

New Mountain Finance Holdings, L.L.C.  
Form 497  
September 25, 2012  
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Filed Pursuant to Rule 497  
Registration Statement Nos. 333-180689 and 333-180690

PROSPECTUS SUPPLEMENT

(to Prospectus dated July 10, 2012)

4,000,000 Shares

## New Mountain Finance Corporation

### Common Stock

New Mountain Finance Corporation ( NMFC ) is a holding company with no direct operations of its own, and its only business and sole asset is its ownership of common membership units of New Mountain Finance Holdings, L.L.C. (the Operating Company ). The Operating Company is an externally managed business development company managed by New Mountain Finance Advisers BDC, L.L.C. and is the operating company for NMFC s business. NMFC and the Operating Company each have elected to be treated as a business development company under the Investment Company Act of 1940. The Operating Company s investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. Prior to this offering, NMFC owned approximately 45.1% of the common membership units of the Operating Company and New Mountain Finance AIV Holdings Corporation owned approximately 54.9% of the common membership units of the Operating Company.

This is an offering of 4,000,000 shares of our common stock by the selling stockholder named in this prospectus supplement. See Selling Stockholder. We will not receive any proceeds from the sale of shares of common stock by the selling stockholder, including pursuant to any exercise by the underwriters of their option to purchase additional shares.

NMFC s common stock is listed on the New York Stock Exchange under the symbol NMFC . On September 21, 2012, the last reported sales price on the New York Stock Exchange for NMFC s common stock was \$15.50 per share.

*An investment in NMFC s common stock is very risky and highly speculative. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. In addition, the companies in which NMFC invests, through the Operating Company, are subject to special risks. See Risk Factors beginning on page 21 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in NMFC s common stock.*

This prospectus supplement and the accompanying prospectus contain important information about NMFC and the Operating Company that a prospective investor should know before investing in NMFC s common stock. Please read this prospectus supplement and the accompanying prospectus before investing and keep it for future reference. NMFC and the Operating Company file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (<http://www.sec.gov>), which is available free of charge by contacting NMFC by mail at 787 Seventh Avenue, 48th Floor, New York, New York 10019 or on our website at <http://www.newmountainfinance.com>. Information contained on our website is not incorporated by reference into this prospectus supplement and the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement and the accompanying prospectus.

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

	Per Share	Total(1)
Public Offering Price	\$ 15.0000	\$ 60,000,000
Sales Load (Underwriting Discounts and Commissions)	\$ 0.4000	\$ 1,600,000
Proceeds to Selling Stockholder (before expenses)(2)	\$ 14.6000	\$ 58,400,000

- (1) To the extent that the underwriters sell more than 4,000,000 shares of NMFC's common stock, the underwriters have the option to purchase up to an additional 600,000 shares of NMFC's common stock from the selling stockholder at the public offering price, less the sales load, within 30 days of the date of this prospectus supplement. If the underwriters exercise this option in full, the total public offering price, sales load and proceeds to the selling stockholder will be \$69,000,000, \$1,840,000 and \$67,160,000, respectively. We will not receive any proceeds from this offering. All underwriting discounts and commissions (sales load) will be borne by the selling stockholder identified in this prospectus supplement. See Underwriting.
- (2) We will not bear any expenses in connection with this offering. The selling stockholder will incur the offering expenses in connection with this offering. The underwriters expect to deliver the shares against payment in New York, New York on or about September 28, 2012.

*Joint-Lead Bookrunners*

**Goldman, Sachs & Co.**

**Morgan Stanley**

**Wells Fargo Securities**

Prospectus Supplement dated September 25, 2012.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

**You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information from that contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to buy, any shares of our common stock by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information contained in this prospectus supplement and the accompanying prospectus is complete and accurate only as of their respective dates, regardless of the time of their delivery or sale of our common stock. This prospectus supplement supersedes the accompanying prospectus to the extent it contains information different from or additional to the information in that prospectus.**

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information and disclosure. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus, the information in this prospectus supplement shall control. Please carefully read this prospectus supplement and the accompanying prospectus together with any exhibits and the additional information described under Available Information and in the Summary and Risk Factors sections before you make an investment decision.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights some of the information in this prospectus supplement and the accompanying 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 supplement and the accompanying prospectus.*

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

*NMFC refers to New Mountain Finance Corporation, a Delaware corporation, which was incorporated on June 29, 2010 in preparation for the initial public offering;*

*NMF SLF refers to 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 is the operating company for our business. References to the Operating Company include New Mountain Finance Holdings, L.L.C.'s wholly-owned subsidiary, NMF SLF, unless the context otherwise requires. References to the Operating Company exclude NMF SLF when referencing the Operating Company's common membership units, board of directors, and credit facility or leverage;*

*Guardian AIV refers to New Mountain Guardian AIV, L.P.;*

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

*New Mountain Finance Entities, we, us and our refer to NMFC, the Operating Company and AIV Holdings, collectively; except for references to the registration statement of which this prospectus forms a part and the offering of securities thereunder, in which case references to we, us and our refer to NMFC and the Operating Company only.*

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

*Administrator refers to the New Mountain Finance Entities' administrator, New Mountain Finance Administration, L.L.C.;*

*New Mountain Capital refers to New Mountain Capital Group, L.L.C. and its affiliates;*

*Predecessor Entities refers to New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries prior to the initial public offering;*

*Holdings Credit Facility refers to the Operating Company's Amended and Restated Loan and Security Agreement with Wells Fargo Bank, National Association, dated May 19, 2011, as amended;*

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*SLF Credit Facility* refers to NMF SLF's Loan and Security Agreement with Wells Fargo Bank, National Association, dated October 27, 2010, as amended; and

*Credit Facilities* refers to the Holding Credit Facility and the SLF Credit Facility, collectively.

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### Overview

The Operating Company is a Delaware limited liability company. The Operating Company is externally managed and has elected to be treated as a business development company ( BDC ) under the Investment Company Act of 1940, as amended (the 1940 Act ). As such, the Operating Company is obligated to comply with certain regulatory requirements. The Operating Company intends to be treated as a partnership for federal income tax purposes for so long as it has at least two members.

The Operating Company is externally managed by the Investment Adviser. The Administrator provides the administrative services necessary for its operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital. New Mountain Capital is a 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 approximately \$9.0 billion as of June 30, 2012. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity, and credit investment vehicles. The Operating Company, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of Guardian AIV by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately \$300.0 million of the \$5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising \$20.4 million of commitments.

NMFC is a Delaware corporation that was originally incorporated on June 29, 2010. NMFC is a closed-end, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. As such, NMFC is obligated to comply with certain regulatory requirements. NMFC has elected to be treated, and intends to comply with the requirements to qualify annually, as a regulated investment company ( RIC ) under Subchapter M of the Internal Revenue Code of 1986, as amended, (the Code ) commencing with its taxable year ending on December 31, 2011.

AIV Holdings is a Delaware corporation that was originally incorporated on March 11, 2011. Guardian AIV, a Delaware limited partnership, is AIV Holdings' sole stockholder. AIV Holdings is a closed-end, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. As such, AIV Holdings is obligated to comply with certain regulatory requirements. AIV Holdings has elected to be treated, and intends to comply with the requirements to qualify annually, as a RIC under the Code commencing with its taxable year ending on December 31, 2011.

On May 19, 2011, NMFC priced its initial public offering (the IPO ) of 7,272,727 shares of common stock at a public offering price of \$13.75 per share. Concurrently with the closing of the IPO and at the public offering price of \$13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a concurrent private placement (the Concurrent Private Placement ). Additionally, 1,252,964 shares were issued to the partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities. In connection with NMFC's IPO and through a series of transactions, the Operating Company owns all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

On July 10, 2012, NMFC's shelf registration statement became effective. On July 17, 2012, NMFC completed a public offering of 5,250,000 shares of its common stock at a public offering price of \$14.35 per share for total gross proceeds of approximately \$75.3 million. In connection with the offering, the underwriters purchased an additional 676,802 shares with the exercise of the over-allotment option.



