered into a royalty-free license agreement with New Mountain under which New Mountain has agreed to grant New Mountain Finance and the Operating Company a non-exclusive, royalty-free license to use the name "New Mountain". See "License Agreement". In addition, the Operating Company will reimburse the Administrator for the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to New Mountain Finance and the Operating Company under the Administration Agreement, such as rent and the allocable portion of the cost of New Mountain Finance's and the Operating Company's chief financial officer and chief compliance officer and their respective staffs. This could create conflicts of interest that the board of directors for New Mountain Finance and the Operating Company must monitor.

***The Investment Management Agreement with the Investment Adviser and the Administration Agreement with the Administrator were not negotiated on an arm's length basis.***

The Investment Management Agreement and the Administration Agreement were negotiated between related parties. In addition, New Mountain Finance and the Operating Company may choose not to enforce, or to enforce less vigorously, their respective rights and remedies under these agreements because of their desire to maintain their ongoing relationship with the Investment Adviser, the Administrator and their respective affiliates. Any such decision, however, could cause New Mountain Finance to breach its fiduciary obligations to its stockholders.

***The Investment Adviser's liability will be limited under the Investment Management Agreement, and the Operating Company has agreed to indemnify the Investment Adviser against certain liabilities, which may lead the Investment Adviser to act in a riskier manner than it would when acting for its own account.***

Under the Investment Management Agreement, the Investment Adviser will not assume any responsibility other than to render the services called for under that agreement, and it will not be responsible for any action of the Operating Company's board of directors in following or declining to follow the Investment Adviser's advice or recommendations. Under the terms of the Investment Management Agreement, the Investment Adviser, its officers, members, personnel, any person controlling or controlled by the Investment Adviser will not be liable to New Mountain Finance, the Operating Company, any of their subsidiaries or any of their respective directors, members or stockholders or any subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to the Investment Management Agreement, except those resulting from acts constituting gross negligence, willful misconduct, bad faith or reckless disregard of the Investment Adviser's duties under the Investment Management Agreement. In addition, the Operating Company has agreed to indemnify the Investment Adviser and each of its officers, directors, members, managers and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with

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our business and operations or any action taken or omitted pursuant to authority granted by the Investment Management Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person's duties under the Investment Management Agreement. These protections may lead the Investment Adviser to act in a riskier manner than it would when acting for its own account.

***The Investment Adviser can resign upon 60 days' notice, and a suitable replacement may not be found within that time, resulting in disruptions in the Operating Company's operations that could adversely affect our business, results of operations and financial condition.***

Under the Investment Management Agreement, the Investment Adviser has the right to resign at any time upon 60 days' written notice, whether a replacement has been found or not. If the Investment Adviser resigns, the Operating Company may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If a replacement is not able to be found on a timely basis, our business, results of operations and financial condition and the Operating Company's ability to pay distributions are likely to be materially adversely affected and the market price of New Mountain Finance's common stock may decline. In addition, if the Operating Company is unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by the Investment Adviser and its affiliates, the coordination of its internal management and investment activities is likely to suffer. Even if the Operating Company is able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may materially adversely affect our business, results of operations and financial condition.

***The Administrator can resign from its role as Administrator under the Administration Agreement, and a suitable replacement may not be found, resulting in disruptions that could adversely affect our business, results of operations and financial condition.***

The Administrator has the right to resign under the Administration Agreement upon 60 days' written notice, whether a replacement has been found or not. If the Administrator resigns, it may be difficult to find a new administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms, or at all. If a replacement is not found quickly, our business, results of operations and financial condition as well as the Operating Company's ability to pay distributions are likely to be adversely affected and the market price of New Mountain Finance's common stock may decline. In addition, the coordination of New Mountain Finance's and the Operating Company's internal management and administrative activities is likely to suffer if they are unable to identify and reach an agreement with a service provider or individuals with the expertise possessed by the Administrator. Even if a comparable service provider or individuals to perform such services are retained, whether internal or external, their integration into our business and lack of familiarity with our investment objective may result in additional costs and time delays that may materially adversely affect our business, results of operations and financial condition.

***If New Mountain Finance and the Operating Company fail to maintain their status as business development companies, our business and operating flexibility could be significantly reduced.***

New Mountain Finance and the Operating Company intend to qualify as business development companies under the 1940 Act immediately prior to the completion of this offering. The 1940 Act imposes numerous constraints on the operations of business development companies. For example, business development companies are required to invest at least 70% of

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their total assets in specified types of securities, primarily in private companies or thinly-traded U.S. public companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. Failure to comply with the requirements imposed on business development companies by the 1940 Act could cause the SEC to bring an enforcement action against New Mountain Finance or the Operating Company and/or expose New Mountain Finance or the Operating Company to claims of private litigants. In addition, upon approval of a majority of New Mountain Finance's stockholders, or, in the Operating Company's case, a majority of its members voting on a pass through basis, New Mountain Finance or the Operating Company may elect to withdraw their respective election as a business development company. If New Mountain Finance or the Operating Company decide to withdraw their election, or if New Mountain Finance or the Operating Company otherwise fail to qualify, or maintain their qualification, as a business development company, New Mountain Finance or the Operating Company may be subject to the substantially greater regulation under the 1940 Act as a closed-end investment company. Compliance with these regulations would significantly decrease our operating flexibility and could significantly increase our cost of doing business. For additional information on the qualification requirements of a business development company, see the disclosure under the caption "Regulation".

***If the Operating Company does not invest a sufficient portion of its assets in qualifying assets, it could be precluded from investing in certain assets or could be required to dispose of certain assets, which could have a material adverse effect on our business, financial condition and results of operations.***

As a business development company, the Operating Company will be prohibited from acquiring any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. As of December 31, 2010, approximately \$23.9 million, or approximately 5.2% of the Operating Company's total assets, were not "qualifying assets". We may acquire in the future other investments that are not "qualifying assets" to the extent permitted by the 1940 Act. If the Operating Company does not invest a sufficient portion of its assets in qualifying assets, it would be prohibited from investing in additional assets, which could have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent the Operating Company from making follow-on investments in existing portfolio companies (which could result in the dilution of its position) or could require the Operating Company to dispose of investments at inopportune times in order to come into compliance with the 1940 Act. If the Operating Company needs to dispose of these investments quickly, it may be difficult to dispose of such investments on favorable terms. For example, the Operating Company may have difficulty in finding a buyer and, even if a buyer is found, it may have to sell the investments at a substantial loss.

***The Operating Company's ability to invest in public companies may be limited in certain circumstances.***

To maintain the Operating Company's status, and consequently, New Mountain Finance's status as business development companies, the Operating Company is not permitted to acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of its total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a common equity market capitalization that is less than \$250 million at the time of such investment.

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***Regulations governing the operations of business development companies will affect New Mountain Finance's ability to raise additional equity capital as well as the Operating Company's 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.***

Our business will require a substantial amount of capital in addition to the proceeds of this offering and the concurrent private placement. The Operating Company may acquire additional capital from the issuance of senior securities, including borrowing or other indebtedness. In addition, New Mountain Finance may also issue additional equity capital, which would in turn increase the equity capital available to the Operating Company. Under the 1940 Act, New Mountain Finance is not permitted to own any other securities other than common membership units of the Operating Company. As a result, any proceeds from offerings of New Mountain Finance's equity securities would be contributed to the Operating Company and subsequently used by the Operating Company for investment purposes. However, New Mountain Finance and the Operating Company may not be able to raise additional capital in the future on favorable terms or at all.

The Operating Company may issue debt securities, other evidences of indebtedness or preferred membership units, and it may borrow money from banks or other financial institutions, which we refer to collectively as "senior securities", up to the maximum amount permitted by the 1940 Act. The 1940 Act permits the Operating Company to issue senior securities in amounts such that its asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. The Operating Company will consolidate the assets and liabilities of SLF for purposes of its financial statements and calculating compliance with the 200% asset coverage ratio. If the Operating Company's asset coverage ratio were not at least 200%, it would be unable to issue senior securities, and if it had senior securities outstanding (other than any indebtedness issued in consideration of a privately arranged loan, such as any indebtedness outstanding under the Credit Facility or the SLF Credit Facility), it would be unable to make distributions to its members and, consequently, New Mountain Finance would be unable to pay dividends. However, at December 31, 2010, the only senior securities outstanding were indebtedness under the Predecessor Credit Facility and the SLF Credit Facility and therefore at December 31, 2010, the Operating Company would not have been precluded from paying distributions. If the value of the Operating Company's or SLF's assets declines, the Operating Company may be unable to satisfy this test. If that happens, the Operating Company or SLF may be required to liquidate a portion of its investments and repay a portion of its indebtedness at a time when such sales may be disadvantageous.

The Credit Facility matures on October 21, 2015 and permits borrowings of \$160 million. The Predecessor Credit Facility had \$59.7 million in debt outstanding as of December 31, 2010. The SLF Credit Facility matures on October 27, 2015 and permits borrowings of \$150 million. The SLF Credit Facility had \$56.9 million in debt outstanding as of December 31, 2010.

In addition, the Operating Company may in the future seek to securitize other portfolio securities to generate cash for funding new investments. To securitize loans, the Operating Company would likely create a wholly-owned subsidiary and contribute a pool of loans to the subsidiary. The Operating Company would then sell interests in the subsidiary on a non-recourse basis to purchasers and it would retain all or a portion of the equity in the subsidiary. If the Operating Company is unable to successfully securitize our loan portfolio, which must be done in compliance with the relevant restrictions in the Credit Facility, its ability to grow our business or fully execute our business strategy could be impaired and our earnings, if any, could decrease. The securitization market is subject to changing market conditions and the Operating Company may not be able to access this market when it would otherwise deem appropriate. Moreover, the successful securitization of our portfolio might expose the Operating Company to losses as the residual

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investments in which it does not sell interests will tend to be those that are riskier and more apt to generate losses. The 1940 Act also may impose restrictions on the structure of any securitization.

New Mountain Finance may also obtain capital for use by the Operating Company through the issuance of additional equity capital, which would in turn increase the equity capital available to the Operating Company. As a business development company, New Mountain Finance generally is not able to issue or sell its common stock at a price below net asset value per share. If New Mountain Finance's common stock trades at a discount to its net asset value per share, this restriction could adversely affect its ability to raise equity capital. New Mountain Finance may, however, sell its common stock, or warrants, options or rights to acquire its common stock, at a price below its net asset value per share of the common stock if its board of directors and independent directors determine that such sale is in its best interests and the best interests of its stockholders, and its stockholders approve such sale. In any such case, the price at which New Mountain Finance's securities are to be issued and sold may not be less than a price that, in the determination of New Mountain Finance's board of directors, closely approximates the market value of such securities (less any underwriting commission or discount). If New Mountain Finance raises additional funds by issuing more shares of its common stock or if the Operating Company issues senior securities convertible into, or exchangeable for, New Mountain Finance's common stock, the percentage ownership of New Mountain Finance's stockholders may decline and you may experience dilution. Any proceeds from the issuance of additional shares of New Mountain Finance's common stock would be contributed to the Operating Company and used to purchase, on a one-for-one basis, additional common membership units of the Operating Company.

***The Operating Company's ability to pay 50%, on an after tax basis, of the incentive fee to the Investment Adviser in common membership units of the Operating Company is contingent on receipt of exemptive relief from the SEC.***

Pursuant to the Investment Management Agreement with the Investment Adviser, the Operating Company has agreed, to the extent permissible, to pay 50%, on an after tax basis, of the incentive fee in common membership units of the Operating Company having a total market price, calculated based on the market price of New Mountain Finance's common stock, equal to the amount of the incentive fee, which common memberships units will be exchangeable into shares of New Mountain Finance's common stock on a one-for-one basis. Under the 1940 Act, the Operating Company is prohibited from issuing common membership units for services unless and until it obtains from the SEC an exemptive order permitting such practice. New Mountain Finance and the Operating Company will apply for an exemptive order from the SEC to permit the Operating Company to pay 50%, on an after tax basis, of the incentive fee to the Investment Adviser by issuing common membership units to the Investment Adviser. The SEC is not obligated to grant an exemptive order to allow this practice and will do so only if it determines that such practice is consistent with stockholder and member interests and does not involve overreaching by the Operating Company's management or board of directors. In addition, Section 16 of the Exchange Act imposes short swing profit liability on directors, officers and 10 percent owners of securities who purchase and sell those securities within a six-month period. In order to avoid potential short-swing profit liability as a result of receiving its incentive fee in common membership units, New Mountain Finance and the Operating Company will also apply for an exemptive order to treat the receipt of such common membership units and any common stock received upon exchange of such common membership units as an exempt purchase under Section 16 of the Exchange Act. The SEC is not obligated to grant such an order and there can be no assurance they will do so. If both forms of exemptive relief are not granted, the Operating Company will pay the entire incentive fee in cash, which would reduce the amount of cash available for the Operating Company to use for additional investments. This could, in turn, require the Operating Company to forego otherwise attractive investment opportunities.

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***Our business model in the future may depend to an extent upon our referral relationships with private equity sponsors, and the inability of the investment professionals of the Investment Adviser to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business strategy.***

If the investment professionals of the Investment Adviser fail to maintain existing relationships or develop new relationships with other sponsors or sources of investment opportunities, the Operating Company will not be able to grow our investment portfolio. In addition, individuals with whom the investment professionals of the Investment Adviser have relationships are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that any relationships they currently or may in the future have will generate investment opportunities for us.

***We may experience fluctuations in our annual and quarterly results due to the nature of our business.***

We could experience fluctuations in our annual and quarterly operating results due to a number of factors, some of which are beyond our control, including the ability or inability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities acquired and the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in the markets in which we operate and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

***The Operating Company's board of directors may change our investment objective, operating policies and strategies without prior notice or member approval, the effects of which may be adverse to your interest as a stockholder.***

The Operating Company's board of directors has the authority, except as otherwise provided in the 1940 Act, to modify or waive certain of our operating policies and strategies without prior notice and without member approval. As a result, the Operating Company's board of directors will be able to change our investment policies and objectives without any input from New Mountain Finance and its stockholders. However, absent member approval, voting on a pass through basis, the Operating Company may not change the nature of its business so as to cease to be, or withdraw its election as, a business development company. Under Delaware law and the LLC Agreement, the Operating Company also cannot be dissolved without prior member approval, voting on a pass through basis. Following the completion of this offering, the stockholders of New Mountain Finance will collectively own through their investment in New Mountain Finance approximately 36.4% of the common membership units of the Operating Company, assuming no exercise of the underwriters' option to purchase additional shares. As a result, the stockholders of New Mountain Finance, collectively, may not be able to influence the outcome of matters requiring a vote, on a pass through basis, of the members of the Operating Company, and your ability to terminate the Investment Management Agreement may be limited. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and the market price of New Mountain Finance's common stock. Nevertheless, any such changes could adversely affect our business and impair the Operating Company's ability to make distributions to its members, and, consequently, New Mountain Finance's ability to make distributions to its stockholders.

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***New Mountain Finance will be subject to corporate-level federal income tax on all of its income if it is unable to qualify as a RIC under Subchapter M of the Code, which would have a material adverse effect on its financial performance.***

Although New Mountain Finance intends to elect to be treated, and intends to qualify annually, as a RIC under Subchapter M of the Code, commencing with its taxable year ending December 31, 2011, no assurance can be given that New Mountain Finance will be able to qualify for and maintain RIC status. To obtain and maintain RIC status and be relieved of federal income taxes on income and gains distributed to its stockholders, New Mountain Finance must meet the annual distribution, source-of-income and asset diversification requirements described below. However, New Mountain Finance will have no assets, other than its direct ownership of common membership units of the Operating Company, and no source of cash flow, other than distributions from the Operating Company, and New Mountain Finance will not be permitted to conduct any business or ventures, other than in connection with the acquisition, ownership or disposition of common membership units of the Operating Company and its operation as a public reporting company. Accordingly, New Mountain Finance will look to the assets and income of the Operating Company, and will rely on the distributions made by the Operating Company to its members, for purposes of satisfying these requirements.

The annual distribution requirement for a RIC will be satisfied if New Mountain Finance distributes to its stockholders on an annual basis at least 90% of its net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Because the Operating Company and SLF intend to use debt financing, the Operating Company is expected to be subject to an asset coverage ratio requirement under the 1940 Act, and the Operating Company and SLF are expected to be subject to certain financial covenants contained in the Credit Facility, the SLF Credit Facility and other debt financing agreements (as applicable). This asset coverage ratio requirement and these financial covenants could, under certain circumstances, restrict SLF from making distributions to the Operating Company, and/or restrict the Operating Company from making distributions to its members, which distributions are necessary for New Mountain Finance to satisfy the distribution requirement. If the Operating Company is unable to obtain cash from other sources, and thus is unable to make sufficient distributions to its members, New Mountain Finance could fail to qualify for RIC tax treatment and thus become subject to corporate-level federal income tax (and any applicable state and local taxes).