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NMFC and AIV Holdings are holding companies with no direct operations of their own, and their sole asset is their ownership in the Operating Company. NMFC and AIV Holdings each entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of the Operating Company, pursuant to which NMFC and AIV Holdings were admitted as members of the Operating Company. NMFC acquired from the Operating Company, with the gross proceeds of the IPO and the Concurrent Private Placement, common membership units ( units ) of the Operating Company (the number of units are equal to the number of shares of NMFC s common stock sold in the IPO and the Concurrent Private Placement). Additionally, NMFC received units of the Operating Company equal to the number of shares of common stock of NMFC issued to the partners of New Mountain Guardian Partners, L.P. Guardian AIV was the parent of the Operating Company prior to the IPO and, as a result of the transactions completed in connection with the IPO, obtained units in the Operating Company. Guardian AIV contributed its units in the Operating Company to its newly formed subsidiary, AIV Holdings, in exchange for common stock of AIV Holdings. AIV Holdings has the right to exchange all or any portion of its units in the Operating Company for shares of NMFC s common stock on a one-for-one basis at any time.

Prior to this offering, NMFC and AIV Holdings owned approximately 45.1% and 54.9%, respectively, of the units of the Operating Company.

The current structure was designed to generally prevent NMFC and its stockholders from being allocated taxable income with respect to unrecognized gains that existed at the time of the IPO in the Predecessor Entities assets, and rather such amounts would be allocated generally to AIV Holdings and its stockholders. The result is that any distributions made to NMFC s stockholders that are attributable to such gains generally will not be treated as taxable dividends but rather as return of capital.

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The diagram below depicts our current organizational structure (percentages are prior to this offering).

The Operating Company's investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, the Operating Company's investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance.

As of June 30, 2012, the Operating Company's net asset value was \$427.7 million and its portfolio had a fair value of approximately \$751.1 million in 56 portfolio companies, with a weighted average Unadjusted and Adjusted Yield to Maturity of approximately 10.7% and 13.0%, respectively. Adjusted Yield to Maturity assumes that the investments in the Operating Company's portfolio are purchased at fair value on June 30, 2012 and held until their respective maturities with no prepayments or losses and exited at par at maturity. This calculation excludes the impact of existing leverage,

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except for the non-recourse debt of NMF SLF. NMF SLF is treated as a fully levered asset of the Operating Company, with NMF SLF's net asset value being included for yield calculation purposes. The actual yield to maturity may be higher or lower due to the future selection of the London Interbank Offered Rate ( LIBOR ) contracts by the individual companies in the Operating Company's portfolio or other factors. References to Unadjusted Yield to Maturity have the same assumptions as Adjusted Yield to Maturity except that NMF SLF is not treated as a fully levered asset of the Operating Company, but rather the assets themselves are consolidated into the Operating Company.

### **The Investment Adviser**

The Investment Adviser, a wholly-owned subsidiary of New Mountain Capital, manages the Operating Company's day-to-day operations and provides it with investment advisory and management services. In particular, the Investment Adviser is responsible for identifying attractive investment opportunities, conducting research and due diligence on prospective investments, structuring the Operating Company's investments and monitoring and servicing the Operating Company's investments. We currently do not have, and do not intend to have, any employees. As of June 30, 2012, the Investment Adviser was supported by over 90 staff members of New Mountain Capital, including 62 investment professionals.

The Investment Adviser is managed by a five member investment committee (the Investment Committee ), which is responsible for approving purchases and sales of the Operating Company's investments above \$5.0 million in aggregate by issuer. The Investment Committee currently consists of Steven B. Klinsky, Robert A. Hamwee, Adam Collins, Douglas Londal and Alok Singh. The Investment Committee is responsible for approving all of the Operating Company's investment purchases above \$5.0 million. The Investment Committee also monitors investments in the Operating Company's portfolio and approves all asset dispositions above \$5.0 million. Purchases and dispositions below \$5.0 million may be approved by the Operating Company's Chief Executive Officer. These approval thresholds are subject to change over time. We expect to benefit from the extensive and varied relevant experience of the investment professionals serving on the Investment Committee, which includes expertise in private equity, primary and secondary leveraged credit, private mezzanine finance and distressed debt.

### **Recent Developments**

#### ***Preliminary Estimate of Net Asset Value***

Set forth below is a preliminary estimate of our net asset value per share as of the date of this prospectus supplement. The following estimate is not a comprehensive statement of our financial condition or results for the period from June 30, 2012 through the date of this prospectus supplement. We advise you that our actual results for the three months ended September 30, 2012 may differ materially from this estimate, which is given only as of the date of this prospectus supplement, as a result of the completion of our financial closing procedures, final adjustments and other developments, including changes in interest rates or changes in the businesses to whom we have made loans, which may arise between now and the time that our financial results for the three months ended September 30, 2012 are finalized. This information is inherently uncertain.

As of the date of this prospectus supplement, we estimate that our net asset value per share is between \$13.93 and \$14.03.

The preliminary financial estimate provided herein has been prepared by, and is the responsibility of, management. Deloitte & Touche LLP, our independent registered public accounting firm, has not

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audited, reviewed, compiled, or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, Deloitte & Touche LLP does not express an opinion or any form of assurance with respect thereto.

***New BDC Legislation***

On June 8, 2012, legislation was introduced in the U.S. House of Representatives intended to revise certain regulations applicable to business development companies, or BDCs. The legislation provides for (i) increasing the amount of funds BDCs may borrow by reducing asset to debt limitations from 2:1 to 3:2, (ii) permitting BDCs to file registration statements with the U.S. Securities and Exchange Commission that incorporate information from already-filed reports by reference, (iii) utilizing other streamlined registration processes afforded to operating companies, and (iv) allowing BDCs to own investment adviser subsidiaries. There are no assurances as to when the legislation will be enacted by Congress, if at all, or, if enacted, what final form the legislation would take.

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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 applies New Mountain Capital's long-standing, consistent investment approach that has been in place since its founding more than 10 years ago. We focus on companies in less well followed defensive growth niches of the middle market space where we believe few debt funds have built equivalent research and operational size and scale.

We benefit directly from New Mountain Capital's private equity investment strategy that seeks to identify attractive investment sectors from the top down and then works to become a well positioned investor in these sectors. New Mountain Capital focuses on companies and 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 Capital 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 Capital, which is based on three primary investment principles:

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

#### ***Experienced Management Team and Established Platform***

The Investment Adviser's team members have extensive experience in the leveraged lending space. Steven B. Klinsky, New Mountain Capital's Founder, Chief Executive Officer and Managing Director and Chairman of the board of directors of the New Mountain Finance Entities, was a general partner of Forstmann Little & Co., a manager of debt and equity funds totaling multiple billions of dollars in the 1980s and 1990s. He was also a co-founder of Goldman, Sachs & Co.'s Leverage Buyout Group in the period from 1981 to 1984. Robert A. Hamwee, Chief Executive Officer and President of the New Mountain Finance Entities and Managing Director of New Mountain Capital, was formerly President of GSC Group, Inc. (GSC), where he was the portfolio manager of GSC's distressed debt funds and led the development of GSC's CLOs. Douglas Lodal, Managing Director of New Mountain Capital, was previously co-head of Goldman, Sachs & Co.'s United States (U.S.) mezzanine debt team. Alok Singh, Managing Director of New Mountain Capital, has extensive experience structuring debt products as a long-time partner at Bankers Trust Company.

Many of the debt investments that the Operating Company has made to date have been in the same companies with which New Mountain Capital has already conducted months of intensive acquisition due

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

### ***Significant Sourcing Capabilities and Relationships***

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

### ***Risk Management through Various Cycles***

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

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

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

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

### ***Access to Non Mark to Market, Seasoned Leverage Facilities***

The amounts available under the Credit Facilities are generally not subject to reduction as a result of mark to market fluctuations in the Operating Company's portfolio investments. For a detailed discussion of the Credit Facilities, see Management's Discussion and Analysis of Financial Conditions and Results of Operations Liquidity and Capital Resources .