The source-of-income requirement will be satisfied if at least 90% of New Mountain Finance's allocable share of the Operating Company's gross income for each year is derived from dividends, interest, gains from the sale of stock or securities or similar sources.

The asset diversification requirement will be satisfied if New Mountain Finance meets certain asset diversification requirements at the end of each quarter of its taxable year. To satisfy this requirement, at least 50% of the value of New Mountain Finance's assets must consist of cash, cash equivalents, U.S. government securities, securities of other RICs, and other acceptable securities; and no more than 25% of the value of New Mountain Finance's assets can be invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by it and that are engaged in the same or similar or related trades or businesses or of certain "qualified publicly traded partnerships". Failure to meet these requirements may result in the Operating Company having to dispose of certain investments quickly in order to prevent the loss of New Mountain Finance's RIC status. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses. Although there is no authority directly applicable to New Mountain Finance and thus

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the matter is not free from doubt, it is expected that New Mountain Finance will be treated as if it directly invested in its pro rata share of the Operating Company's assets for purposes of satisfying the asset diversification requirement. However, there can be no assurance that the IRS will not successfully assert that New Mountain Finance does not meet the asset diversification requirement because it is unable to look to the Operating Company's assets for purpose of that requirement. In that case, New Mountain Finance would fail to qualify as a RIC and thus become subject to corporate-level federal income tax (and any applicable state and local taxes).

If New Mountain Finance fails to qualify for or maintain its RIC status for any reason, and New Mountain Finance does not qualify for certain relief provisions under the Code, New Mountain Finance would be subject to corporate-level federal income tax (and any applicable state and local taxes). In this event, the resulting taxes could substantially reduce New Mountain Finance's net assets, the amount of income available for distribution and the amount of its distributions, which would have a material adverse effect on its financial performance. For additional discussion regarding the tax implications of a RIC, see "Material Federal Income Tax Considerations Taxation of New Mountain Finance as a RIC" and "Material Federal Income Tax Considerations Failure of New Mountain Finance to Qualify as a RIC".

***You may have current tax liabilities on distributions you reinvest in common stock of New Mountain Finance.***

Under the dividend reinvestment plan, if you own shares of common stock of New Mountain Finance registered in your own name, you will have all cash distributions automatically reinvested in additional shares of common stock of New Mountain Finance unless you opt out of the dividend reinvestment plan by delivering notice by phone, internet or in writing to the plan administrator at least three days prior to the payment date of the next dividend or distribution. If you have not "opted out" of the dividend reinvestment plan, you will be deemed to have received, and for federal income tax purposes will be taxed on, the amount reinvested in common stock of New Mountain Finance to the extent the amount reinvested was not a tax-free return of capital. As a result, you may have to use funds from other sources to pay your federal income tax liability on the value of the common stock received. See "Dividend Reinvestment Plan".

***New Mountain Finance may not be able to pay you distributions on its common stock, its distributions to you may not grow over time and a portion of its distributions to you may be a return of capital for federal income tax purposes.***

New Mountain Finance intends to pay quarterly distributions to its stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow New Mountain Finance to make a specified level of cash distributions or year-to-year increases in cash distributions. If the Operating Company is unable to satisfy the asset coverage test applicable to it as a business development company, or if it violates certain covenants under the Credit Facility, the Operating Company's ability to pay distributions to its members could be limited, thereby limiting New Mountain Finance Corporation's ability to pay distributions to its stockholders. All distributions will be paid at the discretion of the Operating Company's board of directors and will depend on its earnings, financial condition, maintenance of New Mountain Finance's RIC status, compliance with applicable business development company regulations, compliance with covenants under the Credit Facility, and such other factors as the Operating Company's board of directors may deem relevant from time to time. The distributions New Mountain Finance pays to its stockholders in a year may exceed its taxable income for that year and, accordingly, a portion of such distributions may constitute a return of capital for federal income tax purposes.

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In addition, because New Mountain Finance will be a holding company, New Mountain Finance will only be able to pay distributions on its common stock from distributions received from the Operating Company. The Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC. However, there can be no assurances that the Operating Company will make distributions to its members in the future. Accordingly, New Mountain Finance cannot assure you that it will pay distributions to you in the future.

***New Mountain Finance may have difficulty paying its required distributions if the Operating Company recognizes taxable income before or without receiving cash representing such income.***

For federal income tax purposes, New Mountain Finance will include in its taxable income its allocable share of certain amounts that the Operating Company has not yet received in cash, such as original issue discount or accruals on a contingent payment debt instrument, which may occur if the Operating Company receives warrants in connection with the origination of a loan or possibly in other circumstances or contracted PIK interest, which generally represents contractual interest added to the loan balance and due at the end of the loan term. New Mountain Finance's allocable share of such original issue discount and PIK interest will be included in New Mountain Finance's taxable income before the Operating Company receives any corresponding cash payments. New Mountain Finance also may be required to include in its taxable income its allocable share of certain other amounts that the Operating Company will not receive in cash.

Because in certain cases the Operating Company may recognize taxable income before or without receiving cash representing such income, the Operating Company may have difficulty making distributions to the Operating Company's members that will be sufficient to enable New Mountain Finance to meet the annual distribution requirement necessary for New Mountain Finance to qualify as a RIC. Accordingly, the Operating Company may need to sell some of its assets at times and/or at prices that it would not consider advantageous, New Mountain Finance or the Operating Company may need to raise additional equity or debt capital, or the Operating Company may need to forego new investment opportunities or otherwise take actions that are disadvantageous to its business (or be unable to take actions that are advantageous to its business) to enable the Operating Company to make distributions to its members that will be sufficient to enable New Mountain Finance to meet the annual distribution requirement. If New Mountain Finance or the Operating Company is unable to obtain cash from other sources to enable New Mountain Finance to meet the annual distribution requirement, New Mountain Finance may fail to qualify for the federal income tax benefits allowable to RICs and, thus, become subject to a corporate-level federal income tax (and any applicable state and local taxes). For additional discussion regarding the tax implications of a RIC, see "Material Federal Income Tax Considerations – Taxation of New Mountain Finance as a RIC" and "Material Federal Income Tax Considerations – Failure of New Mountain Finance to Qualify as a RIC".

***Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.***

Changes in the laws or regulations or the interpretations of the laws and regulations that govern business development companies, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. New Mountain Finance, the Operating Company and our portfolio companies are subject to federal, state and local laws and regulations. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, any of which could materially adversely affect our business, including with respect to the types of investments we are permitted to make, and your interest as a stockholder potentially with

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retroactive effect. In addition, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities. These changes could result in material changes to the strategies and plans set forth in this prospectus and may result in our investment focus shifting from the areas of expertise of the Investment Adviser to other types of investments in which the Investment Adviser may have less expertise or little or no experience. Any such changes, if they occur, could have a material adverse effect on our business, results of operations and financial condition and, consequently, the value of your investment in us.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank, became law. The scope of Dodd-Frank impacts many aspects of the financial services industry, and it requires the development and adoption of many implementing regulations over the next several months and years. The effects of Dodd-Frank on the financial services industry will depend upon the timing and substance of regulations adopted by the various regulatory authorities to implement Dodd-Frank.

***New Mountain Finance will incur significant costs as a result of being a publicly traded company.***

As a publicly traded company, New Mountain Finance will incur legal, accounting and other expenses, which will be paid by the Operating Company, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, or the "Sarbanes-Oxley Act", and other rules implemented by the SEC. We intend to seek exemptive relief from the SEC granting an exemption for the Operating Company from the reporting requirements under Section 13(a) of the Exchange Act. Until such exemptive relief is obtained, the Operating Company will also incur costs associated with its separate periodic reporting requirements under the Exchange Act. There can be no assurances that this exemptive relief will be obtained. You will bear the Operating Company's expenses, as well as New Mountain Finance's expenses, indirectly through New Mountain Finance's investment in the Operating Company.

***Efforts to comply with Section 404 of the Sarbanes-Oxley Act will involve significant expenditures, and non-compliance with Section 404 of the Sarbanes-Oxley Act may adversely affect New Mountain Finance and the market price of New Mountain Finance's common stock.***

Upon completion of this offering, New Mountain Finance and the Operating Company will be subject to the Sarbanes-Oxley Act, and the related rules and regulations promulgated by the SEC. Under current SEC rules, beginning with New Mountain Finance's fiscal year ending December 31, 2012, New Mountain Finance's and the Operating Company's management will be required to report on their internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, and rules and regulations of the SEC thereunder. New Mountain Finance and the Operating Company will be required to review on an annual basis their respective internal control over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in our respective internal control over financial reporting. As a result, New Mountain Finance and the Operating Company expect to incur significant additional expenses in the near term, which may negatively impact the Operating Company's financial performance and the Operating Company's ability to make distributions to its members and, consequently, New Mountain Finance's ability to make distributions to its stockholders. This process also will result in a diversion of management's time and attention. We cannot be certain as to the timing of completion of any evaluation, testing and remediation actions or the impact of the same on our operations and neither New Mountain Finance nor the Operating Company may be able to ensure that the process is effective or that New Mountain Finance's or the Operating Company's internal control over financial reporting is or

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will be effective in a timely manner. In the event that New Mountain Finance and the Operating Company are unable to maintain or achieve compliance with Section 404 of the Sarbanes-Oxley Act and related rules, the Operating Company and, consequently, the market price of New Mountain Finance's common stock may be adversely affected.

***Our business is highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of New Mountain Finance's common stock and its ability to pay dividends.***

Our business is highly dependent on the communications and information systems of the Investment Adviser and its affiliates. Any failure or interruption of such systems could cause delays or other problems in our activities. This, in turn, could have a material adverse effect on our operating results and, consequently, negatively affect the market price of New Mountain Finance's common stock and its ability to pay dividends to its stockholders. In addition, because many of our portfolio companies operate and rely on network infrastructure and enterprise applications and internal technology systems for development, marketing, operational, support and other business activities, a disruption or failure of any or all of these systems in the event of a major telecommunications failure, cyber-attack, fire, earthquake, severe weather conditions or other catastrophic event could cause system interruptions, delays in product development and loss of critical data and could otherwise disrupt their business operations.

### **Risks Relating to Our Investments**

***Our investments in portfolio companies may be risky, and we could lose all or part of our investment.***

Investing in middle-market businesses involves a number of significant risks. Among other things, these companies:

may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investment, as well as a corresponding decrease in the value of any equity components of our investments;

may have shorter operating histories, narrower product lines, smaller market shares and/or more significant customer concentrations than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;

are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;

generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence;

may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and

generally have less publicly available information about their businesses, operations and financial condition.

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In addition, in the course of providing significant managerial assistance to certain of our portfolio companies, certain of the Operating Company's officers and directors may serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, the Operating Company's officers and directors may be named as defendants in such litigation, which could result in an expenditure of funds (through the Operating Company's indemnification of such officers and directors) and the diversion of management time and resources.

***Our investment strategy, which is focused primarily on privately held companies, presents certain challenges, including the lack of available information about these companies.***

The Operating Company invests primarily in privately held companies. There is generally little public information about these companies, and, as a result, the Operating Company must rely on the ability of the Investment Adviser to obtain adequate information to evaluate the potential returns from, and risks related to, investing in these companies. If the Operating Company is unable to uncover all material information about these companies, it may not make a fully informed investment decision, and it may lose money on our investments. Also, privately held companies frequently have less diverse product lines and smaller market presence than larger competitors. They are, thus, generally more vulnerable to economic downturns and may experience substantial variations in operating results. These factors could adversely affect our investment returns.

***If the Operating Company makes unsecured investments, those investments might not generate sufficient cash flow to service their debt obligations to the Operating Company.***

The Operating Company may make unsecured investments. Unsecured investments may be subordinated to other obligations of the obligor. Unsecured investments often reflect a greater possibility that adverse changes in the financial condition of the obligor or general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. If the Operating Company makes an unsecured investment in a portfolio company, that portfolio company may be highly leveraged, and its relatively high debt-to-equity ratio may increase the risk that its operations might not generate sufficient cash to service its debt obligations.

***If the Operating Company invests in the securities and obligations of distressed and bankrupt issuers, it might not receive interest or other payments.***

From time to time, the Operating Company may invest in other types of investments which are not our primary focus, including investments in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer of those obligations might not make any interest or other payments.

***The lack of liquidity in our investments may adversely affect our business.***

The Operating Company invests, and will continue to invest, in companies whose securities are not publicly traded and whose securities will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for the Operating Company to sell these investments when desired. In addition, if the Operating Company is required or otherwise chooses to liquidate all or a portion of our portfolio quickly, it may realize significantly less than the value at which it had previously recorded these investments. Our investments are usually subject to contractual or legal restrictions on resale

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or are otherwise illiquid because there is usually no established trading market for such investments. Because most of our investments are illiquid, the Operating Company may be unable to dispose of them in which case New Mountain Finance could fail to qualify as a RIC and/or business development company, or the Operating Company may be unable to do so at a favorable price, and, as a result, the Operating Company and New Mountain Finance may suffer losses.

***Price declines and illiquidity in the corporate debt markets may adversely affect the fair value of our portfolio investments, reducing the Operating Company's net asset value through increased net unrealized depreciation.***

As a business development company, the Operating Company is required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by its board of directors. Because New Mountain Finance will be a holding company with no direct operations of its own, and its only business and sole asset will be its ownership of common membership units of the Operating Company, New Mountain Finance's net asset value will be based on the Operating Company's valuation of our investments and its percentage interest in the Operating Company. As part of the valuation process, the Operating Company may take into account the following types of factors, if relevant, in determining the fair value of our investments:

a comparison of the portfolio company's securities to publicly traded securities;

the enterprise value of a portfolio company;

the nature and realizable value of any collateral;

the portfolio company's ability to make payments and its earnings and discounted cash flow;

the markets in which the portfolio company does business; and

changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors.

When an external event such as a purchase transaction, public offering or subsequent sale occurs, the Operating Company will use the pricing indicated by the external event to corroborate its valuation. The Operating Company will record decreases in the market values or fair values of our investments as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets may result in significant net unrealized depreciation in our portfolio. The effect of all of these factors on our portfolio may reduce the Operating Company's net asset value, and, indirectly, New Mountain Finance's net asset value based on its percentage interest in the Operating Company, by increasing net unrealized depreciation in our portfolio. Depending on market conditions, the Operating Company could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse effect on its business, financial condition, results of operations and cash flows.

***If the Operating Company is unable to make follow-on investments in our portfolio companies, the value of our investment portfolio could be adversely affected.***

Following an initial investment in a portfolio company, the Operating Company may make additional investments in that portfolio company as "follow-on" investments, in order to (i) increase or maintain in whole or in part its equity ownership percentage, (ii) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing or (iii) attempt to preserve or enhance the value of our investment. The Operating Company may elect not to make follow-on investments or may otherwise lack sufficient funds to make these investments. The Operating Company will have the discretion to make follow-on investments, subject to the availability of capital resources. If the Operating Company fails to make follow-on investments, the



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continued viability of a portfolio company and our investment may, in some circumstances, be jeopardized and we could miss an opportunity for the Operating Company to increase its participation in a successful operation. Even if the Operating Company has sufficient capital to make a desired follow-on investment, it may elect not to make a follow-on investment because it may not want to increase its concentration of risk, either because it prefers other opportunities or because it is subject to business development company requirements that would prevent such follow-on investments or such follow-on investments would adversely impact New Mountain Finance's ability to maintain its RIC status.

***Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.***

The Operating Company invests in Target Securities at all levels of the capital structure. Our portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which the Operating Company invests. By their terms, these debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which the Operating Company is entitled to receive payments with respect to the debt instruments in which it invests. In addition, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to the Operating Company's investment in that portfolio company would typically be entitled to receive payment in full before it receives any distribution. After repaying the senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to the Operating Company. In the case of debt ranking equally with debt instruments in which the Operating Company invests, it would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

***The disposition of our investments may result in contingent liabilities.***

Most of our investments will involve private securities. In connection with the disposition of an investment in private securities, the Operating Company may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. The Operating Company may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through the Operating Company's return of certain distributions previously made to it.