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### **Market Opportunity**

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

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

*Middle market companies continue to face difficulties in accessing the capital markets.* We believe opportunities to serve the middle market will continue to exist. While many middle market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult 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 their own 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 often include 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 (including traditional first and second lien, as well as unitranche loans) provided by companies such as ours.

### **Operating and Regulatory Structure**

NMFC and the Operating Company are closed-end, non-diversified management investment companies that have elected to be treated as BDCs under the 1940 Act and are required to maintain an asset coverage ratio, as defined in the 1940 Act, of at least 200.0%. NMFC has no material long-term liabilities itself and its only business and sole asset is its ownership of units of the Operating Company. As a result, NMFC looks to the Operating Company's assets for purposes of satisfying the requirements under the 1940 Act otherwise applicable to NMFC. See Regulation . The Operating Company and NMF SLF have long term liabilities related to the Credit Facilities.

NMFC has elected to be treated, and intends to comply with the requirements to qualify annually, as a RIC under Subchapter M of the Code, commencing with its taxable year ending on December 31,

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2011. See **Material Federal Income Tax Considerations** . As a RIC, NMFC 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 unit holders that will be sufficient to enable NMFC to pay quarterly distributions to its stockholders and to maintain its status as a RIC. NMFC 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 units of the Operating Company.

### **Risks**

An investment in NMFC'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 NMFC stockholders or prior stockholder approval. See **Risk Factors** and the other information included in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of NMFC's common stock. The value of the Operating Company's assets, as well as the market price of NMFC's shares, will fluctuate. Our investments may be risky, and you may lose all or part of your investment in NMFC. Investing in NMFC involves other risks, including the following:

We have a limited operating history;

The Operating Company may suffer credit losses;

The Operating Company does not expect to replicate the Predecessor Entities' historical performance or the historical performance of other entities managed or supported by New Mountain Capital;

There is uncertainty as to the value of the Operating Company's portfolio investments because most of its investments are, and may continue to be in private companies and recorded at fair value. In addition, because NMFC is a holding company, the fair values of the Operating Company's investments are determined by the Operating Company's board of directors in accordance with the Operating Company's valuation policy;

The Operating Company's ability to achieve its investment objective depends on key investment personnel of the Investment Adviser. If the Investment Adviser were to lose any of its key investment personnel, the Operating Company's ability to achieve its investment objective could be significantly harmed;

The Investment Adviser has limited experience managing a BDC or a RIC, which could adversely affect our business;

The Operating Company operates in a highly competitive market for investment opportunities and may not be able to compete effectively;

Our business, results of operations and financial condition depends on the Operating Company's ability to manage future growth effectively;

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



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

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Regulations governing the operations of BDCs will affect our ability to raise additional equity capital as well as our ability to issue senior securities or borrow for investment purposes, any or all of which could have a negative effect on our investment objectives and strategies;

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

The Operating Company's board of directors may change its 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;

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

NMFC 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 their distributions to you may be a return of capital for federal income tax purposes;

The Operating Company's investments in portfolio companies may be risky, and the Operating Company could lose all or part of any of its investments;

The lack of liquidity in the Operating Company's investments may adversely affect our business;

Economic recessions or downturns could impair the Operating Company's portfolio companies and harm its operating results;

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

The market price of NMFC's common stock may fluctuate significantly; and

Sales of substantial amounts of NMFC'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 Seventh Avenue, 48th Floor, New York, New York 10019, and our telephone number is (212) 720-0300. We maintain a website at <http://www.newmountainfinance.com>. Information contained on our website is not incorporated by reference into this prospectus supplement and the accompanying prospectus, and you should not consider information contained on our website to be part of this prospectus supplement and the accompanying prospectus.

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

***Historical Financial Information***

Unless otherwise indicated, historical references contained in the accompanying prospectus in *Selected Financial and Other Data* , *Selected Quarterly Data* , *Management's Discussion and Analysis of Financial Condition and Results of Operations* , *Senior Securities* and *Portfolio Companies* relate to the Operating Company, which is NMFC's sole investment. The consolidated 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 consolidated financial statements.

***Market Data***

Statistical and market data used in this prospectus supplement and the accompanying 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 supplement and the accompanying prospectus. See *Cautionary Statement Regarding Forward-Looking Statements* .

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**THE OFFERING**

Common Stock Offered by the Selling Stockholder

4,000,000 shares, excluding 600,000 shares of common stock issuable pursuant to the option to purchase additional shares granted to the underwriters.

Common Stock Currently Outstanding

16,624,493 shares.

Common Stock Outstanding after this Offering

20,624,493 shares, excluding 600,000 shares of common stock issuable pursuant to the option to purchase additional shares granted to the underwriters. This amount does not include any shares which may be issuable upon conversion of existing securities.

Use of Proceeds

We will not receive any proceeds from the sale of the shares of common stock covered by this prospectus supplement.

New York Stock Exchange Symbol

NMFC

Investment Advisory Fees

NMFC does not have an investment adviser. The Operating Company pays the Investment Adviser a fee for its services under an investment advisory and management agreement (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 base management fee is calculated based on the average value of the Operating Company's gross assets, borrowings under the SLF Credit Facility, and the cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter. The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% 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 20.0% of the Operating Company's Adjusted Realized Capital Gains, if any, on a cumulative basis from

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Administrator	<p>inception through the end of the year, computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee. See Investment Management Agreement in the accompanying prospectus.</p> <p>The Administrator serves as the administrator for us and arranges office space for us and provides us with office equipment and administrative services. The Administrator performs, or oversees the performance of, our financial records, prepares reports to our stockholders/unit holders and reports filed by us with the Securities and Exchange Commission ( SEC ), monitors the payment of our expenses, and oversees the performance of administrative and professional services rendered to us by others. The Operating Company reimburses the Administrator for the New Mountain Finance Entities allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the New Mountain Finance Entities under an administration agreement, as amended and restated (the Administration Agreement ). See Administration Agreement in the accompanying prospectus.</p>
Distributions	<p>NMFC intends to pay quarterly distributions to its stockholders out of assets legally available for distribution. The quarterly distributions, if any, will be determined by NMFC s board of directors. The distributions NMFC 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 NMFC 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 NMFC to pay quarterly distributions to its stockholders. See Distributions in the accompanying prospectus.</p>
Taxation of NMFC	<p>NMFC has elected to be treated, and intends to comply with the requirements to qualify annually thereafter, as a RIC under Subchapter M of the Code, commencing with its taxable year ending on December 31, 2011. As a RIC, NMFC generally will not pay corporate-level federal income taxes on any net ordinary income or</p>

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	<p>capital gains that it timely distributes to its stockholders as dividends. To maintain its RIC status, NMFC must meet specified source-of-income and asset diversification requirements and distribute annually to its stockholders at least 90.0% 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 NMFC to maintain its status as a RIC. See Distributions and Material Federal Income Tax Considerations in the accompanying prospectus.</p>
<p>Taxation of Operating Company</p>	<p>The Operating Company intends 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 unit holders, including NMFC, 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. NMF SLF expects to be treated as a disregarded entity for federal income tax purposes. As a result, NMF 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 NMF SLF's assets and items of income, gain, loss, deduction and credit. See Material Federal Income Tax Considerations in the accompanying prospectus.</p>
<p>Dividend Reinvestment Plan</p>	<p>NMFC has adopted an opt out dividend reinvestment plan for its stockholders. As a result, if NMFC declares a distribution, then your cash distributions will be automatically reinvested in additional shares of NMFC'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 NMFC's common stock will be automatically reinvested by NMFC in additional units of the Operating Company. NMFC will use only newly issued shares to implement the plan if the price at which newly issued shares are to be credited is equal to or greater than 110.0% of the last determined net asset value of the shares.</p>

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Trading at a Discount	<p>NMFC 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 110.0% of the last determined net asset value of the shares. See Dividend Reinvestment Plan in the accompanying prospectus.</p> <p>Shares of closed-end investment companies frequently trade at a discount to their net asset value. The possibility that NMFC'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. We cannot predict whether NMFC's common stock will trade above, at or below net asset value.</p>
License Agreement	<p>The New Mountain Finance Entities have entered into a royalty-free license agreement with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant the New Mountain Finance Entities a non-exclusive license to use the names New Mountain and New Mountain Finance. See License Agreement in the accompanying prospectus.</p>
Leverage	<p>We expect to 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 we invest and therefore, indirectly, increases the risks associated with investing in shares of NMFC's common stock. See Risk Factors in the accompanying prospectus.</p>
Anti-Takeover Provisions	<p>The New Mountain Finance Entities' 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 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 NMFC stockholders. See Description of NMFC's</p>



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Available Information

Capital Stock Delaware Law and Certain Certificate of Incorporation and Bylaw Provisions; Anti-Takeover Measures in the accompanying prospectus.

We have filed with the SEC a registration statement on Form N-2 together with all amendments and related exhibits under the Securities Act. The registration statement contains additional information about us and the shares of common stock being offered by this prospectus supplement and the accompanying prospectus.

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act). This information is available at the SEC's public reference room at 100 F Street, NE, Washington, District of Columbia 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 1-800-SEC-0330. This information is also available free of charge by contacting us at New Mountain Finance Corporation, 787 Seventh Avenue, 48th Floor, New York, New York 10019, by telephone at (212) 720-0300, or on our website at <http://www.newmountainfinance.com>. Information contained on our website or on the SEC's web site about us is not incorporated into this prospectus supplement and the accompanying prospectus and you should not consider information contained on our website or on the SEC's website to be part of this prospectus supplement and the accompanying prospectus.

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**Table of Contents****FEES AND EXPENSES**

The following table is intended to assist you in understanding the costs and expenses that you will bear directly or indirectly. We will not be paying any expenses of this offering. 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 supplement and the accompanying prospectus contains a reference to fees or expenses paid by you, NMFC, the Operating Company, or us or that we, NMFC, or the Operating Company will pay fees or expenses, stockholders will indirectly bear such fees or expenses through NMFC's investment in the Operating Company.

**Stockholder transaction expenses:**

Sales load borne by us (as a percentage of offering price)	None(1)
Offering expenses borne by us (as a percentage of offering price)	None(2)
Dividend reinvestment plan fees	N/A(3)

**Total stockholder transaction expenses (as a percentage of offering price)** None

**Annual expenses (as a percentage of net assets attributable to common stock):**

Base management fees	2.3%(4)
Incentive fees payable under the Investment Management Agreement	2.4%(5)
Interest payments on borrowed funds	1.6%(6)
Other expenses	1.0%(7)
<b>Total annual expenses</b>	<b>7.3%(8)</b>

**Example**

The following example, required by the SEC, demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in NMFC's common stock. In calculating the following expense amounts, we have assumed that our borrowings and annual operating expenses would remain at the levels set forth in the table above. See Note 6 below for additional information regarding certain assumptions regarding our level of leverage.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$ 49	\$ 147	\$ 244	\$ 487

**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 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. The incentive fee under the Investment Management Agreement, which, assuming a 5.0% 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 above illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses and returns to our investors would be higher. For example, if we assumed that we received our 5.0% annual return completely in the form of net realized capital gains on our investments, computed net of all cumulative unrealized depreciation on our investments, the projected dollar amount of total cumulative expenses set forth in the above illustration would be as follows:

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$ 59	\$ 174	\$ 286	\$ 557

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The example assumes no sales load and no offering expenses borne by us since the selling stockholder will bear the expenses of the offering. In addition, while the examples assume reinvestment of all distributions at net asset value, participants in NMFC's dividend reinvestment plan will receive a number of shares of NMFC's common stock determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of NMFC's common stock at the close of trading on the dividend payment date. The market price per share of NMFC's common stock may be at, above or below net asset value. See "Dividend Reinvestment Plan" in the accompanying prospectus for additional information regarding the dividend reinvestment plan.

- (1) All underwriting discounts and commissions (sales load) will be borne by the selling stockholder.
- (2) We will not bear any expenses in connection with this offering. The offering expenses of this offering will be borne by the selling stockholder.
- (3) The de minimus expenses of the dividend reinvestment plan are included in "other expenses".
- (4) The base management fee under the Investment Management Agreement is based on an annual rate of 1.75% of the Operating Company's average gross assets for the two most recent quarters less (i) the borrowings under the SLF Credit Facility and (ii) cash and cash equivalents. The base management fees reflected in the table above is based on the six months ended June 30, 2012. See "Investment Management Agreement" in the accompanying prospectus.
- (5) Assumes that annual incentive fees earned by the Investment Adviser remain consistent with the incentive fees earned by the Investment Adviser during the six months ended June 30, 2012 and includes accrued capital gains incentive fee. These accrued capital gains incentive fees would be paid by the Operating Company if the Operating Company ceased operations on June 30, 2012 and liquidated its investments at the June 30, 2012 valuation. As we cannot predict whether the Operating Company will meet the thresholds for incentive fees under the Investment Management Agreement, the incentive fees paid in subsequent periods, if any, may be substantially different than the fees incurred during the six months ended June 30, 2012. For more detailed information about the incentive fee calculations, see the "Investment Management Agreement" section of the accompanying prospectus.
- (6) We may borrow funds from time to time to make investments to the extent we determine that additional capital would allow us 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 NMFC's stockholders through its investment in the Operating Company. As of June 30, 2012, the Operating Company had \$138.8 million and \$173.1 million of indebtedness outstanding under the Holdings Credit Facility and the SLF Credit Facility, respectively. For purposes of this calculation, we have assumed the June 30, 2012 amounts outstanding under these credit facilities, and have computed interest expense using an assumed interest rate of 3.0% for the Holdings Credit Facility and 2.2% for the SLF Credit Facility, which were the rates payable as of June 30, 2012. See "Senior Securities" in the accompanying prospectus.
- (7) "Other expenses" include the New Mountain Finance Entities' overhead expenses, including payments by the Operating Company under the Administration Agreement based on the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the New Mountain Finance Entities under the Administration Agreement. Pursuant to the Administration Agreement, and further restricted by the Operating Company, expenses payable to the Administrator by the Operating Company as well as other direct and indirect expenses (excluding interest and other credit facility expenses and management and incentive fees) have been capped at \$3.5 million for the time period from April 1, 2012 to March 31, 2013. This expense ratio does not include the expense cap of \$3.5 million. Assuming \$3.5 million of annual expense, the expense ratio would be 0.7%. See "Administration Agreement" in the accompanying prospectus.
- (8) The holders of shares of NMFC's common stock indirectly bear the cost associated with our annual expenses through NMFC's investment in the Operating Company.

**Table of Contents****SELECTED FINANCIAL AND OTHER DATA**

The selected financial data should be read in conjunction with the respective financial statements and related combined notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus. Financial information for the years ended December 31, 2011, December 31, 2010, December 31, 2009 and for the period October 29, 2008 (commencement of operations) to December 31, 2008 has been derived from our financial statements that were audited by Deloitte & Touche, LLP, an independent registered public accounting firm. The financial information at and for the six months ended June 30, 2012 was derived from our unaudited financial statements and related notes. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods, have been included. Our results for the interim period may not be indicative of our results for the full year. See Management's Discussion and Analysis of Financial Condition and Results of Operations elsewhere in this prospectus supplement and Senior Securities in the accompanying prospectus for more information.