***There may be circumstances where our debt investments could be subordinated to claims of other creditors or the Operating Company could be subject to lender liability claims.***

Even though the Operating Company may have structured certain of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which the Operating Company actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt investment and subordinate all or a portion of the Operating Company's claim to that of other creditors. The Operating Company may also be subject to lender liability claims for actions taken by it with respect to a borrower's business or instances where it exercises control over the borrower. It is possible that the Operating Company could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance.

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***Second priority liens on collateral securing loans that the Operating Company makes to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and the Operating Company.***

Certain loans to portfolio companies will be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before the Operating Company. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then the Operating Company, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company's remaining assets, if any.

The rights the Operating Company may have with respect to the collateral securing the loans it makes to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements entered into with the holders of first priority senior debt. Under an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral, the ability to control the conduct of such proceedings, the approval of amendments to collateral documents; releases of liens on the collateral and waivers of past defaults under collateral documents. The Operating Company may not have the ability to control or direct these actions, even if its rights are adversely affected.

***We generally will not control our portfolio companies.***

We do not, and do not expect to, control most of our portfolio companies, even though the Operating Company may have board representation or board observation rights, and our debt agreements may contain certain restrictive covenants that limit the business and operations of our portfolio companies. As a result, we are subject to the risk that a portfolio company may make business decisions with which we disagree and the management of such company, in which the Operating Company invests as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity of the investments that the Operating Company typically holds in our portfolio companies, it may not be able to dispose of our investments in the event that we disagree with the actions of a portfolio company as readily as we would otherwise like to or at favorable prices which could decrease the value of our investments.

***Economic recessions or downturns could impair our portfolio companies and harm our operating results.***

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our debt investments during these periods. Therefore, the Operating Company's non-performing assets are likely to increase, and the value of our portfolio is likely to

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decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our debt investments and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase the Operating Company's funding costs, limit New Mountain Finance's and the Operating Company's access to the capital markets or result in a decision by lenders not to extend credit to the Operating Company. These events could prevent the Operating Company from increasing investments and harm our operating results.

***Defaults by our portfolio companies may harm our operating results.***

A portfolio company's failure to satisfy financial or operating covenants imposed by the Operating Company or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt or equity securities that the Operating Company holds.

The Operating Company may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company. In addition, lenders in certain cases can be subject to lender liability claims for actions taken by them when they become too involved in the borrower's business or exercise control over a borrower. It is possible that the Operating Company could become subject to a lender's liability claim, including as a result of actions taken if it renders significant managerial assistance to the borrower. Furthermore, if one of our portfolio companies were to file for bankruptcy protection, even though the Operating Company may have structured our investment as senior secured debt, depending on the facts and circumstances, including the extent to which the Operating Company provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of the Operating Company's claim to claims of other creditors.

***Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.***

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, subject to maintenance of New Mountain Finance's RIC status, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

***We may not realize gains from our equity investments.***

When the Operating Company invests in Target Securities, it may acquire warrants or other equity securities of portfolio companies as well. The Operating Company may also invest in equity securities directly. To the extent the Operating Company holds equity investments, it will attempt to dispose of them and realize gains upon its disposition of them. However, the equity interests the Operating Company receives may not appreciate in value and, in fact, may decline in value. As a result, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests.

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*The performance of our portfolio companies may differ from our historical performance as our investment strategy will include primary originations in addition to secondary market purchases.*

Historically, our investment strategy consisted primarily of secondary market purchases in debt securities. We are currently in the process of adjusting our investment strategy to also include primary originations. While loans we originate and loans we purchase in the secondary market face many of the same risks associated with the financing of leveraged companies, we may be exposed to different risks depending on specific business considerations for secondary market purchases or origination of loans. As a result, this strategy may result in different returns from these investments than the types of returns we have historically experienced from secondary market purchases of debt securities.

*We may be subject to additional risks if we invest in foreign securities and/or engage in hedging transactions.*

The 1940 Act generally requires that 70% of our investments be in issuers each of whom is organized under the laws of, and has its principal place of business in, any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands or any other possession of the United States. Our investment strategy does not presently contemplate significant investments in securities of non-U.S. companies. However, we may desire to make such investments in the future, to the extent that such transactions and investments are permitted under the 1940 Act. We expect that these investments would focus on the same types of investments that we make in U.S. middle-market companies and accordingly would be complementary to our overall strategy and enhance the diversity of our holdings. Investing in foreign companies could expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Investments denominated in foreign currencies would be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Operating Company may employ hedging techniques to minimize these risks, but we can offer no assurance that it will, in fact, hedge currency risk, or that if it does, such strategies will be effective.

Engaging in hedging transactions would also, indirectly, entail additional risks to New Mountain Finance stockholders. Although it is not currently anticipated that the Operating Company would engage in hedging transactions as a principal investment strategy, and the Predecessor Entities do not currently engage in such transactions, if the Operating Company determined to engage in hedging transactions it generally would seek to hedge against fluctuations of the relative values of our portfolio positions from changes in market interest rates or currency exchange rates. Hedging against a decline in the values of our portfolio positions would not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of the positions declined. However, such hedging could establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. These hedging transactions could also limit the opportunity for gain if the values of the underlying portfolio positions increased. Moreover, it might not be possible to hedge against an exchange rate or interest rate fluctuation that was so generally anticipated that the Operating Company would not be able to enter into a hedging transaction at an acceptable price. If the Operating Company chooses

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to engage in hedging transactions, there can be no assurances that the Operating Company will achieve the intended benefits of such transactions and, depending on the degree of exposure such transactions could create, such transactions may expose the Operating Company and, indirectly, New Mountain Finance to risk of loss.

While the Operating Company may enter into these types of transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates could result in poorer overall investment performance than if it had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged could vary. Moreover, for a variety of reasons, the Operating Company might not seek to establish a perfect correlation between the hedging instruments and the portfolio holdings being hedged. Any imperfect correlation could prevent the Operating Company from achieving the intended hedge and expose it and New Mountain Finance to risk of loss. In addition, it might not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities would likely fluctuate as a result of factors not related to currency fluctuations.

**Risks Relating to Our Corporate Structure**

*New Mountain Finance will be a holding company with no direct operations of its own, and will depend on distributions from the Operating Company to meet its ongoing obligations.*

New Mountain Finance will be a holding company with no direct operations of its own, and its only business and sole asset will be its direct ownership of common membership units of the Operating Company. As a result, all investment decisions relating to our portfolio will be made by the Investment Adviser under the supervision of the Operating Company's board of directors, which may be different from New Mountain Finance's board of directors. Although the LLC Agreement provides that in accordance with the Investment Company Act and to the extent required thereby, New Mountain Finance will "pass through" its vote on all matters subject to a member vote, including with respect to the election of the Operating Company's directors, New Mountain Finance will not, and you, indirectly, as stockholders of New Mountain Finance will not, have any control over the Operating Company's day-to-day operations and investment decisions.

New Mountain Finance also will not have any independent ability to generate revenue, and its only source of cash flow from operations will be distributions from the Operating Company. Consequently, New Mountain Finance will rely on the Operating Company to cover the expenses of its day-to-day business, including expenses incident to New Mountain Finance's status as a public company. Pursuant to the Administration Agreement, the Operating Company will reimburse the Administrator for New Mountain Finance's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to New Mountain Finance under the Administration Agreement. However, if the Operating Company cannot or does not make the payments required pursuant to the Administration Agreement, New Mountain Finance may be unable to cover these expenses.

In addition, because New Mountain Finance is a holding company, its ability to pay distributions to its stockholders will depend on the prior distribution from the Operating Company of cash in an amount sufficient to pay quarterly distributions and to obtain and maintain its status as a RIC. The distribution of cash flows by the Operating Company to New Mountain Finance will be subject to statutory restrictions under the Delaware Limited Liability Company Act, the 1940 Act and contractual restrictions under the Credit Facility, the SLF Credit Facility or any other debt financing facility that may limit the Operating Company's or SLF's ability to make distributions. In addition, any distributions and payments of fees or costs will be based upon the Operating Company's

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financial performance. Any distributions of cash will be made on a pro rata basis to all of the Operating Company's members, including New Mountain Finance and Guardian AIV, indirectly, through AIV Holdings, in accordance with each holders' respective percentage interest.

***New Mountain or its affiliates may have interests that differ from your interests as stockholders.***

Following the completion of this offering and the concurrent private placement and based on the mid-point of the range set forth on the cover of this prospectus, Guardian AIV will indirectly own, through AIV Holdings, approximately 63.6% of the common membership units of the Operating Company (assuming no exercise of the underwriters' option to purchase additional shares). New Mountain's interests, the interests of the partners in Guardian AIV, the interests of those persons affiliated with New Mountain participating in the concurrent private placement and, to the extent exemptive relief is granted, the interests of the Investment Adviser may differ from, or conflict with, your interests as stockholders. For example, conflicts arising under the Registration Rights Agreement will be resolved as set forth therein. Under the Registration Rights Agreement, AIV Holdings, and, if applicable, the Investment Adviser, and our Chairman and a related entity will have priority over New Mountain Finance or any other New Mountain Finance stockholder when selling any shares of New Mountain Finance common stock pursuant to their exercise of registration rights under that agreement. See "Formation Transactions and Related Agreements Structure-Related Agreements Registration Rights Agreement."

Circumstances may arise in the future when the interests of the Operating Company's members conflict with the interests of New Mountain Finance's stockholders. Following the completion of this offering, the Operating Company's board of directors and the board of directors of New Mountain Finance will be comprised of the same members. However, the Operating Company's board of directors will owe fiduciary duties to its members that could conflict with the fiduciary duties New Mountain Finance's board of directors owes to its stockholders.

In addition, if Guardian AIV owns any common membership units, directly or indirectly, the Operating Company will generally be prohibited from making tax elections or taking positions on tax issues that it knows or would reasonably be expected to know would harm AIV Holdings, Guardian AIV or its partners than if such election or position had not been made or taken. See "Formation Transactions and Related Agreements Structure-Related Agreements The Operating Company Agreement".

***Any future exchange by AIV Holdings of common membership units of the Operating Company for shares of New Mountain Finance's common stock would significantly dilute your voting power with respect to the election of New Mountain Finance directors or other matters that require the approval of New Mountain Finance stockholders only. In addition, the interests of the partners of Guardian AIV following such exchange by AIV Holdings may be adverse to your interests as stockholders and could limit your ability to influence the outcome of key transactions, including any change of control.***

Pursuant to the terms of the LLC Agreement, AIV Holdings will have the right to exchange its common membership units for shares of New Mountain Finance's common stock on a one-for-one basis. Following the completion of transactions described in this prospectus, Guardian AIV will indirectly own through AIV Holdings approximately 63.6% of the common membership units of the Operating Company, or approximately 61.2% of the common membership units of the Operating Company if the underwriters exercise their option to purchase additional shares in full. If AIV Holdings exercised its exchange rights with respect to a significant number of common membership units, the voting power of New Mountain Finance's stockholders would be significantly diluted. As a result, Guardian AIV, indirectly through AIV Holdings, would retain significant influence

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over decisions that require the approval of New Mountain Finance's stockholders exclusively (such as the election of its directors and the approval of mergers or other significant corporate transactions) regardless of whether or not New Mountain Finance's other stockholders believe that such decisions are in New Mountain Finance's own best interests. If, following this offering, AIV Holdings exercised its exchange rights in full, Guardian AIV, indirectly through AIV Holdings would own approximately 63.6% of all outstanding shares of New Mountain Finance's common stock, or approximately 61.2%, if the underwriters exercised their option to purchase additional shares in full. However, these entities would not exercise voting control over their shares of common stock because the right to vote those shares would be passed through to the partners of these entities. These investors, along with those persons affiliated with New Mountain participating in the concurrent private placement, may have interests that differ from your interests, and they may vote in a way with which you disagree and that may be adverse to your interests as stockholders. The concentration of ownership of New Mountain Finance's common stock following the exercise of AIV Holdings' exchange right may also have the effect of delaying, preventing or deterring a change of control of New Mountain Finance, could deprive New Mountain Finance's stockholders of an opportunity to receive a premium for their common stock as part of a sale of New Mountain Finance and may adversely affect the market price of New Mountain Finance's common stock.

**Risks Relating to this Offering and Our Common Stock**

***The Operating Company may be unable to invest a significant portion of the proceeds of this offering on acceptable terms in the timeframe contemplated by this prospectus.***

New Mountain Finance will use the gross proceeds from this offering and the concurrent private placement to purchase, on a one-for-one basis, common membership units of the Operating Company. The Operating Company will, in turn, use these proceeds, after paying underwriting discounts and commissions and offering expenses, to make new investments in portfolio companies in accordance with our investment objective and strategies described in this prospectus. Delays in the Operating Company investing the net proceeds of this offering may cause our performance to be worse than that of other fully invested business development companies or other lenders or investors pursuing comparable investment strategies. We cannot assure you that the Operating Company will be able to identify any investments that meet our investment objective or that any investment that the Operating Company identifies will produce a positive return. The Operating Company may be unable to invest the net proceeds of this offering on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We anticipate that, depending on market conditions, it may take up to six to twelve months to invest substantially all of the net proceeds of this offering in investments meeting our investment objective. During this period, the Operating Company will invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, repurchase agreements and other high-quality investments maturing in one year or less from the time of investment, which may produce returns that are significantly lower than the returns which it expects to achieve when our portfolio is fully invested in securities meeting our investment objective. In addition, the Operating Company may also use the net proceeds to temporarily repay indebtedness (which amounts will be subject to reborrowing). As a result, any distributions that New Mountain Finance receives from the Operating Company and pays to its stockholders during this period may be substantially lower than the distributions that it may be able to pay when our portfolio is fully invested in securities meeting our investment objective. In addition, until such time as the net proceeds of this offering are invested in securities meeting our investment objective, the market price for New Mountain Finance's common stock may decline. Thus, the initial return on your investment may be lower than when, if ever, our portfolio is fully invested in securities meeting our investment objective.

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***The market price of New Mountain Finance's common stock may fluctuate significantly.***

The market price and liquidity of the market for shares of New Mountain Finance's common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

price and volume fluctuations in the overall stock market or in the market for business development companies from time to time;

investor demand for shares of New Mountain Finance's common stock;

significant volatility in the market price and trading volume of securities of registered closed-end management investment companies, business development companies or other financial services companies, which is not necessarily related to the operating performance of these companies;

the inability to raise equity capital;

The Operating Company's inability to borrow money or deploy or invest our capital;

fluctuations in interest rates;

any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;

operating performance of companies comparable to us;

changes in regulatory policies or tax guidelines with respect to RICs or business development companies;

New Mountain Finance's or the Operating Company's loss of status as or ability to operate as a business development company;

New Mountain Finance's failure to qualify as a RIC, loss of RIC status or ability operate as a RIC;

actual or anticipated changes in the Operating Company's earnings or fluctuations in its operating results;

changes in the value of our portfolio of investments;

general economic conditions, trends and other external factors;

departures of key personnel; or

loss of a major source of funding.

***Investing in New Mountain Finance's common stock may involve an above average degree of risk.***

The investments the Operating Company may make may result in a higher amount of risk, volatility or loss of principal than alternative investment options. These investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in New Mountain Finance's common stock may not be suitable for investors with lower risk tolerance.

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***Prior to this offering, there has been no public market for New Mountain Finance's common stock, and we cannot assure you that the market price of New Mountain Finance's common stock will not decline following the offering.***

Prior to this offering, there has been no public market for New Mountain Finance's common stock, and we cannot assure you that a trading market will develop or be sustained for New Mountain Finance's common stock after this offering. The initial public offering price of New Mountain Finance's common stock will be determined through negotiations among New Mountain Finance and the underwriters and may not bear any relationship to the market price at which it will trade after this offering. Shares of closed-end management investment companies offered in an initial public offering often trade at a discount to the initial offering price due to sales loads, underwriting discounts and related offering expenses. In addition, shares of closed-end management investment companies have in the past frequently traded at discounts to their net asset values and New Mountain Finance's stock may also be discounted in the market. This characteristic of closed-end management investment companies is separate and distinct from the risk that New Mountain Finance's net asset value per share may decline. We cannot predict whether shares of New Mountain Finance's common stock will trade above, at or below its net asset value per share. The risk of loss associated with this characteristic of closed-end management investment companies may be greater for investors expecting to sell shares of New Mountain Finance's common stock purchased in this offering soon after the offering. In addition, if New Mountain Finance's common stock trades below its net asset value per share, New Mountain Finance will generally not be able to sell additional shares of its common stock to the public at its market price without first obtaining the approval of its stockholders (including its unaffiliated stockholders) and its independent directors for such issuance. Initially, the market for New Mountain Finance's common stock will be extremely limited. Following this offering, sales of substantial amounts of New Mountain Finance's common stock or the availability of such shares for sale, could adversely affect the prevailing market prices for its common stock.