(in thousands except shares and per share data)

	Six months ended June 30, 2012 (unaudited)	2011	Year ended December 31, 2010	2009	Period from October 29, 2008 (commencement of operations) to December 31, 2008
<b>New Mountain Finance Holdings, L.L.C.</b>					
<b>Statement of Operations Data:</b>					
Total investment income	\$ 39,321	\$ 56,523	\$ 41,375	\$ 21,767	\$ 256
Net expenses	17,762	17,998	3,911	1,359	
Net investment income	21,559	38,525	37,464	20,408	256
Net realized and unrealized gains (losses)	13,192	(6,848)	26,328	105,272	(1,435)
Net increase (decrease) in net assets resulting from operations	34,751	31,677	63,792	125,680	(1,179)
<b>Per share data:</b>					
Net asset value	\$ 13.83	\$ 13.60	N/A	N/A	N/A
Net increase (decrease) in net assets resulting from operations (basic and diluted)	1.12	1.02	N/A	N/A	N/A
Dividends paid(1)	0.89	0.86	N/A	N/A	N/A
<b>Balance sheet data:</b>					
Total assets	\$ 773,674	\$ 730,579	\$ 460,224	\$ 330,558	\$ 61,669
SLF Credit Facility	173,112	165,928	56,936		
Holdings Credit Facility	138,757	129,038	59,697	77,745	
Total net assets	427,735	420,502	241,927	239,441	30,354
<b>Other data:</b>					
Total return at net asset value(2)	8.34%	10.09%	26.54%	76.38%	NM
Number of portfolio companies at period end (unaudited)	56	55	43	24	6
Total new investments for the period	\$ 233,117	\$ 493,331	\$ 332,708	\$ 268,382	\$ 63,018
Investment sales and prepayments for the period	\$ 203,831	\$ 231,962	\$ 258,202	\$ 125,430	\$ 132
Weighted average Adjusted Yield to Maturity on debt portfolio at period end(3) (unaudited)	13.0%	13.1%	12.5%	12.7%	18.8%
Weighted average shares outstanding at period end	30,919,629	30,919,629	N/A	N/A	N/A
Portfolio turnover	27.45%	42.13%	76.69%	57.50%	0.22%



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N/A Fund was not unitized as of December 31, 2010, December 31, 2009 and December 31, 2008.

NM Total return from commencement of operations through December 31, 2008 was deemed not meaningful due to the scaling of operations during this short time period.

- (1) Dividends paid in the six months ended June 30, 2012 include a special dividend related to estimated realized capital gains attributable to the Operating Company's investments in Lawson Software, Inc. and Infor Lux Bond Company. Actual cash payments on the dividends declared to AIV Holdings, only, for the quarters ended March 31, 2012 and June 30, 2012, were made on April 4, 2012 and July 9, 2012, respectively.
- (2) For the six months ended June 30, 2012, total return is calculated assuming a purchase at net asset value on the opening of the first day of the year and a sale at net asset value on the last day of the period. For the year ended December 31, 2011, total return is calculated in two parts: (1) from the opening of the first day of the year to NMFC's IPO date, total return is calculated based on net income over weighted average net assets and (2) from NMFC's IPO date to the last day of the year, total return is calculated assuming a purchase at net asset value on NMFC's IPO date and a sale at net asset value on the last day of the year. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at net asset value on the last day of the respective periods. For the years ended December 31, 2010 and December 31, 2009, total return is the ratio of net income compared to capital, adjusted for capital contributions and distributions.
- (3) The Operating Company's weighted average Unadjusted Yield to Maturity was 10.7% and 10.7% for the six months ended June 30, 2012 and the year ended December 31, 2011, respectively.

*(in thousands except shares and per share data)*

	Six months ended June 30, 2012 (unaudited)	Period from May 19, 2011 (commencement of operations) to December 31, 2011
<b>New Mountain Finance Corporation Statement of Operations Data:</b>		
Total investment income allocated from the Operating Company	\$ 13,604	\$ 13,669
Net expenses allocated from the Operating Company	6,145	5,324
Net investment income allocated from the Operating Company	7,459	8,345
Net realized and unrealized gains (losses) allocated from the Operating Company	4,564	(4,235)
Unrealized appreciation in the Operating Company resulting from public offering price		6,221
Net increase (decrease) in net assets resulting from operations	12,023	10,331
<b>Per share data:</b>		
Net asset value	\$ 13.83	\$ 13.60
Net increase (decrease) in net assets resulting from operations (basic)	1.12	0.97
Net increase (decrease) in net assets resulting from operations (diluted)	1.12	0.38
Dividends paid(1)	0.89	0.86
<b>Balance sheet data:</b>		
Total assets	\$ 147,989	\$ 145,487
Total net assets	147,989	145,487
<b>Other data:</b>		
Total return at market value(2)	12.57%	4.16%
Total return at net asset value(3)	8.34%	2.82%
Weighted average shares outstanding at year end	10,697,691	10,697,691

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- (1) Dividends paid in the six months ended June 30, 2012 include a special dividend related to estimated realized capital gains attributable to the Operating Company's investments in Lawson Software, Inc. and Infor Lux Bond Company.
- (2) For the six months ended June 30, 2012, total return is calculated assuming a purchase of common stock on the opening of the first day of the year and a sale on the closing of the last business day of the period. For the period ended December 31, 2011, total return is calculated assuming a purchase of common stock at IPO and a sale on the closing of the last business day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under NMFC's dividend reinvestment plan.
- (3) For the six months ended June 30, 2012, total return is calculated assuming a purchase at net asset value on the opening of the first day of the year and a sale at net asset value on the last business day of the period. For the period ended December 31, 2011, total return is calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.

**Table of Contents****SELECTED QUARTERLY FINANCIAL DATA**

The following table sets forth certain quarterly financial data for the quarters ended June 30, 2012 and March 31, 2012 and for each of the quarters for the fiscal years ended December 31, 2011, December 31, 2010 and December 31, 2009 of the Operating Company and for the quarters ended June 30, 2012 and March 31, 2012 and for each of the quarters from May 19, 2011 (commencement of operations) through December 31, 2011 of NMFC. This data is derived from our unaudited financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

The below selected quarterly financial data is for the Operating Company.

(in thousands except for per unit data)

Quarter Ended	Investment Income		Net Investment Income		Total Net Realized Gains and Net Changes in Unrealized Appreciation (Depreciation) of Investments		Net Increase (Decrease) in Capital Resulting from Operations	
	Total	Per Unit	Total	Per Unit	Total	Per Unit	Total	Per Unit
June 30, 2012	\$ 20,299	\$ 0.66	\$ 11,646	\$ 0.38	\$ (561)	\$ (0.02)	\$ 11,085	\$ 0.36
March 31, 2012	19,022	0.62	9,913	0.32	13,754	0.45	23,667	0.77
December 31, 2011	\$ 17,127	\$ 0.55	\$ 9,540	\$ 0.31	\$ 8,317	\$ 0.27	\$ 17,857	\$ 0.58
September 30, 2011	15,069	0.49	10,002	0.32	(21,255)	(0.68)	(11,253)	(0.36)
June 30, 2011	13,116	0.42	9,554	0.31	(899)	(0.03)	8,655	0.28
March 31, 2011	11,212	N/A	9,429	N/A	6,990	N/A	16,419	N/A
December 31, 2010	\$ 9,820	N/A	\$ 8,335	N/A	\$ 7,978	N/A	\$ 16,313	N/A
September 30, 2010	13,881	N/A	13,145	N/A	5,560	N/A	18,705	N/A
June 30, 2010	8,597	N/A	7,777	N/A	(5,349)	N/A	2,428	N/A
March 31, 2010	9,077	N/A	8,208	N/A	18,138	N/A	26,346	N/A
December 31, 2009	\$ 7,617	N/A	\$ 6,617	N/A	\$ 1,617	N/A	\$ 8,234	N/A
September 30, 2009	6,148	N/A	6,030	N/A	33,709	N/A	39,739	N/A
June 30, 2009	5,092	N/A	4,877	N/A	42,562	N/A	47,439	N/A
March 31, 2009	2,910	N/A	2,883	N/A	27,385	N/A	30,268	N/A

N/A Not applicable, as the Operating Company was not unitized until May 19, 2011.

The below selected quarterly financial data is for NMFC.

(in thousands except for per share data)

Quarter Ended	Net Investment Income allocated from the Operating Company		Total Net Realized and Unrealized Gains (Losses)		Net Increase (Decrease) in Net Assets Resulting from Operations	
	Total	Per Share	Total	Per Share	Total	Per Share
June 30, 2012	\$ 4,029	\$ 0.38	\$ (194)	\$ (0.02)	\$ 3,835	\$ 0.36
March 31, 2012	3,430	0.32	4,758	0.45	8,188	0.77



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December 31, 2011	\$ 3,301	\$ 0.31	\$ 2,877	\$ 0.27	\$ 6,178	\$ 0.58
September 30, 2011	3,460	0.32	(7,353)	(0.68)	(3,893)	(0.36)
June 30, 2011	1,584	0.15	6,462	0.60	8,046	0.75
March 31, 2011	N/A	N/A	N/A	N/A	N/A	N/A

N/A Not applicable, as NMFC did not commence operations until May 19, 2011.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement contains forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, the Operating Company's current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as anticipates, expects, intends, plans, believes, seeks, estimates, would, should, targets, projects, and variations of these words and similar expressions are intended to identify forward-looking statements. The forward-looking statements contained in this prospectus supplement involve risks and uncertainties, including statements as to:

the preliminary estimates of our net asset value;

our future operating results;

the Operating Company's business prospects and the prospects of its portfolio companies;

the impact of investments that the Operating Company expects to make;

our contractual arrangements and relationships with third parties;

the dependence of our future success on the general economy and its impact on the industries in which we invest;

the ability of the Operating Company's portfolio companies to achieve their objectives;

the Operating Company's expected financings and investments;

the adequacy of our cash resources and working capital; and

the timing of cash flows, if any, from the operations of the Operating Company's portfolio companies.

These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

an economic downturn could impair the Operating Company's portfolio companies' ability to continue to operate, which could lead to the loss of some or all of the Operating Company's investments in such portfolio companies;

a contraction of available credit and/or an inability to access the equity markets could impair our lending and investment activities;

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interest rate volatility could adversely affect our results, particularly if we elect to use leverage as part of our investment strategy;

currency fluctuations could adversely affect the results of the Operating Company's investments in foreign companies, particularly to the extent that we receive payments denominated in foreign currency rather than U.S. dollars; and

the risks, uncertainties and other factors we identify in Risk Factors and elsewhere in this prospectus supplement, the accompanying prospectus and in our filings with the SEC.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include the Operating Company's ability to originate new loans and investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus supplement should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and

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uncertainties include those described or identified in **Risk Factors** and elsewhere in this prospectus supplement and the accompanying prospectus. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus supplement. However, we will update this prospectus supplement to reflect any material changes to the information contained herein. The forward-looking statements and projections contained in this prospectus supplement are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, or the Securities Act.

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**USE OF PROCEEDS**

We will not receive any proceeds from the sale of the shares of common stock covered by this prospectus supplement.

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**Table of Contents****PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

NMFC's common stock is traded on the New York Stock Exchange ( NYSE ) under the symbol NMFC . The following table sets forth the net asset value ( NAV ) per share of NMFC's common stock, the high and low closing sale price for NMFC's common stock, the closing sale price as a percentage of NAV and the quarterly dividend distributions per share for each fiscal quarter since NMFC's IPO on May 19, 2011.

Fiscal Year Ended	NAV Per Share(3)	Closing Sales Price(4)		Premium or Discount of High Sales to NAV(5)	Premium or Discount of Low Sales to NAV(5)	Declared Dividends Per Share(6)
		High	Low			
<b>December 31, 2012</b>						
Third Quarter(1)	*	\$ 15.50	\$ 14.18	*	*	\$ 0.34
Second Quarter	\$ 13.83	\$ 14.29	\$ 13.28	3.33%	(3.98)%	\$ 0.57(8)
First Quarter	\$ 14.05	\$ 13.75	\$ 13.14	(2.14)%	(6.48)%	\$ 0.32
<b>December 31, 2011(2)</b>						
Fourth Quarter	\$ 13.60	\$ 13.41	\$ 12.27	(1.40)%	(9.78)%	\$ 0.30
Third Quarter	\$ 13.32	\$ 13.37	\$ 10.77	0.38%	(19.14)%	\$ 0.29
Second Quarter(7)	\$ 14.25	\$ 13.55	\$ 12.35	(4.91)%	(13.33)%	\$ 0.27

- (1) Period from July 1, 2012 through September 21, 2012.
- (2) NMFC was not unitized until the IPO date of May 19, 2011.
- (3) NAV is determined as of the last date in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period.
- (4) Closing sales price is determined as the high or low closing sales price noted within the respective quarter, not adjusted for dividends.
- (5) Calculated as of the respective high or low sales price divided by the quarter end NAV.
- (6) Represents the dividend paid for the specified quarter.
- (7) Period from May 19, 2011 through June 30, 2011 (excludes IPO price of \$13.75).
- (8) Includes a special dividend of \$0.23 per share payable on May 31, 2012 and a second quarter dividend of \$0.34 per share payable on June 29, 2012.

\* Not determinable at the time of filing.

On September 21, 2012, the last reported sales price of NMFC's common stock was \$15.50 per share. As of June 30, 2012, the Operating Company had two record holders, which were NMFC and AIV Holdings, whereas NMFC had approximately 22 stockholders of record and approximately four beneficial owners whose shares are held in the names of brokers, dealers, funds, trusts and clearing agencies. The Operating Company is not a publicly traded entity.

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that NMFC's shares of common stock will trade at a discount from net asset value or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. Since NMFC's initial public offering on May 19, 2011, NMFC's shares of common stock have traded at times at a discount to the net assets attributable to those shares. As of September 21, 2012, NMFC's shares of common stock traded at a premium of approximately 12.08% of the net asset value attributable to those shares as of June 30, 2012. It is not possible to predict whether the shares offered hereby will trade at, above, or below net asset value.

Since NMFC is a holding company, distributions will be paid on NMFC's common stock from distributions received from the Operating Company. The Operating Company intends to make distributions to its unit holders that will be sufficient to enable NMFC to pay quarterly distributions to NMFC's stockholders and to maintain NMFC's status as a regulated investment company. NMFC

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intends to distribute approximately its entire portion of the Operating Company's Adjusted Net Investment Income on a quarterly basis and substantially its entire portion of the Operating Company's taxable income on an annual basis, except that they may retain certain net capital gains for reinvestment.

NMFC has adopted an opt-out dividend reinvestment plan on behalf of its stockholders, whereas NMFC stockholders' cash dividends will be automatically reinvested in additional shares of NMFC's common stock, unless the stockholder elects to receive cash. Cash dividends reinvested in additional shares of NMFC's common stock will be automatically reinvested by NMFC into additional units of the Operating Company.

NMFC applies the following in implementing the dividend reinvestment plan. If the price at which newly issued shares are to be credited to stockholders' accounts is greater than 110.0% of the last determined net asset value of the shares, NMFC will use only newly issued shares to implement its dividend reinvestment plan. Under such circumstances, the number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of NMFC's common stock on the NYSE on the distribution payment date. Market price per share on that date will be the closing price for such shares on the NYSE or, if no sale is reported for such day, the average of their electronically reported bid and asked prices. If NMFC uses newly issued shares to implement the plan, NMFC will receive, on a one-for-one basis, additional units of the Operating Company in exchange for cash distributions that are reinvested in shares of NMFC's common stock under the dividend reinvestment plan.