***We have not identified specific investments in which the Operating Company will invest the proceeds of this offering.***

As of the date of this prospectus, there are no definitive agreements for any specific investments in which the Operating Company will invest the net proceeds of this offering after such proceeds are contributed by New Mountain Finance in exchange for common membership units of the Operating Company. Although we are and will continue to evaluate and seek new investment opportunities, you will not be able to evaluate prior to your purchase of common stock in this offering the manner in which the Operating Company will invest the net proceeds of this offering, or the economic merits of any new investment.

***Investors in this offering may incur immediate dilution.***

Upon completion of the formation transactions, New Mountain Finance's net asset value as of December 31, 2010 would have been approximately \$241.9 million, or \$14.60 per share, assuming the exchange of all of the then outstanding common membership units of the Operating Company into a corresponding number of shares of New Mountain Finance's common stock. After giving effect to (i) the completion of the formation transactions, (ii) the concurrent private placement, (iii) the sale of 8,285,172 shares of New Mountain Finance's common stock in this offering at an assumed initial public offering price of \$14.50 per share (the mid-point of the range set forth on the cover of this prospectus), after deducting underwriting discounts and commissions and estimated offering expenses payable by the Operating Company, (iv) the temporary repayment of indebtedness under the Credit Facility and (v) the assumption that all of AIV Holdings' common membership units of the Operating Company were immediately exchanged for the corresponding

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number of shares of New Mountain Finance's common stock, New Mountain Finance's as adjusted net asset value as of December 31, 2010 would have been approximately \$378.2 million, or \$14.05 per share, on a fully diluted basis. This represents an immediate decrease in New Mountain Finance's as adjusted net asset value of \$0.55 per share to AIV Holdings and New Mountain Guardian Partners, L.P., and an immediate dilution of \$0.45 per share on a fully diluted basis to the investors who purchase New Mountain Finance's common stock in this offering assuming an initial public offering price of \$14.50 per share (the mid-point of the range set forth on the cover of this prospectus). The foregoing assumes no exercise of the underwriters' option to purchase additional shares. If the underwriters' option to purchase additional shares is exercised in full, the as adjusted net asset value per share of New Mountain Finance's common stock after this offering would be \$14.03 and the dilution per share to investors in this offering would be \$0.47, in each case on a fully diluted basis. In addition, using the adjusted unaudited net asset value as of March 31, 2011 of \$14.60 per share (which includes contributions received from our investors in the Predecessor Entities after March 31, 2011), an offering price per share of \$14.50 (the mid-point of the range set forth on the cover of this prospectus) and the same assumptions discussed above, New Mountain Finance's net asset value on an adjusted and fully diluted basis is \$14.14 per share, resulting in dilution to investors in this offering of \$0.36 per share. See "Dilution".

***Sales of substantial amounts of New Mountain Finance's common stock in the public market may have an adverse effect on the market price of its common stock.***

Sales of substantial amounts of New Mountain Finance's common stock, including by itself directly, AIV Holdings, if it exercises its right to exchange its common membership units of the Operating Company for shares of New Mountain Finance's common stock on a one-for-one basis, or New Mountain Guardian Partners, L.P. or its transferees or the perception that such sales could occur, could materially adversely affect the prevailing market prices for New Mountain Finance's common stock. AIV Holdings currently intends to sell its interest in our business as soon as practicable from time to time, depending on market conditions and any applicable contractual or legal restrictions. In connection with this offering, AIV Holdings entered into a lock-up agreement that prevents the exchange of its common membership units of the Operating Company, for up to 180 days after the date of this prospectus, subject to carve outs and an extension in certain circumstances as set forth in "Underwriting". Following the expiration of the lock-up, or earlier upon the consent of Goldman, Sachs & Co., Wells Fargo Securities, LLC and Morgan Stanley & Co. Incorporated, AIV Holdings, and the Investment Adviser, if applicable with respect to any common membership units received as payment of the incentive fee, will have the right, subject to certain conditions, to require New Mountain Finance to register under the federal securities laws the sale of any shares of New Mountain Finance's common stock held by them or that may be issued to and held by them upon exercise by AIV Holdings of the exchange right.

In addition, New Mountain Finance has granted AIV Holdings, our Chairman, an entity related to our Chairman and the Investment Adviser, if applicable with respect to any common membership units received as payment of the incentive fee, and their permitted transferees certain "piggyback" registration rights which will allow them to include their shares in any future registrations of New Mountain Finance equity securities, whether or not that registration relates to a primary offering by us or a secondary offering by or on behalf of any of New Mountain Finance's stockholders or AIV Holdings. In particular, these parties will have priority over New Mountain Finance and any other of its stockholders in any registration that is an underwritten offering. See "Formation Transactions and Related Agreements Structure Related Agreements Registration Rights Agreement". Any such filing or the perception that such a filing may occur, could cause the prevailing market price of New Mountain Finance's common stock to decline and may impact New Mountain Finance's ability to sell equity to finance our operations. If substantial amounts of New Mountain Finance's common

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stock were sold, this could impair its ability to raise additional capital through the sale of securities should New Mountain Finance desire to do so.

***Certain provisions of New Mountain Finance's certificate of incorporation and bylaws, the Delaware General Corporation Law as well as other aspects of our structure, including Guardian AIV's substantial interest in the Operating Company, could deter takeover attempts and have an adverse impact on the price of New Mountain Finance's common stock.***

New Mountain Finance's certificate of incorporation and bylaws as well as the Delaware General Corporation Law contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. Among other things, New Mountain Finance's certificate of incorporation and bylaws:

provide for a classified board of directors, which may delay the ability of New Mountain Finance's stockholders to change the membership of a majority of its board of directors;

authorize the issuance of "blank check" preferred stock that could be issued by New Mountain Finance's board of directors to thwart a takeover attempt;

do not provide for cumulative voting;

provide that vacancies on the board of directors, including newly created directorships, may be filled only by a majority vote of directors then in office;

provide that New Mountain Finance's directors may be removed only for cause;

require supermajority voting to effect certain amendments to New Mountain Finance's certificate of incorporation and bylaws; and

require stockholders to provide advance notice of new business proposals and director nominations under specific procedures.

These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of New Mountain Finance's common stock the opportunity to realize a premium over the market price for its common stock. The Credit Facility also includes covenants that, among other things, restrict its ability to dispose of assets, incur additional indebtedness, make restricted payments, create liens on assets, make investments, make acquisitions and engage in mergers or consolidations. The credit facility also includes change of control provisions that accelerate the indebtedness under the facility in the event of certain change of control events. In addition, certain aspects of our structure, including Guardian AIV's substantial interest in the Operating Company may have the effect of discouraging a third party from making an acquisition proposal for New Mountain Finance.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "potential", "should", "will", "would" or similar words. You should read statements that contain these words carefully because they discuss our plans, strategies, prospects and expectations concerning our business, operating results, financial condition and other similar matters. We believe that it is important to communicate our future expectations to our investors. Our forward-looking statements include, but are not limited to, information in this prospectus regarding general domestic and global economic conditions, our structure, the Operating Company's future financing plans, New Mountain Finance's and the Operating Company's ability to operate as business development companies, the impact of our obtaining or not obtaining the various exemptive relief we are seeking from the SEC, and the expected performance of, and the yield on, our portfolio companies. In particular, there are forward-looking statements under "Prospectus Summary - The Company", "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". There may be events in the future, however, that we are not able to predict accurately or control. The factors listed under "Risk Factors", as well as any cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Before you invest in New Mountain Finance's common stock, you should be aware that the occurrence of the events described in these risk factors and elsewhere in this prospectus could have a material adverse effect on our business, results of operation and financial position. Any forward-looking statement made by us in this prospectus speaks only as of the date on which we make it. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The following factors are among those that may cause actual results to differ materially from our forward-looking statements:

New Mountain Finance's and the Operating Company's future operating results;

the impact of a protracted decline in the liquidity of credit markets;

the general economy, including interest and inflation rates, and its impact on the industries in which the Operating Company invests;

New Mountain Finance's and the Operating Company's business prospects and the prospects of our portfolio companies;

the impact of the formation transactions;

changes in New Mountain Finance's and the Operating Company's expenses that we will incur as a stand-alone public company as compared to expectations;

the operating performance of companies comparable to us;

the impact of the investments that we expect the Operating Company to make;

the ability of our portfolio companies to achieve their objectives;

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the Operating Company's ability to make investments consistent with our investment objectives, including with respect to the size, nature and terms of our investments;

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the ability of the Investment Adviser to locate suitable investments for the Operating Company and to monitor and administer our investments;

the ability of the Investment Adviser or its affiliates to attract and retain highly talented professionals;

the Operating Company's expected financings and investments;

New Mountain Finance's and the Operating Company's regulatory structure and tax status;

New Mountain Finance's and the Operating Company's loss of status or ability to operate as business development companies;

New Mountain Finance's failure to qualify as a RIC, loss of RIC status or ability to operate as a RIC;

the adequacy of the Operating Company's cash resources and working capital and its anticipated use of proceeds;

the timing of cash flows, if any, from the operations of our portfolio companies;

the impact of interest rate volatility on our results, particularly to the extent the Operating Company uses leverage as part of our investment strategy;

actual and potential conflicts of interest with the Investment Adviser and other affiliates of New Mountain;

the impact of New Mountain Finance's ownership of a minority of the outstanding common membership units of the Operating Company, New Mountain Finance's only asset;

the timing, form and amount of any dividend distributions to New Mountain Finance's stockholders and distributions from the Operating Company;

New Mountain Finance's and the Operating Company's contractual arrangements and relationships with third parties;

the impact of future changes in laws or regulations and conditions in our operating areas; and

other factors, including those discussed in "Risk Factors".

The forward-looking statements and projections contained in this prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act.

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**FORMATION TRANSACTIONS AND RELATED AGREEMENTS**

**Our History and Current Structure**

New Mountain Finance was incorporated in Delaware on June 29, 2010. Prior to this offering, it did not engage in any activities, except in preparation for this offering, and it had no operations or assets. New Mountain currently owns the only issued and outstanding share of common stock of New Mountain Finance. The Operating Company was formed as a subsidiary of Guardian AIV by New Mountain in October 2008. Guardian AIV was formed through an allocation of approximately \$300 million of the \$5.1 billion of commitments supporting Fund III, a private equity fund managed by New Mountain, and in February 2009 New Mountain formed a co-investment vehicle, Guardian Partners, comprising \$20.4 million of commitments.

The simplified diagram below depicts our current organizational structure prior to the formation transactions contemplated by this offering:



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**Holding Company Structure**

***General***

Following the completion of this offering and the transactions described in this prospectus, New Mountain Finance will be a holding company with no direct operations of its own, and its only business and sole asset will be its ownership of common membership units of the Operating Company and it will have no material long-term liabilities. New Mountain Finance's only source of cash flow from operations will be distributions from the Operating Company. The Operating Company will be New Mountain Finance's operating entity and will be an externally managed business development company which, prior to the completion of this offering, will own all of the operations of the Predecessor Entities existing immediately prior to the formation transactions, including all of the assets and liabilities related to such operations.

***Formation Transactions***

The following transactions have occurred or will occur in advance of the completion of this offering to effect our holding company structure:

Guardian AIV will cause its indirect, wholly-owned subsidiary, New Mountain Guardian Debt Funding, L.L.C., to merge with and into the Operating Company, Guardian AIV's direct, wholly-owned subsidiary, with the Operating Company as the surviving company.

New Mountain Guardian Partners, L.P. will cause its indirect, wholly-owned subsidiary, New Mountain Guardian Partners Debt Funding, L.L.C., to merge with and into New Mountain Guardian Partners, L.P.'s direct, wholly-owned subsidiary, New Mountain Guardian Partners (Leveraged), L.L.C., with New Mountain Guardian Partners (Leveraged), L.L.C. as the surviving company.

New Mountain Guardian Partners, L.P. will cause New Mountain Guardian Partners (Leveraged), L.L.C. to merge with and into the Operating Company, with the Operating Company as the surviving company. New Mountain Guardian Partners, L.P. will receive a membership interest in the Operating Company as consideration for the transfer of assets in the merger.

Guardian AIV and New Mountain Guardian Partners, L.P. will enter into the LLC Agreement, pursuant to which their respective membership interests in the Operating Company will be reclassified into common membership units.

The Operating Company will cause its then direct, wholly-owned subsidiary, New Mountain Guardian Partners SPV Funding, L.L.C., to merge with and into New Mountain Guardian SPV Funding, L.L.C., the Operating Company's direct, wholly-owned subsidiary, with New Mountain Guardian SPV Funding, L.L.C. as the surviving company. Upon the merger of these two entities, New Mountain Guardian SPV Funding, L.L.C. will be renamed New Mountain Finance SPV Funding, L.L.C.

Guardian AIV will contribute to AIV Holdings, a newly formed Delaware corporation, its common membership units of the Operating Company in exchange for common stock of AIV Holdings.

AIV Holdings will enter into a joinder agreement with respect to the LLC Agreement pursuant to which AIV Holdings will be admitted as a member of the Operating Company.

New Mountain Guardian Partners, L.P. will contribute to New Mountain Finance its common membership units of the Operating Company in exchange for shares of New Mountain Finance's common stock.



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New Mountain Finance will enter into a joinder agreement with respect to the LLC Agreement, pursuant to which New Mountain Finance will be admitted as a member of the Operating Company and will agree to acquire from the Operating Company a number of common membership units of the Operating Company equal to the number of shares of common stock sold by New Mountain Finance in this offering and the concurrent private placement at a purchase price per unit equal to the per share offering price at which New Mountain Finance's common stock is sold pursuant to this offering.

New Mountain Finance, the Operating Company and AIV Holdings will elect to be treated as business development companies under the 1940 Act.

New Mountain Finance and the Operating Company will enter into the Administration Agreement and the Operating Company will enter into the Investment Management Agreement effective on the date New Mountain Finance, the Operating Company and AIV Holdings elect to be treated as business development companies under the 1940 Act.

The Operating Company has calculated its net asset value, the "cutoff NAV", as of March 31, 2011, the "cutoff date". The cutoff NAV was determined and approved by the Operating Company's board of directors and was calculated consistent with its policies for determining net asset value. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments Net Asset Value".

***Consequences of this Offering and the Formation Transactions***

Upon completion of this offering, New Mountain Finance will cancel the initial share of its common stock held by New Mountain for no consideration. After this offering and the concurrent private placement, New Mountain Finance will own approximately 36.4%, and Guardian AIV will indirectly own, through AIV Holdings, approximately 63.6% of the common membership units of the Operating Company, assuming no exercise of the underwriters' option to purchase additional shares. If the underwriters exercise their option to purchase additional shares of New Mountain Finance's common stock, pursuant to the LLC Agreement, immediately thereafter New Mountain Finance will acquire from the Operating Company an equivalent number of additional common membership units in exchange for the gross proceeds New Mountain Finance receives upon exercise of this option.

After completion of this offering, New Mountain Finance's only business and sole asset will be its ownership of common membership units of the Operating Company, and it will have no material long-term liabilities. New Mountain Finance's only source of cash flow from operations will be distributions from the Operating Company.

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The simplified diagram below depicts our summarized organizational structure immediately after the transactions described in this prospectus (assuming no exercise of the underwriters' option to purchase additional shares):

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Following the offering, stockholders of New Mountain Finance common stock will include partners of New Mountain Guardian Partners, L.P.

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These common membership units are exchangeable into shares of New Mountain Finance common stock on a one-for-one basis.

**Structure-Related Agreements**

## Edgar Filing: New Mountain Guardian (Leveraged), L.L.C. - Form N-2/A

In connection with the formation transactions referred to above and this offering, New Mountain Finance and the Operating Company are entering into various agreements governing the relationship among New Mountain Finance, Guardian AIV, New Mountain Guardian Partners, L.P., AIV Holdings and the Operating Company.

These agreements are summarized below, which summaries are qualified in their entirety by reference to the full text of the agreements which are filed as exhibits to the registration statement of which this prospectus is a part.

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For a description of the agreements governing the relationship between the Operating Company and the Investment Adviser and New Mountain Finance's and the Operating Company's relationship with the Administrator, see "Investment Management Agreement" and "Administration Agreement".