If the price at which newly issued shares are to be credited to stockholders' accounts is less than 110.0% of the last determined net asset value of the shares, NMFC will either issue new shares or instruct the plan administrator to purchase shares in the open market to satisfy the additional shares required. Shares purchased in open market transactions by the plan administrator will be allocated to a stockholder based on the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased in the open market. The number of shares of NMFC's common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of NMFC's stockholders have been tabulated.

The following table reflects the cash distributions, including dividends and returns of capital, if any, per unit/share that have been declared by the Operating Company's board of directors, and subsequently NMFC's board of directors, since NMFC's IPO:

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount</b>
August 8, 2012	September 14, 2012	September 28, 2012	\$ 0.34
May 8, 2012	June 15, 2012	June 29, 2012	0.34
May 8, 2012(1)	May 21, 2012	May 31, 2012	0.23
March 7, 2012	March 15, 2012	March 30, 2012	0.32
November 8, 2011	December 15, 2011	December 30, 2011	0.30
August 10, 2011	September 15, 2011	September 30, 2011	0.29
August 10, 2011	August 22, 2011	August 31, 2011	0.27
<b>Total</b>			\$ 2.09

(1) Special dividend related to estimated realized capital gains attributable to the Operating Company's investments in Lawson Software, Inc. and Infor Lux Bond Company.

Tax characteristics of all dividends paid by NMFC are reported to stockholders on Form 1099 after the end of the calendar year. Future quarterly dividends, if any, for the New Mountain Finance Entities will be determined by their respective board of directors.

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

*The information contained in this section should be read in conjunction with the Selected Financial and Other Data and our Financial Statements and notes thereto appearing elsewhere in this prospectus supplement and the accompanying prospectus. In addition to historical information, the following discussion and other parts of this prospectus supplement and the accompanying prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under Risk Factors appearing in the accompanying prospectus and Cautionary Statement Regarding Forward-Looking Statements appearing elsewhere in this prospectus supplement.*

**Overview**

The Operating Company is a Delaware limited liability company. The Operating Company is externally managed and has elected to be treated as a business development company ( BDC ) under the Investment Company Act of 1940, as amended (the 1940 Act ). As such, the Operating Company is obligated to comply with certain regulatory requirements. The Operating Company intends to be treated as a partnership for federal income tax purposes for so long as it has at least two members.

The Operating Company is externally managed by the Investment Adviser. New Mountain Finance Administration, L.L.C. (the Administrator ) provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital (defined as New Mountain Capital Group, L.L.C. and its affiliates). New Mountain Capital is a 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 approximately \$9.0 billion as of June 30, 2012. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity, and credit investment vehicles. The Operating Company, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ( Guardian AIV ) by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately \$300.0 million of the \$5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising \$20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly- owned subsidiaries, are defined as the Predecessor Entities .

NMFC is a Delaware corporation that was originally incorporated on June 29, 2010. NMFC is a closed-end, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. As such, NMFC is obligated to comply with certain regulatory requirements. NMFC has elected to be treated, and intends to comply with the requirements to qualify annually, as a regulated investment company ( RIC ) under Subchapter M of the Internal Revenue Code of 1986, as amended, (the Code ) commencing with its taxable year ending on December 31, 2011.

AIV Holdings is a Delaware corporation that was originally incorporated on March 11, 2011. Guardian AIV, a Delaware limited partnership, is AIV Holdings' sole stockholder. AIV Holdings is a closed-end, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. As such, AIV Holdings is obligated to comply with certain regulatory requirements. AIV Holdings has elected to be treated, and intends to comply with the requirements to qualify annually, as a RIC under the Code commencing with its taxable year ending on December 31, 2011.



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On May 19, 2011, NMFC priced its initial public offering (the IPO) of 7,272,727 shares of common stock at a public offering price of \$13.75 per share. Concurrently with the closing of the IPO and at the public offering price of \$13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a concurrent private placement (the Concurrent Private Placement). Additionally, 1,252,964 shares were issued to the limited partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities. In connection with NMFC's IPO and through a series of transactions, the Operating Company owns all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

On July 10, 2012, NMFC's shelf registration statement became effective. On July 17, 2012, NMFC completed a public offering of 5,250,000 shares of its common stock at a public offering price of \$14.35 per share for total gross proceeds of approximately \$75.3 million. In connection with the offering, the underwriters purchased an additional 676,802 shares with the exercise of the overallotment option.

NMFC and AIV Holdings are holding companies with no direct operations of their own, and their sole asset is their ownership in the Operating Company. NMFC and AIV Holdings each entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of the Operating Company, pursuant to which NMFC and AIV Holdings were admitted as members of the Operating Company. NMFC acquired from the Operating Company, with the gross proceeds of the IPO and the Concurrent Private Placement, common membership units (units) of the Operating Company (the number of units are equal to the number of shares of NMFC's common stock sold in the IPO and the Concurrent Private Placement). Additionally, NMFC received units of the Operating Company equal to the number of shares of common stock of NMFC issued to the limited partners of New Mountain Guardian Partners, L.P. Guardian AIV was the parent of the Operating Company prior to the IPO and, as a result of the transactions completed in connection with the IPO, obtained units in the Operating Company. Guardian AIV contributed its units in the Operating Company to its newly formed subsidiary, AIV Holdings, in exchange for common stock of AIV Holdings. AIV Holdings has the right to exchange all or any portion of its units in the Operating Company for shares of NMFC's common stock on a one-for-one basis.

Prior to this offering, NMFC and AIV Holdings owned approximately 45.1% and 54.9%, respectively, of the units of the Operating Company.

The current structure was designed to generally prevent NMFC from being allocated taxable income with respect to unrecognized gains that existed at the time of the IPO in the Predecessor Entities' assets, and rather such amounts would be allocated generally to AIV Holdings. The result is that any distributions made to NMFC's stockholders that are attributable to such gains generally will not be treated as taxable dividends but rather as return of capital.

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The diagram below depicts our current organizational structure (percentages are prior to this offering).

The Operating Company's investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, the Operating Company's investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) opportunities for niche market dominance.

As of June 30, 2012, the Operating Company's net asset value was \$427.7 million and its portfolio had a fair value of approximately \$751.1 million in 56 portfolio companies, with a weighted average Unadjusted and Adjusted Yield to Maturity of approximately 10.7% and 13.0%, respectively. Adjusted Yield to Maturity assumes that the investments in the Operating Company's portfolio are purchased at fair value on June 30, 2012 and held until their respective maturities with no prepayments or losses and exited at par at maturity. This calculation excludes the impact of existing leverage, except for the non-recourse debt of NMF SLF. NMF SLF is treated as a fully levered asset of the Operating Company, with NMF SLF's net asset value being included for yield calculation purposes.

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The actual yield to maturity may be higher or lower due to the future selection of the London Interbank Offered Rate ( LIBOR ) contracts by the individual companies in the Operating Company s portfolio or other factors. References to Unadjusted Yield to Maturity have the same assumptions as Adjusted Yield to Maturity except that NMF SLF is not treated as a fully levered asset of the Operating Company, but rather the assets themselves are consolidated into the Operating Company.

### **Recent Developments**

On July 10, 2012, NMFC s shelf registration statement became effective. On July 17, 2012, NMFC completed a public offering of 5,250,000 shares of its common stock at a public offering price of \$14.35 per share for total gross proceeds of approximately \$75.3 million. In connection with the offering, the underwriters purchased an additional 676,802 shares with the exercise of the over-allotment option.