***The Operating Company Agreement***

Prior to the completion of this offering, Guardian AIV and New Mountain Guardian Partners, L.P. will enter into the LLC Agreement. Limited liability company interests in the Operating Company may, to the extent permissible under the 1940 Act, be represented by one or more classes of units.

In connection with the contribution by Guardian AIV of its common membership units to AIV Holdings, AIV Holdings will enter into a joinder agreement with respect to the LLC Agreement, pursuant to which AIV Holdings will be admitted as a member of the Operating Company. In addition, in connection with the contribution by New Mountain Guardian Partners, L.P. of its common membership units to New Mountain Finance, New Mountain Finance will enter into a joinder agreement with respect to the LLC Agreement, pursuant to which New Mountain Finance will be admitted as a member of the Operating Company.

***New Mountain Finance and the Operating Company Businesses.*** New Mountain Finance will have no direct operations, and its only business and sole asset will be its ownership of common membership units of the Operating Company. Under the LLC Agreement, New Mountain Finance will not be permitted to conduct any business or ventures other than in connection with:

the acquisition, ownership or disposition of its common membership units of the Operating Company; and

its operation as a public reporting company.

Under the LLC Agreement, the Operating Company may conduct any business that may be lawfully conducted by a limited liability company under the Delaware Limited Liability Company Act, except that the LLC Agreement requires that the Operating Company conduct its operations in such a manner that will (1) permit New Mountain Finance to satisfy the requirements for qualification as a business development company, (2) permit New Mountain Finance to satisfy the requirements for qualification as a RIC for federal income tax purposes and (3) ensure that the Operating Company will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Code except to the extent determined by the board of directors of the Operating Company.

***Board of Directors.*** The Operating Company will be managed by a board of directors. Subject to the Investment Company Act, director nominees will be elected if the votes cast by the Operating Company's members for such nominee's election exceed the votes cast against such nominee's election, unless such nominee has also been nominated for election to the board of directors of New Mountain Finance, in which case such nominee will be elected by a plurality of the Operating Company's members. The Operating Company's initial board of directors will be comprised of the same individuals as the board of directors of New Mountain Finance. Under the LLC Agreement, the Operating Company will be required to endeavor to nominate the same slate of director nominees for election by its members as New Mountain Finance. However, there can be no assurance that the Operating Company's board composition and New Mountain Finance's board composition will remain the same following the completion of this offering. The Operating Company's board of directors will be divided into three classes, with the term of one class expiring at each annual meeting of the members of the Operating Company. 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.

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**Management.** Subject to the overall supervision of the Operating Company's board of directors, the Investment Adviser will manage the Operating Company's day-to-day operations and provide the Operating Company with investment management services pursuant to the Investment Management Agreement. The Operating Company will pay a management fee and incentive fee to the Investment Adviser for its services.

**Tax Matters.** New Mountain Finance will be the Operating Company's tax matters member and, as such, will have the authority to handle any tax audits of the Operating Company. Under the LLC Agreement, New Mountain Finance will generally be prohibited from taking any action in its capacity as tax matters member, which it knows (or would reasonably be expected to know) would (or would reasonably be expected to) have a significant adverse effect on AIV Holdings, Guardian AIV or Guardian AIV's partners. AIV Holdings will also have a consent right over New Mountain Finance's actions as the Operating Company's tax matters member if such action would have a significant adverse effect on AIV Holdings, Guardian AIV or Guardian AIV's partners.

The Operating Company intends to make an election under Section 754 of the Code and to cause such election to remain in effect for every year of the Operating Company during which the Operating Company is treated as a partnership for federal income tax purposes. The Board will have the authority to cause the Operating Company to make all other tax elections, and all decisions and positions taken with respect to the Operating Company's taxable income or tax loss (or items thereof) under the Code or other applicable tax law will be made in such manner as may be reasonably determined by the Operating Company's board of directors. Under the LLC Agreement, the Operating Company's board of directors will generally be prohibited from making tax elections or making any decision or taking any position with respect to allocations of taxable income that the Operating Company's board of directors knows (or would reasonably be expected to know) would (or would reasonably be expected to) adversely affect New Mountain Finance's status as a RIC or have a significant adverse effect on AIV Holdings, Guardian AIV or Guardian AIV's partners and a greater negative impact proportionally on the amount of taxable inclusions incurred by AIV Holdings with respect to income allocated to it by the Operating Company than if such election, decision or position had not been made or taken.

**Exchange Right.** The LLC Agreement will provide for an exchange right for any member other than New Mountain Finance, whereby, upon appropriate notice, any such member will have the right to exchange all or any portion of its common membership units for shares of New Mountain Finance's common stock on a one-for-one basis. This right can be conditionally exercised by any such member, or its transferees, meaning that prior to the receipt of shares of New Mountain Finance's common stock upon exchange, a member can withdraw its request to have its common membership units exchanged for shares of New Mountain Finance's common stock. In addition, if New Mountain Finance and the Operating Company receive exemptive relief to permit the Operating Company to pay 50%, on an after tax basis, of the incentive fee in common membership units of the Operating Company, any such common membership units received by the Investment Adviser will also be exchangeable for shares of New Mountain Finance's common stock to the same extent as set forth in the LLC Agreement.

The LLC Agreement will also provide that, in connection with the occurrence of an event that would result in the dissolution of the Operating Company where prior to or concurrent with the occurrence of such event, New Mountain Finance has adopted a plan relating to the liquidation or dissolution of New Mountain Finance, New Mountain Finance will have the right to acquire all (but not less than all) of the outstanding common membership units of any other member in exchange for shares of New Mountain Finance's common stock on a one-for-one basis.

**Distributions and Allocations of Profits and Losses.** The LLC Agreement will provide that distributions of cash from the Operating Company will be determined by the Operating Company's

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board of directors and will be made pro rata among the members holding common membership units in accordance with their respective percentage interests in the Operating Company. The Operating Company intends to make distributions to the Operating Company's members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC.

Similarly, the LLC Agreement provides that, for tax purposes, subject to compliance with the provisions of Section 704(b) and 704(c) of the Code and the corresponding Treasury regulations, the Operating Company will allocate items of income, gain, loss, deduction and credit to its members, including New Mountain Finance, pro rata in accordance with their respective percentage interests in the Operating Company. New Mountain Finance's allocable share of the Operating Company's losses cannot be passed through to its stockholders but will be taken into account in determining New Mountain Finance's taxable income that is required to be distributed to its stockholders by reason of New Mountain Finance's status as a RIC.

If the Operating Company liquidates, debts and other obligations must be satisfied before the members may receive any distributions. Any distributions to members then will be made to members in accordance with their respective positive capital account balances.

**Capital Contributions.** Upon the completion of this offering, New Mountain Finance will contribute to the Operating Company the gross proceeds of this offering and the concurrent private placement as a capital contribution in exchange for 10,344,827 common membership units, or 11,587,603 common membership units if the underwriters exercise their option to purchase additional shares in full. Following this capital contribution and the formation transactions described above, New Mountain Finance will own approximately 36.4%, and Guardian AIV will indirectly own through AIV Holdings approximately 63.6%, of the common membership units of the Operating Company, assuming no exercise of the underwriters' option to purchase additional shares.

Under the LLC Agreement, New Mountain Finance is also required to contribute the gross proceeds of any subsequent offering of its common stock by New Mountain Finance as additional capital to the Operating Company in exchange for, on a one-to-one basis, additional common membership units of the Operating Company. See " One-to-One Ratio" below. If New Mountain Finance contributes additional capital to the Operating Company, it will receive additional common membership units of the Operating Company and its percentage interest in the Operating Company will be increased on a proportionate basis based upon the amount of such additional capital contributions. Conversely, the percentage interests of other members will be decreased on a proportionate basis in the event of additional capital contributions by New Mountain Finance. In addition, if New Mountain Finance contributes additional capital to the Operating Company, the Operating Company can revalue its property to its fair market value (as determined by its board of directors) and the capital accounts of the members will be adjusted to reflect the manner in which the unrealized gain or loss inherent in such property (that has not been reflected in the capital accounts previously) would be allocated among the members under the terms of the LLC Agreement if there were a taxable disposition of such property for its fair market value (as determined by its board of directors) on the date of revaluation. Under the LLC Agreement, New Mountain Finance is also required to contribute to the Operating Company any reinvested distributions received by it pursuant to its dividend reinvestment plan. In addition, if New Mountain Finance uses newly issued shares to implement the plan, it will receive, on a one-for-one basis, additional common membership units of the Operating Company in exchange for such reinvested distributions.

**One-to-One Ratio.** The LLC Agreement contains various provisions requiring that New Mountain Finance and the Operating Company take certain actions in order to maintain, at all times, a one-to-one ratio between the number of common membership units held by New Mountain

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Finance and the number of shares of New Mountain Finance's common stock outstanding. This one-to-one ratio must also be maintained in the event that New Mountain Finance issues additional shares of its common stock. Accordingly, every time New Mountain Finance issues shares of its common stock, other than in connection with the exercise of the exchange right described above by AIV Holdings, the Investment Adviser, if applicable with respect to any common membership units received as payment of the incentive fee, or any other entity or individual that may become a member (other than New Mountain Finance), the Operating Company will be required to issue additional common membership units to New Mountain Finance. In addition, in order for New Mountain Finance to pay a dividend or other distribution to holders of its common stock, it must be accompanied by a prior distribution by the Operating Company to all of its members.

If New Mountain Finance redeems, repurchases, acquires, exchanges, cancels or terminates any shares of its common stock, this action must be accompanied by an immediately prior identical (including with respect to the appropriate consideration paid for such action) redemption, repurchase, acquisition, exchange, cancellation or termination of the common membership units of the Operating Company held by New Mountain Finance. If New Mountain Finance splits its common stock, this action must be accompanied by an immediately prior identical split of common membership units of the Operating Company. In addition, in general, upon any consolidation or merger or combination to which New Mountain Finance is a party or any sale or disposition of all or substantially all of its assets to a third party, New Mountain Finance is required to take all necessary action so that the common membership units held by AIV Holdings, the Investment Adviser, if applicable with respect to any common membership units received as payment of the incentive fee, and any other entity or individual that may become a member (other than New Mountain Finance) will be exchangeable on a per-common membership unit basis at any time or from time to time following such event into the kind and amount of shares of stock and/or other securities or property (including cash) receivable upon such event by holders of New Mountain Finance's common stock.

The LLC Agreement also provides that, in connection with any reclassification or recapitalization or any other distribution or dilutive or concentrative event by New Mountain Finance, if AIV Holdings, the Investment Adviser, if applicable with respect to any common membership units received as payment of the incentive fee or any other entity or individual that may become a member (other than New Mountain Finance) exercises the exchange right following such event, such member will generally be treated as if they were entitled to receive the number of shares of New Mountain Finance's common stock or other property (including cash) that it would have been entitled to receive had it exercised its exchange right immediately prior to the record date of such event. In addition, the LLC Agreement provides that New Mountain Finance and the Operating Company must take all necessary action in order to maintain the one-to-one ratio if in the future New Mountain Finance determines to issue options or other types of equity compensation to individuals that provide services to the Operating Company.

**Voting.** Subject to the Investment Company Act, directors will be elected as set forth above under " Board of Directors." All other matters submitted to the vote of the members will be decided by a majority vote unless a different vote is required as a matter of law (including the Investment Company Act), in which case such provision will govern and control the voting. The LLC Agreement will also provide that, to the extent required by the Investment Company Act, each of New Mountain Finance and AIV Holdings and any other member that may be an investment company relying on the Investment Company Act will seek instructions from its stockholders with regard to matters subject to a member vote, and each such member will vote on all such matters in accordance with such instructions. Accordingly, to the extent required by the Investment Company Act, New Mountain Finance and AIV Holdings will not have any separate voting power other than to pass through the votes of the respective stockholders of New Mountain Finance and AIV Holdings in accordance with their respective indirect percentage ownership in the Operating Company.

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**Expenses.** All of the Operating Company's expenses and all of New Mountain Finance's expenses, including any amounts owed pursuant to the Administration Agreement, will be borne by the Operating Company.

**Dissolution.** The LLC Agreement will provide that the Operating Company may be dissolved with the approval of the board of directors. In addition to a voluntary dissolution, the Operating Company will be dissolved upon the entry of a decree of judicial dissolution in accordance with Delaware law or upon the termination of the legal existence of the last remaining member of the Operating Company. Upon a dissolution event, the proceeds of liquidation will be distributed in the following order:

first, to pay the expenses of winding up, liquidating and dissolving the Operating Company and all of its creditors, including members who are creditors; and

second, to the members pro rata in accordance with their respective positive capital account balances.

Upon a dissolution event, if (i) New Mountain Finance is not the sole member at such time and (ii) prior to or concurrent with such event, New Mountain Finance has adopted a plan relating to the liquidation or dissolution of New Mountain Finance, then New Mountain Finance has the right to acquire from any other Operating Company member all (but not less than all) of the common membership units held by such other member in exchange for shares of New Mountain Finance common stock on a one-for-one basis.

**Information.** The LLC Agreement provides that the Operating Company's members will be entitled to certain information regarding the Operating Company. This information includes quarterly and annual information regarding the Operating Company, information required for certain tax matters and any other information required under Delaware law or as reasonably requested by a member.

**Confidentiality.** Each member will agree to maintain the confidentiality of any information received by the member or its affiliates and representatives in connection with the transactions contemplated by the LLC Agreement which is determined to be confidential for a period of three years following the earlier of the date of the Operating Company's dissolution or the date such member ceases to be a member, with customary exceptions, including to the extent disclosure is required by law or judicial process.

**Restrictions on Transfer.** The LLC Agreement provides that, subject to certain limited exceptions (including transfers to affiliates), a member may not transfer any of its common membership units of the Operating Company to any person without the consent of the Operating Company's board of directors, which consent may be given or withheld in their sole and absolute discretion. No member shall have the right to substitute a transferee as a member in its place. A transferee of common membership units of the Operating Company may be admitted as a substituted member only with the consent of the Operating Company's board of directors, which consent may be given or withheld in their sole and absolute discretion.

**Amendment.** Unless otherwise required by law, the LLC Agreement may be amended only by the written consent of the members owning a majority of the Operating Company's common membership units then outstanding; provided, however, that no amendment may be made without the consent of a member if the amendment would adversely affect the rights of the member other than on a pro rata basis with other members of common membership units.

**Limitation of Liability; Indemnification.** The LLC Agreement provides that none of the Operating Company's members or directors or their respective subsidiaries or affiliates may be

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liable to the Operating Company or any member for any act or omission by such individual or entity in connection with the conduct of affairs of the Operating Company or otherwise incurred in connection with the Operating Company or the LLC Agreement or the matters contemplated therein, in each case unless such act or omission was the result of gross negligence or willful misconduct or constitutes a breach of, or a failure to comply with the LLC Agreement. The LLC Agreement further provides for indemnification of the Operating Company's directors and officers from and against liabilities arising out of or relating to any alleged action taken by any director or officer of the Operating Company, subject to the Investment Company Act.

**Term.** The Operating Company shall continue until terminated as provided in the LLC Agreement or by operation of law.

**Fiduciary Duties.** Circumstances may arise in the future when the interests of the Operating Company's members conflict with the interests of New Mountain Finance's stockholders. Following the completion of this offering, the Operating Company's board of directors and the board of directors of New Mountain Finance will be comprised of the same members. However, the Operating Company's board of directors will owe fiduciary duties to the Operating Company's members that could conflict with the fiduciary duties New Mountain Finance's board of directors owes to New Mountain Finance's stockholders.

**Registration Rights Agreement**

In connection with this offering, New Mountain Finance will enter into a registration rights agreement, or the Registration Rights Agreement, with AIV Holdings, Steven B. Klinsky, an entity related to Steven B. Klinsky and the Investment Adviser. Subject to several exceptions, AIV Holdings and the Investment Adviser will have the right to require New Mountain Finance to register for public resale under the Securities Act all registerable securities that are held by any of them and that they request to be registered at any time after the expiration or waiver of the lock-up period following this offering. Registerable securities subject to the Registration Rights Agreement are shares of New Mountain Finance's common stock issued or issuable in exchange for common membership units and any other shares of New Mountain Finance's common stock held by AIV Holdings, the Investment Adviser and any of their transferees. The rights under the registration rights agreement can be conditionally exercised by AIV Holdings or the Investment Adviser, meaning that prior to the registration of the shares AIV Holdings or the Investment Adviser can withdraw their request to have the shares registered. AIV Holdings and the Investment Adviser may each assign their rights to any person that acquires registerable securities subject to the Registration Rights Agreement and who agrees to be bound by the terms of the Registration Rights Agreement. Steven B. Klinsky and a related entity will have the right to "piggyback", or include their own registrable securities in such a registration.

AIV Holdings and the Investment Adviser may require New Mountain Finance to use its reasonable best efforts to register under the Securities Act all or any portion of these registerable securities upon a "demand request". The demand registration rights are subject to certain limitations. New Mountain Finance is not obligated to:

cause a registration statement with respect to a demand request to be declared effective within forty-five (45) days after the effective date of a previous demand registration, other than a shelf registration pursuant to Rule 415 under the Securities Act of 1933, or within 180 days after the effective date of the registration statement of which this prospectus is a part (unless the lock-up agreement entered into by AIV Holdings has been waived by the underwriters (see "Underwriting"));

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cause a registration statement with respect to a demand request to be declared effective unless the demand request is for a number of shares with a market value that is equal to at least \$10 million; or

cause to be declared effective more than five registration statements with respect to demand registration rights.

The Registration Rights Agreement will include limited blackout and suspension periods. In addition, AIV Holdings and the Investment Adviser may also require New Mountain Finance to file a shelf registration statement on Form N-2 for the resale of their registerable securities if New Mountain Finance is eligible to use Form N-2 at that time.

Holders of registerable securities will also have "piggyback" registration rights, which means that these holders may include their respective shares in any future registrations of New Mountain Finance's equity securities, whether or not that registration relates to a primary offering by New Mountain Finance or a secondary offering by or on behalf of any of New Mountain Finance's stockholders. AIV Holdings, the Investment Adviser and our Chairman (and a related entity) will have priority over New Mountain Finance in any registration that is an underwritten offering.

Conflicts arising under the Registration Rights Agreement will be resolved as set forth therein. Under the Registration Rights Agreement, AIV Holdings and, if applicable, the Investment Adviser, and our Chairman (and a related entity) will have priority over New Mountain Finance or any other New Mountain Finance stockholder when selling any shares of New Mountain Finance common stock pursuant to their exercise of registration rights under that agreement.

AIV Holdings, the Investment Adviser and our Chairman (and a related entity) will be responsible for the expenses of any demand registration (including underwriters' discounts or commissions) and their pro rata share of any piggyback registration. New Mountain Finance has agreed to indemnify AIV Holdings, the Investment Adviser and our Chairman (and a related entity) with respect to liabilities resulting from untrue statements or omissions in any registration statement filed pursuant to the Registration Rights Agreement, other than untrue statements or omissions resulting from information furnished to us by such parties. AIV Holdings, the Investment Adviser and our Chairman (and a related entity) have also agreed to indemnify New Mountain Finance with respect to liabilities resulting from untrue statements or omissions furnished by them to New Mountain Finance relating to them in any registration statement.

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**BUSINESS DEVELOPMENT COMPANY  
AND REGULATED INVESTMENT COMPANY ELECTIONS**

In connection with this offering, New Mountain Finance and the Operating Company intend to elect to be treated as business development companies under the 1940 Act prior to the completion of this offering. In addition, New Mountain Finance intends to elect to be treated, and intends to qualify annually, as a RIC under Subchapter M of the Code, commencing with its taxable year ending on December 31, 2011. New Mountain Finance's and the Operating Company's election to be treated as business development companies and New Mountain Finance's election to be treated as a RIC will have a significant impact on our future operations. Some of the most important effects on the future operations of New Mountain Finance's and the Operating Company's elections to be treated as business development companies and New Mountain Finance's election to be treated as a RIC are outlined below. In connection with this offering and the intended elections to be treated as business development companies, New Mountain Finance and the Operating Company expect to file a request with the SEC for exemptive relief to allow them to take certain actions that would otherwise be prohibited by the 1940 Act, as applicable to business development companies.

***The Operating Company will report our investments at market value or fair value with changes in value reported through its statement of operations.***

In accordance with the requirements of Article 6 of Regulation S-X, the Operating Company will report all of our investments, including debt investments, at market value or, for investments that do not have a readily available market value, at their fair value as determined in good faith by the Operating Company's board of directors. Because New Mountain Finance will be a holding company with no direct operations of its own, fair value determinations with respect to our investments will be made by the Operating Company's board of directors. Changes in these values will be reported through the Operating Company's statement of operations under the caption entitled "total net unrealized appreciation (depreciation) from investments". In the event that New Mountain Finance's board of directors believes that the Operating Company's fair value determinations are inaccurate, New Mountain Finance will adjust the Operating Company's valuations when determining the value of its common membership units of the Operating Company in accordance with valuation procedures to be adopted by New Mountain Finance's board of directors prior to the completion of this offering. See "Determination of Net Asset Value".

***New Mountain Finance generally will be required to pay federal income taxes only on the portion of its taxable income that it does not distribute to its stockholders (actually or constructively).***

As a RIC, so long as New Mountain Finance meets certain minimum distribution, source-of-income and asset diversification requirements, it generally will be required to pay federal income taxes only on the portion of its taxable income and gains that it does not distribute (actually or constructively) and certain built-in gains, if any. Because New Mountain Finance will have no assets other than its ownership of common membership units of the Operating Company and no source of cash flow other than distributions from the Operating Company, New Mountain Finance will look to the Operating Company's assets and income, and will rely on distributions made by the Operating Company to New Mountain Finance, for purposes of satisfying these requirements. The Operating Company intends to conduct its operations and make distributions to its members in a manner that will enable New Mountain Finance to satisfy these requirements.

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***The Operating Company's ability to use leverage as a means of financing our portfolio of investments will be limited.***

As a business development company, the Operating Company will be required to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities, to total senior securities of at least 200%. The Operating Company will consolidate the assets and liabilities of SLF for purposes of its financial statements and calculating compliance with the 200% asset coverage ratio. For this purpose, senior securities include all borrowings by the Operating Company and SLF and any preferred membership units the Operating Company may issue in the future. In addition to any limitations imposed by the Operating Company's and SLF's existing or future credit facilities, the Operating Company's and SLF's ability to continue to utilize leverage as a means of financing our portfolio of investments may also be limited by this asset coverage test. Because New Mountain Finance will have no assets other than its ownership of common membership units of the Operating Company and will have no material long-term liabilities, New Mountain Finance will look to the Operating Company's assets for purposes of satisfying this test.

***New Mountain Finance intends to distribute substantially all of its income to its stockholders.***

As a RIC, New Mountain Finance intends to distribute to its stockholders substantially all of its annual taxable income, except that it may retain certain net capital gains for reinvestment in common membership units of the Operating Company. New Mountain Finance may make deemed distributions to its stockholders of some or all of its retained net capital gains. If this happens, you will be treated as if you had received an actual distribution of the capital gains and reinvested the net after-tax proceeds in New Mountain Finance. In general, you also would be eligible to claim a tax credit (or, in certain circumstances, obtain a tax refund) equal to your allocable share of the tax New Mountain Finance paid on the deemed distribution. See "Material Federal Income Tax Considerations". The Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to obtain and maintain its status as a RIC.

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**USE OF PROCEEDS**

We estimate that New Mountain Finance will receive proceeds from the sale of the 8,285,172 shares of its common stock in this offering of approximately \$120,135,000, or approximately \$138,155,250 if the underwriters exercise their option to purchase additional shares in full, in each case assuming an initial public offering price of \$14.50 per share (the mid-point of the range set forth on the cover of this prospectus). In connection with the concurrent private placement, New Mountain Finance will receive \$29,865,000 in gross proceeds assuming an initial public offering price of \$14.50 per share. In connection with this offering, New Mountain Finance will enter into a joinder agreement with respect to the LLC Agreement, pursuant to which New Mountain Finance will use all of the gross proceeds from this offering as well as the gross proceeds from the concurrent private placement to acquire from the Operating Company 10,344,827 common membership units of the Operating Company (the number of common membership units will equal the number of shares of New Mountain Finance's common stock sold in this offering and the concurrent private placement). The per unit purchase price New Mountain Finance will pay for the common membership units acquired pursuant to the LLC Agreement will be equal to the per share offering price at which New Mountain Finance's common stock is sold pursuant to this offering. Accordingly, New Mountain Finance will not retain any of the proceeds of this offering or the concurrent private placement. If the underwriters exercise their option to purchase 1,242,776 additional shares of New Mountain Finance's common stock, New Mountain Finance will use any proceeds from the exercise of this option to purchase additional common membership units of the Operating Company (the number of additional common membership units will equal the number of shares of New Mountain Finance's common stock sold pursuant to this option). See "Formation Transactions and Related Agreements – Holding Company Structure" and "Underwriting".

The Operating Company will, in turn, use a portion of these proceeds to pay the underwriting discounts and commissions and estimated expenses of this offering, and intends to use the remaining net proceeds for new investments in portfolio companies in accordance with our investment objective and strategies described in this prospectus, to temporarily repay indebtedness (which will be subject to reborrowing), to pay New Mountain Finance's and its operating expenses and distributions to its members and for general corporate purposes. Borrowings that may be repaid under the Predecessor Credit Facility currently bear interest at an annual rate of LIBOR plus 3.0%, payable in cash, on the outstanding principal amount. See "Management's Discussion and Analysis – Liquidity and Capital Resources – Credit Facilities". Based on current market conditions, we anticipate that it may take up to six to twelve months for the Operating Company to fully invest the net proceeds it receives in connection with this offering. However, if market conditions change, it may take longer than twelve months to fully invest the net proceeds from this offering. We cannot assure you that we will achieve our targeted investment pace.

Pending such use, the Operating Company will invest the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality investments that mature in one year or less from the date of investment. See "Regulation – Temporary Investments" for additional information about temporary investments the Operating Company may make while waiting to make longer-term investments in pursuit of our investment objective.

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**DISTRIBUTIONS**

New Mountain Finance intends to pay quarterly distributions to its stockholders out of assets legally available for distribution, beginning with its first full quarter after the completion of this offering. New Mountain Finance's quarterly distributions, if any, will be determined by its board of directors. New Mountain Finance's first quarterly distribution, which will be payable for the second quarter of 2011, is expected to be between \$0.20 and \$0.25 per share. The amount of the dividend will be proportionately reduced to reflect the number of days remaining in the quarter after the completion of the offering. The actual amount of such distribution, if any, remains subject to approval by New Mountain Finance's board of directors, and there can be no assurance that any distribution paid will fall within such range. In addition, because New Mountain Finance will be a holding company, it will only be able to pay distributions on its common stock from distributions received from the Operating Company. The Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC. While it is intended that the distributions made by the Operating Company will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC, there can be no assurances that the distributions from the Operating Company will be sufficient to pay distributions to New Mountain Finance's stockholders in the future. Any distributions must also comply with the restrictions and covenants contained in the Credit Agreement or the debt financing agreements we may have in the future.

New Mountain Finance intends to elect to be treated, and intends to qualify annually, as a RIC under Subchapter M of the Code, commencing with its taxable year ending on December 31, 2011. To obtain and maintain RIC status, New Mountain Finance must, among other things, distribute at least 90% of its net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. In order to avoid certain excise taxes imposed on RICs, New Mountain Finance currently intends to distribute during each calendar year an amount at least equal to the sum of (1) 98% of its net ordinary income for the calendar year, (2) 98.2% of its capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (3) any net ordinary income and net capital gains for preceding years that were not distributed during such years. New Mountain Finance may retain certain net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) for reinvestment in common membership units of the Operating Company and treat such amounts as deemed distributions to its stockholders. If New Mountain Finance does this, you will be treated as if you had received an actual distribution of the capital gains New Mountain Finance retained and then you reinvested the net after-tax proceeds in New Mountain Finance's common stock. In general, you also will be eligible to claim a tax credit (or, in certain circumstances, obtain a tax refund) equal to your allocable share of the tax New Mountain Finance paid on the capital gains deemed distributed to you. The distributions New Mountain Finance pays to its stockholders in a year may exceed its taxable income for that year and, accordingly, a portion of such distributions may constitute a return of capital for federal income tax purposes. The specific tax characteristics of New Mountain Finance's distributions will be reported to stockholders after the end of the calendar year. Please refer to "Material Federal Income Tax Considerations" for further information regarding the tax treatment of New Mountain Finance's distributions and the tax consequences of New Mountain Finance's retention of net capital gains. We can offer no assurance that the Operating Company will achieve results that will permit the payment of any cash distributions to New Mountain Finance's stockholders and, if the Operating Company or SLF issues senior securities (other than any indebtedness issued in consideration of a privately arranged loan), the Operating Company will be prohibited from making distributions to its members, including New Mountain Finance, if doing so causes the Operating Company to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions to its members are limited by the terms of any of the Operating Company's

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borrowings. See "Regulation", "Material Federal Income Tax Considerations" and "Senior Securities".

New Mountain Finance has adopted an "opt out" dividend reinvestment plan for its common stockholders. As a result, if New Mountain Finance makes a distribution, then your cash distributions will be automatically reinvested in additional shares of New Mountain Finance's common stock, unless you specifically "opt out" of the dividend reinvestment plan so as to receive cash distributions. Cash distributions reinvested in additional shares of New Mountain Finance's common stock will be automatically reinvested by New Mountain Finance in additional common membership units of the Operating Company, and, if New Mountain Finance uses newly issued shares to implement the dividend reinvestment plan, it will receive, on a one-for-one basis, additional common membership units of the Operating Company in exchange for such reinvested distributions. See "Formation Transactions and Related Agreements Structure-Related Agreements The Operating Company Agreement" and "Dividend Reinvestment Plan". In addition, AIV Holdings does not intend to reinvest any distributions received from the Operating Company in additional common membership units of the Operating Company.

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**CAPITALIZATION**

The following table sets forth our capitalization as of December 31, 2010:

on an actual basis;

on an as adjusted basis to give effect to:

the completion of the formation transactions and the concurrent private placement;

the sale of 8,285,172 shares of New Mountain Finance's common stock in this offering at an assumed initial public offering price of \$14.50 per share (the mid-point of the range set forth on the cover of this prospectus), after deducting estimated underwriting discounts and commissions and organizational and offering expenses payable by the Operating Company;

the temporary repayment of indebtedness under the Credit Facility; and

the assumption that all of AIV Holdings' common membership units of the Operating Company had been exchanged for the corresponding number of shares of New Mountain Finance's common stock. The number of AIV Holdings' common membership units was derived from our March 31, 2011 adjusted unaudited net asset value of \$313.5 million, or \$14.60 per share, which is based on the fair value of our portfolio investments, in accordance with the Operating Company's valuation policy, as well as other factors, including investment income earned on the portfolio. The adjusted net asset value includes \$23.3 million of contributions received from investors in the Predecessor Entities after March 31, 2011.

You should read this table together with "Formation Transactions and Related Agreements" and "Use of Proceeds" and the combined financial statements and related notes thereto included elsewhere in this prospectus.

	<b>As of December 31, 2010</b>	
	<b>Actual</b>	<b>As Adjusted (unaudited)</b>
	<b>(in thousands)</b>	
<b>Assets:</b>		
Cash and cash equivalents	\$ 10,744	\$ 30,808
Investments at fair value	441,058	441,058
Other assets	8,422	4,894
<b>Total assets</b>	<b>\$ 460,224</b>	<b>\$ 476,760</b>
<b>Liabilities:</b>		
Credit facility payable	\$ 116,633	\$
Other liabilities	101,664	98,515
<b>Total liabilities</b>	<b>\$ 218,297</b>	<b>\$ 98,515</b>
<b>Net assets</b>	<b>\$ 241,927</b>	<b>\$ 378,245</b>
<b>Stockholders' equity:</b>		

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Common stock, par value \$0.01 per share; 100,000,000 shares authorized, 31,819,729 shares outstanding, on an as adjusted fully diluted basis	\$	318
Capital in excess of par value	\$	377,927
Total stockholders' equity	\$	378,245

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If you invest in New Mountain Finance's common stock, your interest in New Mountain Finance will be diluted to the extent of the difference between the initial public offering price per share of New Mountain Finance's common stock and the as adjusted net asset value per share of New Mountain Finance's common stock immediately after the completion of this offering.

Upon completion of the formation transactions, New Mountain Finance's net asset value as of December 31, 2010 would have been approximately \$241.9 million, or \$14.60 per share, assuming the exchange of all of the then outstanding common membership units of the Operating Company into a corresponding number of shares of New Mountain Finance's common stock. After giving effect to (i) the completion of the formation transactions, (ii) the concurrent private placement, (iii) the sale of 8,285,172 shares of New Mountain Finance's common stock in this offering at an assumed initial public offering price of \$14.50 per share (the mid-point of the range set forth on the cover of this prospectus), after deducting underwriting discounts and commissions and estimated offering expenses payable by the Operating Company, (iv) the temporary repayment of indebtedness under the Credit Facility and (v) the assumption that all of AIV Holdings' common membership units of the Operating Company were immediately exchanged for the corresponding number of shares of New Mountain Finance's common stock, New Mountain Finance's as adjusted net asset value as of December 31, 2010 would have been approximately \$378.2 million, or \$14.05 per share. This represents an immediate decrease in New Mountain Finance's as adjusted net asset value of \$0.55 per share to AIV Holdings and New Mountain Guardian Partners, L.P., and an immediate dilution of \$0.45 per share, on a fully diluted basis, to the investors who purchase New Mountain Finance's common stock in this offering assuming an initial public offering price of \$14.50 per share (the mid-point of the range set forth on the front cover of this prospectus). The following table shows this immediate New Mountain Finance share impact:

Assumed initial public offering price per share	\$ 14.50
Net asset value per share, before this offering but after completion of the formation transactions(1)	\$ 14.60
Decrease in net asset value per share, on an as adjusted basis, attributable to investors in this offering	\$ 0.55
As adjusted net asset value per share after the completion of the formation transactions, this offering and the concurrent private placement(1)	\$ 14.05
Dilution per share, on a fully diluted basis, to investors in this offering(2)	\$ 0.45

Using the March 31, 2011 adjusted unaudited net asset value of \$313.5 million and including \$23.3 million of contributions received after March 31, 2011, the issuance of 21,474,902 units in the Operating Company to AIV Holdings and Guardian Partners, an offering price per share of \$14.50 (the mid-point of the range set forth on the cover of this prospectus), and the same assumptions used above, New Mountain Finance's net asset value on an adjusted and fully diluted basis is \$14.14 per share, resulting in dilution to investors in this offering of \$0.36 per share.

(1)

Assumes that based on the December 31, 2010 net asset value and upon completion of the formation transactions, AIV Holdings and Guardian Partners owned 16,570,360 shares of New Mountain Finance common stock, assuming AIV Holdings' common membership units in the Operating Company had been exchanged for the corresponding number of shares of New Mountain Finance's common stock, as of December 31, 2010.

(2)

The dilution per share to investors in this offering as of December 31, 2010 may differ from the actual dilution per share in connection with this offering. Dilution per share to the investors in this offering as of the date of completion of this offering will reflect various adjustments subsequent to December 31, 2010 in respect of this offering and the formation transactions.

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The foregoing assumes no exercise of the underwriters' option to purchase additional shares. If the underwriters' option to purchase additional shares is exercised in full, the net asset value per share of common stock after this offering would be \$14.03 as of December 31, 2010 on a fully diluted basis and \$14.11 as of March 31, 2011 on an adjusted and fully diluted basis, with the dilution per share to investors in this offering being \$0.47 and \$0.39, respectively.

The following table summarizes, as of March 31, 2011, the number of shares of common stock purchased from New Mountain Finance, the total consideration paid to New Mountain Finance and the average price per share paid by AIV Holdings and New Mountain Guardian Partners, L.P. and to be paid by investors in this offering and the concurrent private placement purchasing shares of common stock at the initial public offering price of \$14.50 per share (the mid-point of the range set forth on the cover of this prospectus), assuming that all of AIV Holdings' common membership units of the Operating Company were immediately exchanged for the corresponding number of shares of New Mountain Finance's common stock, before deducting the underwriting discounts and commissions and estimated offering expenses payable by the Operating Company.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
AIV Holdings and New Mountain Guardian Partners, L.P.	21,474,902	67.5%	313,533,572	67.7%	14.60
Investors in this offering	8,285,172	26.0%	120,135,000	25.9%	14.50
Concurrent Private Placement	2,059,655	6.5%	29,865,000	6.4%	14.50
Total	31,819,729	100.0%	463,533,572	100.0%	

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The information in this section contains forward-looking statements that involve risks and uncertainties. Please see "Risk Factors" and "Special Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. You should read the following discussion in conjunction with the financial statements and related notes and other financial information appearing elsewhere in this prospectus.*

**Overview**

New Mountain Finance will be a holding company with no direct operations of its own, and its only business and sole asset will be its ownership of common membership units of the Operating Company, the operating company for our business. The Operating Company will be an externally managed business development company which, prior to the completion of this offering, will own all of the operations of the Predecessor Entities existing immediately prior to the formation transactions, including all of the assets and liabilities related to such operations. Following the completion of this offering, New Mountain Finance will own approximately 36.4%, and Guardian AIV will indirectly own, through AIV Holdings, approximately 63.6% of the common membership units of the Operating Company, assuming no exercise of the underwriters' option to purchase additional shares.

Our investment strategy, developed by the Investment Adviser, is to invest through the Operating Company primarily in the debt of what the Investment Adviser believes are 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) opportunities for niche market dominance. The Investment Adviser, through its relationship with New Mountain, already has access to proprietary research and operating insights into many of the companies and industries that meet this template.

The Operating Company will be externally managed by the Investment Adviser, a wholly-owned subsidiary of New Mountain, a private equity firm with a track record of investing in the middle market and with assets under management (which includes amounts committed, not all of which have been drawn down and invested to date) totaling more than \$9.0 billion as of December 31, 2010. New Mountain focuses on investing in defensive growth companies across its private equity, public equity, and credit investment vehicles. The Operating Company was formed as a subsidiary of Guardian AIV by New Mountain in October 2008. Guardian AIV was formed through an allocation of approximately \$300 million of the \$5.1 billion of commitments supporting Fund III, a private equity fund managed by New Mountain, and in February 2009 New Mountain formed a co-investment vehicle, Guardian Partners, comprising \$20.4 million of commitments. As of December 31, 2010, our portfolio had a fair value of approximately \$441.1 million in 43 portfolio companies and had a weighted average Yield to Maturity of approximately 12.5%. This calculation excludes the impact of existing leverage, except for the non-recourse debt of SLF. SLF is treated as a fully levered asset of the Operating Company, with SLF's net asset value being included for yield calculation purposes. The Predecessor Entities, excluding SLF, have an unlevered and fully levered yield to maturity as of December 31, 2010 of 12.2% and 14.2%, respectively. SLF has an unlevered and fully levered yield to maturity as of December 31, 2010 of 8.5% and 13.4%, respectively. An unlevered yield to maturity assumes no debt is used to purchase investments and a fully levered yield to maturity assumes each investment is leveraged to full capacity. As of December 31, 2010, our portfolio has a weighted average Unadjusted Yield to Maturity of approximately 10.6%. This calculation has the same assumptions as Yield to Maturity, except that SLF is not treated as a fully levered asset of the Operating Company, and the assets of SLF are consolidated into the Operating Company. Weighted by December 31, 2010 fair value, 77% of our portfolio companies had an

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EBITDA of less than \$100 million during the last twelve months prior to the time of investment. Since inception, the Predecessor Entities have not experienced any payment defaults or credit losses on these portfolio investments.

We intend to find and analyze investment opportunities by utilizing the experience of the Investment Adviser's investment professionals. We expect to primarily target loans to, and invest in, U.S. middle market businesses, a market segment we believe will continue to be underserved by other lenders. We expect to make investments through both primary originations and open-market secondary purchases. Our investment objective is to generate current income and capital appreciation through investments in Target Securities. We believe our focus on investment opportunities with contractual current interest payments should allow us to provide New Mountain Finance stockholders with consistent dividend distributions and attractive risk adjusted total returns.

In connection with this offering, a series of formation transactions will be undertaken, such that, prior to the completion of this offering, the Operating Company will own all of the operations of the Predecessor Entities existing immediately prior to the formation transactions, including all of the assets and liabilities related to such operations. As a result of these transactions, Guardian AIV will indirectly own, through its wholly-owned subsidiary AIV Holdings, common membership units of the Operating Company, and New Mountain Guardian Partners, L.P. will receive shares of New Mountain Finance's common stock. New Mountain Finance will enter into a joinder agreement with respect to the LLC Agreement, pursuant to which it will acquire from the Operating Company, with the gross proceeds of this offering and the concurrent private placement, 10,344,827 common membership units of the Operating Company (the number of common membership units will equal the number of shares of New Mountain Finance's common stock sold in this offering and the concurrent private placement) in connection with the completion of this offering. The per unit purchase price New Mountain Finance will pay for the common membership units acquired pursuant to a joinder agreement with respect to the LLC Agreement will be equal to the per share offering price at which its common stock is sold pursuant to this offering and the concurrent private placement. After the completion of this offering, New Mountain Finance will be a holding company, and its only business and sole asset will be its ownership of common membership units of the Operating Company, the operating company for our business. The Operating Company will be an externally managed business development company managed by the Investment Adviser. New Mountain Finance and the Operating Company intend to elect to be treated as business development companies under the 1940 Act prior to the completion of this offering. New Mountain Finance intends to elect to be treated, and intends to qualify annually, as a RIC under Subchapter M of the Code, commencing with its taxable year ending on December 31, 2011. See "Material Federal Income Tax Considerations". As a RIC, New Mountain Finance generally will not have to pay corporate-level federal income taxes on any net ordinary income or capital gains that it timely distributes to its stockholders as dividends if it meets certain source-of-income, distribution and asset diversification requirements. The Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC. New Mountain Finance intends to distribute to its stockholders substantially all of its annual taxable income, except that it may retain certain net capital gains for reinvestment in common membership units of the Operating Company.

**Basis of Presentation**

The information discussed below relates to the combined historical operations of New Mountain Finance Holdings, L.L.C., formerly known as New Mountain Guardian (Leveraged), L.L.C., and New Mountain Guardian Partners, L.P., the assets of which will be contributed to the Operating Company in connection with the formation transactions. The combined financial statements of these entities are the Operating Company's historical financial statements. The Operating Company will be New Mountain Finance's sole investment following the completion of this offering. To date, New

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Mountain Finance has had no operations. As described in "Formation Transactions and Related Agreements – Holding Company Structure", following the completion of this offering, New Mountain Finance will be a holding company with no direct operations, and its only business and sole asset will be its ownership of common membership units of the Operating Company.

We do not believe that our combined historical operating performance is necessarily indicative of the results of operations that New Mountain Finance or the Operating Company expect to report in future periods. Prior to the completion of this offering, we will consummate the formation transactions and New Mountain Finance and the Operating Company will elect to be treated as business development companies. New Mountain Finance also intends to elect to be treated, and intends to qualify annually, as a RIC under Subchapter M of the Code, commencing with its taxable year ending on December 31, 2011. Because New Mountain Finance will be a business development company and a RIC, the Operating Company will be subject to certain constraints on its operations, including limitations imposed by the 1940 Act and the Code, to which it previously was not subject.

In addition, the historical financial information does not reflect the allocation of certain general and administrative costs or expenses or the impact of management fees that were incurred by affiliates of New Mountain. We expect that, following the completion of this offering, our share of expenses and management fees as a stand-alone company will be higher than those historically incurred by the Operating Company. Accordingly, our historical combined financial information should not be relied upon as being representative of our financial position or operating results had we operated on a stand-alone basis under similar regulatory constraints, nor are they representative of our financial position or operating results following this offering. In addition, following the completion of this offering and the concurrent private placement, New Mountain Finance will own approximately 36.4% of the common membership units of the Operating Company. Depending on New Mountain Finance's ownership interest in the Operating Company, the Operating Company's results of operations may not be consolidated with New Mountain Finance's results of operations in future periods. As a result, our historical and future financial information may not be representative of New Mountain Finance's financial information in future periods.

**Revenues.** The Operating Company generates revenue in the form of interest income on debt investments and capital gains and distributions, if any, on investment securities that we acquire in portfolio companies. Our debt investments typically have a term of three-to-ten years and bear interest at a fixed or floating rate. In some instances, the Operating Company receives payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, the Operating Company receives repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments may fluctuate significantly from period to period. Our portfolio activity also reflects the proceeds of sales of securities. In some cases, our investments provide for deferred interest payments or payment-in-kind, or PIK, interest. The principal amount of loans and any accrued but unpaid interest generally become due at the maturity date. In addition, the Operating Company may generate revenue in the form of commitment, origination, structuring or due diligence fees, fees for providing managerial assistance and consulting fees. Loan origination fees, original issue discount and market discount or premium are capitalized, and the Operating Company accretes or amortizes such amounts as interest income. The Operating Company records prepayment premiums on loans as interest income. Dividend income, if any, is recognized on an accrual basis to the extent that the Operating Company expects to collect such amounts.

**Expenses.** The Operating Company's primary operating expenses will include the payment of management fees, its allocable portion of overhead expenses under the Administration Agreement for services provided to New Mountain Finance and the Operating Company and other operating costs described below. Additionally, the Operating Company pays interest expense on outstanding debt under the Credit Facility and expects to pay interest on any outstanding debt

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under the Credit Facility following this offering. The Operating Company bears all other out-of-pocket costs and expenses of its and New Mountain Finance's operations and transactions, including:

the cost of calculating net asset value, including the cost of any third-party valuation services;

the cost of effecting sales and repurchases of shares of New Mountain Finance's common stock and other securities;

fees payable to third parties relating to making investments, including out-of-pocket fees and expenses associated with performing due diligence and reviews of prospective investments;

transfer agent and custodial fees;

out-of-pocket fees and expenses associated with marketing efforts;

federal and state registration fees and any stock exchange listing fees;

federal, state, local and foreign taxes;

independent directors' fees and expenses;

brokerage commissions;

fidelity bond, directors' and officers' liability insurance and other insurance premiums;

direct costs, such as printing, mailing, long distance telephone and staff;

fees and expenses associated with independent audits, tax services, and outside legal counsel;

costs associated with New Mountain Finance's and the Operating Company's reporting and compliance obligations under the 1940 Act and other applicable federal and state securities laws; and

other expenses incurred by the Operating Company, the Investment Adviser or New Mountain Finance in connection with administering our business, including payments under the Administration Agreement that will be based upon New Mountain Finance's and the Operating Company's allocable portion (subject to the review and approval of the Operating Company's board of directors) of overhead.

However, with respect to the expenses incident to any registration of shares of New Mountain Finance's common stock issued in exchange for common membership units of the Operating Company, AIV Holdings and the Investment Adviser, if applicable, will be responsible for the expenses of any demand registration and their pro rata share of any piggyback registration. See "Formation Transactions and Related Agreements Structure-Related Agreements Registration Rights Agreement".

**Recent Developments(1)**

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(1)

The numbers in the Recent Developments section are unaudited.

***Net Asset Value***

New Mountain Finance's March 31, 2011 unaudited net asset value per share is \$14.14 on an adjusted and fully diluted basis, reflecting contributions from our investors in the Predecessor Entities received after March 31, 2011, the consummation of the formation transactions, the initial public offering and concurrent private placement (based on the mid-point of the range set forth on the cover page of this prospectus and assuming no exercise of the underwriters' option to purchase additional shares), and the temporary repayment of indebtedness. See "The Offering".

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Upon completion of this offering and the concurrent private placement, New Mountain Finance will own 36.4% of the Operating Company (assuming no exercise of the underwriters' option to purchase additional shares). On April 21, 2011, the Operating Company's board of directors, of which a majority of the board members are independent directors, approved the fair value of our portfolio investments as of March 31, 2011 in accordance with the Operating Company's valuation policy to be \$460.0 million and determined the Operating Company's unaudited net asset value as of March 31, 2011 to be \$313.5 million, which is adjusted to include \$23.3 million of contributions received from our investors in the Predecessor Entities after March 31, 2011. This will result in the issuance of 20,221,938 common membership units of the Operating Company (which are exchangeable on a one-for-one basis into shares of New Mountain Finance common stock) to AIV Holdings and 1,252,964 shares of New Mountain Finance common stock to Guardian Partners for their respective ownership interests in the Predecessor Entities. The Operating Company's March 31, 2011 adjusted net asset value is based on this board-approved fair value of our portfolio investments as well as other factors, including investment income earned on the portfolio since December 31, 2010. The 29.6% change in net asset value from December 31, 2010 was primarily due to additional purchases of \$87.3 million, sales of \$25.9 million, net contributions received since December 31, 2010 and the Operating Company's retained investment income. The March 31, 2011 adjusted unaudited net asset value is comprised of an estimated \$523.0 million in assets (36.2% from SLF) and an estimated \$209.5 million in liabilities (52.8% from SLF). The estimated assets include cash of \$27.2 million and contributions received from investors after March 31, 2011. The estimated liabilities include \$171.8 million of borrowings under the Predecessor Credit Facility and SLF Credit Facility, and a \$27.6 million payable for unsettled securities purchased. See "Determination of Net Asset Value". The adjusted unaudited net asset value per share as of March 31, 2011 will be different than our actual net asset value for March 31, 2011, primarily due to the contributions from the investors in our Predecessor Entities received after March 31, 2011.

***Distributions/Contributions***

For the period from March 31, 2011, to April 15, 2011, Guardian AIV and Guardian Partners received aggregate contributions of \$23.3 million from our investors in the Predecessor Entities and made no distributions to the partners of Guardian AIV and Guardian Partners.

New Mountain Finance's first quarterly distribution, which it expects will be payable for the second quarter of 2011, is expected to be between \$0.20 and \$0.25 per share. The amount of the dividend will be proportionately reduced to reflect the number of days remaining in the quarter after the completion of this offering. The actual amount of such distribution, if any, remains subject to approval by New Mountain Finance's board of directors, and there can be no assurance that any distribution paid will fall within such range. In addition, because New Mountain Finance will be a holding company, it will only be able to pay distributions on its common stock from distributions received from the Operating Company. The Operating Company intends to make distributions to its members that will be sufficient to enable New Mountain Finance to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC. New Mountain Finance intends to distribute to its stockholders substantially all of its annual taxable income, except that it may retain certain net capital gains for reinvestment in common membership units of the Operating Company.

Table of Contents**Recent Portfolio Activity**

Below is certain information related to the seven most recent purchases over \$10 million by the Operating Company.

<b>Purchase Date</b>	<b>Name of Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment</b>	<b>Yield to Maturity(2)</b>	<b>Purchase Amount (in millions)</b>	<b>Tranche Size (in millions)</b>
3/14/2011	Brock Holdings III, Inc.	Industrial Services	Second Lien	12.2%	\$ 14.7	\$ 190
3/16/2011	TravelCLICK, Inc.(1)	Information Services	First Lien	15.7%	16.2	160
3/18/2011	Airvana Network Solutions Inc.(3)	Software	First Lien	11.5%	15.7	420
3/30/2011	Vision Solutions, Inc.(3)	Software	Second Lien	11.5%	11.9	90
4/15/2011	Unitek Global Services, Inc.	Business Services	First Lien	11.6%	19.4	100
4/21/2011	Sotera Defense Solutions, Inc.(1)	Federal Services	First Lien	16.8%	16.8	145
5/2/2011	Pacific Architects and Engineers Incorporated(1)	Federal Services	First Lien	19.4%	14.7	50

Notes:

- (1) Investment is a purchase by SLF.
- (2) Assumes that the investments in our portfolio as of a certain date, the Portfolio Date, are purchased at fair value on that date and held until their respective maturities with no prepayments or losses and are exited at par at maturity. Interest income is assumed to be received quarterly for all debt securities. For floating rate debt securities, the interest rate is calculated by adding the spread to the projected three-month LIBOR at each respective quarter, which is determined based on the forward three-month LIBOR curve per Bloomberg as of the Portfolio Date. This calculation excludes the impact of existing leverage for assets held by the Predecessor Entities, but includes the impact of pro rata leverage for investments held directly by SLF.
- (3) Previously held debt in the portfolio company was fully repaid due to debt refinancing. The purchases represent the allocations received from participating in those refinancing deals.

**Predecessor Entities**

From January 1, 2011 to March 31, 2011, the Predecessor Entities purchased 11 investments in 11 portfolio companies, totaling approximately \$87.3 million and sold 4 investments in 4 portfolio companies, totaling approximately \$25.9 million.

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Set forth below are the purchases and sales between January 1, 2011 and March 31, 2011:

**Purchases**

<b>Name / Address of Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment</b>	<b>Interest Rate(1)(2)</b>	<b>Maturity</b>	<b>Yield to Maturity(2)</b>	<b>% of Class Held(2)</b>	<b>Par Amount (unaudited) (in thousands)</b>	<b>Purchase Amount</b>
Airvana Networks Solutions Inc.(3) 19 Alpha Road Chelmsford, MA 01824	Software	First Lien	10.00% (L + 800)	3/25/2015	11.5%	3.8%	16,000	15,680
Brock Holdings III, Inc. 10343 Sam Houston Park Drive Suite 200 Houston, TX 77064	Industrial Services	Second Lien	10.00% (L + 825)	3/16/2018	12.2%	7.9%	15,000	14,700
Datatel, Inc.(3) 4375 Fair Lakes Court Fairfax, VA 22033	Software	Second Lien	8.75% (L + 725)	2/19/2018	11.0%	3.3%	5,000	4,975
Stratus Technologies, Inc. 111 Powdermill Road Maynard, MA 01754	Information Technology	First Lien	12.00%	3/29/2015	16.0%	0.9%	2,000	1,810
Vision Solutions, Inc.(3) 17911 Von Karman, Suite 500 Irvine, CA 92614	Software	Second Lien	9.50% (L + 800)	7/23/2017	11.5%	13.3%	12,000	11,880
<b>Total</b>							\$ 50,000	\$ 49,045

**Undrawn Revolver**

Advantage Sales  
&  
Marketing, Inc.  
18100 Von  
Karman Avenue,  
Suite 1000  
Irvine, CA 92612

Business  
Services

First Lien

12/17/2015

N/A

10.5% \$ 10,500 \$ (1,260)

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Notes:

- (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 LIBOR (L) or the Prime Rate (P) and which resets quarterly or monthly.
- (2) The percentage shown is as of the purchase date of the investment.
- (3) Previously held debt in the portfolio company was fully repaid due to debt refinancing. The purchases represent the allocations received from participating in those refinancing deals.

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Name / Address of Portfolio Company	Industry	Type of Investment	Interest Rate(1)	Maturity	Par Amount	Sales		\$s Invested(2)
						Par Amount	Sale Amount	
Applied Systems, Inc. 200 Applied Parkway University Park, IL 60484	Software	Second Lien	9.25%) (L + 775	6/8/2017	\$ 2,000	\$ 2,020	\$ 1,980	
First Data Corporation 5565 Glenridge Connector NE, Suite 2000 Atlanta, GA 30342	Business Services	First Lien	3.01%) (L + 275	9/24/2014	10,646	10,176	6,993	
Kronos Incorporated 297 Billerica Road Cheimsford, MA 01824	Software	Second Lien	6.05%) (L + 575	6/11/2015	6,700	6,674	4,690	
RGIS Services, LLC 2000 East Taylor Road Auburn Hills, MI 48326	Business Services	First Lien	2.80%) (L + 250	4/30/2014	7,394	7,061	5,293	
<b>Total</b>					<b>\$ 26,740</b>	<b>\$ 25,931</b>	<b>\$ 18,956</b>	

## Notes:

- (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 LIBOR (L) or the Prime Rate (P) and which resets quarterly or monthly.
- (2) Excludes fees.

After giving effect to the purchases and sales between January 1, 2011 and March 31, 2011 above, our pro forma weighted average Yield to Maturity as of March 31, 2011 would have been 12.6% consisting of: (1) 9.8% cash interest based on LIBOR as of March 31, 2011, (2) an additional 0.6% representing the impact of using the forward three-month LIBOR curve on an asset by asset basis, (3) 1.0% current PIK interest and (4) 1.2% accretion of market discount. After giving effect to the purchases and sales between January 1, 2011 and March 31, 2011 above, our pro forma weighted average Unadjusted Yield to Maturity as of March 31, 2011 would have been 10.5%. The Predecessor Entities, excluding SLF, have an unlevered and a fully levered yield to maturity as of March 31, 2011, of 12.1% and 14.5%, respectively. The SLF has an unlevered and fully levered Yield to Maturity as of March 31, 2011 of 8.3% and 14.8%, respectively. An unlevered Yield to Maturity assumes no debt is used to purchase investments and a fully levered Yield to Maturity assumes each investment is levered to full capacity.

Table of Contents**SLF**

Set forth below are the purchases of SLF from January 1, 2011 through March 31, 2011. SLF had no sales during this period.

**Purchases**

<b>Name / Address of Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment</b>	<b>Interest Rate(1)(2)</b>	<b>Maturity</b>	<b>% of Class Held(2)</b>	<b>Par Amount</b>	<b>Purchase Amount (unaudited) (in thousands)</b>
Focus Brands, Inc.(3) 200 Glenridge Point Parkway, Suite 200 Atlanta, GA 30342	Franchises	First Lien	5.25%) (L + 400)	11/5/2016	2.4%	\$ 6,000	\$ 6,000
Hyland Software, Inc.(3) 28500 Clemons Road Westlake, OH 44145	Software	First Lien	5.75% (L) + 425	12/19/2016	3.9%	8,000	8,000
Research Pharmaceutical Services, Inc. 520 Virginia Drive Fort Washington, PA 19034	Healthcare Services	First Lien	6.75%) (L + 525)	2/20/2017	9.4%	7,500	7,388
Source Media Inc. and Accuity Inc. 1 State Street Plaza, 25th Floor New York, NY 10004	Business Services	First Lien	6.50%) (L + 500)	1/24/2017	1.4%	2,000	1,980
TravelCLICK, Inc. 300 North Martingale, Suite 500 Schaumburg, Illinois 60173	Information Services	First Lien	6.50%) (L + 500)	3/16/2016	10.3%	16,500	16,170
<b>Total</b>						<b>\$ 40,000</b>	<b>\$ 39,538</b>

Notes:

(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 LIBOR (L) or the Prime Rate (P) and which resets quarterly or monthly.

- (2) The percentage shown is as of the purchase date of the investment.
- (3) Previously held debt in the portfolio company was fully repaid due to debt refinancing. The purchases represent the allocations received from participating in those refinancing deals.

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**Critical Accounting Policies**

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

***Valuation of Portfolio Investments***

The Operating Company conducts the valuation of our assets, pursuant to which its net asset value, and, consequently, New Mountain Finance's net asset value is determined, at all times consistent with accounting principles generally accepted in the United States of America, or GAAP, and the 1940 Act. The Operating Company's valuation procedures are set forth in more detail below:

Investments for which market quotations are readily available on an exchange are valued at such market quotations. The Investment Adviser may also obtain indicative prices with respect to certain of our investments from pricing services or brokers or dealers in order to value these investments. When doing so, the Investment Adviser determines whether the quote obtained is sufficient to determine the fair value of the investment. If determined adequate, the Operating Company uses the quote obtained.

Investments for which the Operating Company does not have readily available market quotations are valued at fair value as determined in good faith by its board of directors. We expect the Operating Company will value these investments at fair value as determined in good faith by its board of directors using a documented valuation policy and a consistently applied valuation process. The Operating Company's board of directors has engaged an independent third-party valuation firm to provide it with valuation assistance with respect to our material unquoted assets.

Valuation methods may include comparisons of financial ratios of the portfolio companies that issued such private securities to peer companies that are public, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent sale occurs, the Operating Company will consider the pricing indicated by the external event to corroborate the private valuation. 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 the investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

The Operating Company's board of directors is ultimately and solely responsible for determining the fair value of the portfolio investments that are not publicly traded, whose market prices are not readily available on a quarterly basis in good faith or any other situation where portfolio investments require a fair value determination.

With respect to investments for which market quotations are not readily available, the Operating Company's board of directors undertakes a multi-step valuation process each quarter, as described below:

The quarterly valuation process will begin with each portfolio company or investment being initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;

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Preliminary valuation conclusions will then be documented and discussed with the Operating Company's senior management;

At least once annually, the valuation for each portfolio investment for which the Operating Company does not have a readily available market quotation for four consecutive quarters will be reviewed by an independent valuation firm engaged by the Operating Company's board of directors subject to a materiality threshold;

The valuation committee of the Operating Company's board of directors will review these valuations; and

The Operating Company's board of directors will discuss the valuations and determine the fair value of each investment in our portfolio in good faith.

In following these approaches, the types of factors that are taken into account in fair value pricing investments include, as relevant, but are not limited to: available market data, including relevant and applicable market trading and transaction comparables; applicable market yields and multiples; security covenants; call protection provisions; information rights; the nature and realizable value of any collateral; the portfolio company's ability to make payments, its earnings and discounted cash flows and the markets in which it does business; comparisons of financial ratios of peer companies that are public; comparable merger and acquisition transactions; and the principal market and enterprise values.

Determination of fair values involves subjective judgments and estimates. Under GAAP, the notes to the Operating Company's financial statements refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on its financial statements.

In the event that New Mountain Finance's board of directors believes that a different fair value for the Operating Company's investments is appropriate, New Mountain Finance's board of directors will endeavor to discuss the differences in the valuations with the Operating Company's board of directors for the purposes of resolving the differences in valuation. The valuation procedures of New Mountain Finance will be substantially similar to those utilized by the Operating Company described above.

**Revenue Recognition**

Our revenue recognition policies are as follows:

**Investments and Related Investment Income.** The Operating Company accounts for investment transactions on a trade-date basis. The Operating Company's board of directors determines the fair value of our portfolio of investments. Interest is recognized on the accrual basis, adjusted for accretion of discount. For investments with contractual PIK interest, which represents contractual interest accrued and added to the principal balance that generally becomes due at maturity, the Operating Company will not accrue PIK interest if the portfolio company valuation indicates that the PIK interest is not collectible. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the cost basis of investment, using the specific identification method, without regard to unrealized gains or losses previously recognized. The Operating Company reports changes in fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation (depreciation) on investments in its statement of operations.

**Portfolio Composition, Investment Activity and Yield**

The fair value of our investments was approximately \$441.1 million in 43 portfolio companies at December 31, 2010, \$320.5 million in 24 portfolio companies at December 31, 2009 and \$61.5 million in six portfolio companies at December 31, 2008. For the year ended December 31,

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2010, the Operating Company made approximately \$332.7 million of new investments in 34 portfolio companies. For the year ended December 31, 2009, the Operating Company made approximately \$268.4 million of new investments in 29 portfolio companies. From October 2008 (inception) through December 31, 2008, which we refer to in this prospectus as the "2008 Operating Period", the Operating Company made approximately \$63.0 million of new investments in six portfolio companies.

For the year ended December 31, 2010, the Operating Company had approximately \$40.3 million in debt repayments in existing portfolio companies and sales of securities in 16 portfolio companies aggregating approximately \$217.9 million. For the year ended December 31, 2009, the Operating Company had approximately \$10.1 million of debt repayments and sales of securities in 12 portfolio companies aggregating approximately \$115.3 million. For the 2008 Operating Period, the Operating Company had approximately \$0.1 million of debt repayments and no sales of securities.

The Operating Company had \$66.3 million in realized gains on investments for the year ended December 31, 2010 and \$37.1 million in realized gains on investments for the year ended December 31, 2009. For the 2008 Operating Period, the Operating Company had no realized gains on investments. In addition, during the year ended December 31, 2010, the Operating Company had a change in unrealized appreciation on 36 portfolio companies totaling approximately \$13.0 million, which was offset by a change in unrealized depreciation on 18 portfolio companies totaling approximately \$53.0 million. During the year ended December 31, 2009, the Operating Company had a change in unrealized appreciation on 21 portfolio companies totaling approximately \$69.3 million, which was offset by a change in unrealized depreciation on four portfolio companies totaling approximately \$1.2 million. During the 2008 Operating Period, the Operating Company had a change in unrealized appreciation on two portfolio companies totaling approximately \$0.7 million, which was offset by a change in unrealized depreciation on four portfolio companies totaling approximately \$2.1 million. Movement in unrealized appreciation or unrealized depreciation can be the result of realizations.

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The following tables show the par value and fair value of our portfolio of investments by asset class as of December 31, 2010, December 31, 2009 and December 31, 2008 and our portfolio mix by industry as of December 31, 2010:

**Portfolio Mix by Type**

Type	December 31, 2010		December 31, 2010	
	Par Value(1) (in thousands)	% of Total	Fair Value (in thousands)	% of Total
<b>First lien</b>	\$ 339,139	73.0%	\$ 321,212	72.9%
<b>Second lien</b>	104,346	22.4%	98,935	22.4%
<b>Subordinated</b>	21,496	4.6%	20,378	4.6%
<b>Equity and other</b>			533	0.1%
<b>Total</b>	<b>\$ 464,981</b>	<b>100.0%</b>	<b>\$ 441,058</b>	<b>100.0%</b>

Type	December 31, 2009		December 31, 2009	
	Par Value(1) (in thousands)	% of Total	Fair Value (in thousands)	% of Total
<b>First lien</b>	\$ 314,173	76.2%	\$ 244,929	76.4%
<b>Second lien</b>	66,511	16.1%	53,255	16.6%
<b>Subordinated</b>	31,728			