On July 31, 2012, the boards of directors of the New Mountain Finance Entities each appointed David Malpass as a Class III Director and Adam B. Weinstein as a Class I Director. Additionally Mr. Malpass was appointed to the audit committees, valuation committees and nominating and corporate governance committees of each of the New Mountain Finance Entities. Mr. Malpass was further appointed to NMFC s and AIV Holdings compensation committees. Mr. Malpass is not an interested person of any of the New Mountain Finance Entities as such term is defined under Section 2(a)(19) of the 1940 Act. Mr. Malpass is currently president of Encima Global, an economic research and consulting firm serving institutional investors and corporate clients. His work provides insight and analysis on global economic and political trends, with investment research spanning equities, fixed income, commodities and currencies. Before founding Encima Global, LLC in 2008, Mr. Malpass served as Bear Stearns chief economist and Senior Managing Director from 1993 to 2008. Mr. Weinstein is the Chief Financial Officer and Treasurer of each of the New Mountain Finance Entities and thus, Mr. Weinstein is an interested person of each of the New Mountain Finance Entities as such term is defined under Section 2(a)(19) of the 1940 Act.

On August 7, 2012, the Operating Company entered into a seventh amendment to the Holdings Credit Facility. This amendment increased the maximum amount of revolving borrowings available under the Holdings Credit Facility from \$160.0 million to \$185.0 million.

On August 7, 2012, NMF SLF entered into a tenth amendment to the SLF Credit Facility. This amendment increased the maximum amount of revolving borrowings available under the SLF Credit Facility from \$175.0 million to \$200.0 million.

On August 8, 2012, the Operating Company s board of directors, and subsequently NMFC s board of directors, declared a third quarter 2012 distribution of \$0.34 per unit/share payable on September 28, 2012 to holders of record as of September 14, 2012. Investors in this offering will not be entitled to this dividend.

### **Critical Accounting Policies**

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States ( GAAP ) 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.

#### ***Basis of Accounting***

The Operating Company consolidates its wholly-owned subsidiary, NMF SLF. NMFC does not consolidate the Operating Company. NMFC applies investment company master-feeder financial statement presentation, as described in Accounting Standards Codification 946, *Financial Services Investment Companies*, ( ASC 946 ) to their interest in the Operating Company. NMFC observes that it is industry practice to follow the presentation prescribed for a Master Fund-Feeder fund structure in

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ASC 946 in instances in which a Master Fund is owned by more than one feeder fund and that such presentation provides stockholders of NMFC with a clearer depiction of their investment in the Master Fund.

### ***Valuation and Leveling of Portfolio Investments***

The Operating Company conducts the valuation of assets, pursuant to which its net asset value, and, consequently, NMFC's net asset value is determined, at all times consistent with GAAP and the 1940 Act.

The Operating Company values its assets on a quarterly basis, or more frequently if required under the 1940 Act. In all cases, the Operating Company's board of directors is ultimately and solely responsible for determining the fair value of its portfolio investments on a quarterly basis in good faith, including investments that are not publicly traded, those whose market prices are not readily available, and any other situation where its portfolio investments require a fair value determination. Security transactions are accounted for on a trade date basis. The Operating Company's quarterly valuation procedures are set forth in more detail below:

(1) Investments for which market quotations are readily available on an exchange are valued at such market quotations based on the closing price indicated from independent pricing services.

(2) Investments for which indicative prices are obtained from various pricing services and/or brokers or dealers are valued through a multi-step valuation process, as described below, to determine whether the quote(s) obtained is representative of fair value in accordance with GAAP.

a. Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below);

b. For investments other than bonds, the investment professionals of the Investment Adviser look at the number of quotes readily available and perform the following:

i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained;

ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).

(3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:

a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;

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

c. If an investment falls into (3) above for four consecutive quarters and if the investment's par value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which the investment professionals of the Investment Adviser do not have a readily available market quotation will be reviewed by an independent valuation firm engaged by the Operating Company's board of directors.

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d. Also, when deemed appropriate by the Operating Company's management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

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 of and the realizable value of any collateral, the portfolio company's earnings, discounted cash flows, the ability to make payments, the markets in which the portfolio company conducts business, and other relevant factors, including available market data such as relevant and applicable market trading and transaction comparables; applicable market yields and multiples; security covenants; call protection provisions; information rights; comparable merger and acquisition transactions; and the principal market and enterprise values. When an external event such as a purchase transaction, public offering or subsequent sale occurs, we will consider the pricing indicated by the external event to corroborate the private valuation.

The values assigned to investments are based upon available information and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of certain investments may fluctuate from period to period.

GAAP fair value measurement guidance classifies the inputs used in measuring fair value into three levels as follows:

Level I Quoted prices (unadjusted) are available in active markets for identical investments and the Operating Company has the ability to access such quotes as of the reporting date. The type of investments which would generally be included in Level I include active exchange-traded equity securities and exchange-traded derivatives. As required by Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* (ASC 820), the Operating Company, to the extent that we hold such investments, does not adjust the quoted price for these investments, even in situations where the Operating Company holds a large position and a sale could reasonably impact the quoted price.

Level II Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Level II inputs include the following:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

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

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

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

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

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The following table summarizes the levels in the fair value hierarchy that the Operating Company's portfolio investments fall into as of June 30, 2012:

(in thousands)	Total	Level I	Level II	Level III
First lien	\$ 435,801	\$	\$ 393,053	\$ 42,748
Second lien	283,508		230,233	53,275
Subordinated	28,958		21,419	7,539
Equity and other	2,812			2,812
<b>Total investments</b>	<b>\$ 751,079</b>	<b>\$</b>	<b>\$ 644,705</b>	<b>\$ 106,374</b>

NMFC is a holding company with no direct operations of its own, and its sole asset is its ownership in the Operating Company. NMFC's investment in the Operating Company is carried at fair value and represent the pro-rata interest in the net assets of the Operating Company as of the applicable reporting date. NMFC values its ownership interest on a quarterly basis, or more frequently if required under the 1940 Act.

The Operating Company generally uses the following framework when determining the fair value of investments where there are little, if any, market activity or observable pricing inputs.

**Company Performance, Financial Review, and Analysis:** Prior to investment, as part of its due diligence process, the Operating Company evaluates the overall performance and financial stability of the portfolio company. Post investment, the Operating Company analyzes each portfolio company's current operating performance and relevant financial trends versus prior year and budgeted results, including, but not limited to, factors affecting its revenue and earnings before interest, taxes, depreciation, and amortization (EBITDA) growth, margin trends, liquidity position, covenant compliance and changes to its capital structure. The Operating Company also attempts to identify and subsequently track any developments at the portfolio company, within its customer or vendor base or within the industry or the macroeconomic environment, generally, that may alter any material element of its original investment thesis. This analysis is specific to each portfolio company. The Operating Company leverages the knowledge gained from its original due diligence process, augmented by this subsequent monitoring, to continually refine its outlook for each of its portfolio companies and ultimately form the valuation of its investment in each portfolio company.

**Market Based Approach:** The Operating Company typically estimates the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies. The Operating Company carefully considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, relevant risk factors, as well as size, profitability and growth expectations. The Operating Company generally applies an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month (LTM) EBITDA or projected EBITDA to calculate portfolio company enterprise value. This is done in order to ensure that there is an appropriate level of value coverage for each investment. In applying the market based approach as of June 30, 2012, the Operating Company used a range of 1.0x to 11.5x relevant EBITDA to determine the enterprise value of its investments. The Operating Company believes this was a reasonable range in light of current comparable company trading levels and the specific companies involved.

**Income Based Approach:** The Operating Company also typically uses a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established

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utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. In applying the income based approach as of June 30, 2012, the Operating Company used a discount range of 6.4% to 23.3% to value its investments.

### ***Revenue Recognition***

The Operating Company's revenue recognition policies are as follows:

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

*Interest income:* Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. The Operating Company has loans in the portfolio that contain a payment-in-kind (PIK) provision. PIK represents interest that is accrued and recorded as interest income at the contractual rates, added to the loan principal on the respective capitalization dates, and generally due at maturity.

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

*Other income:* Other income represents delayed compensation, consent or amendment fees, revolver fees and other miscellaneous fees received. Delayed compensation is income earned from counterparties on trades that do not settle within a set number of business days after trade date.

NMFC's revenue recognition policy is as follows:

*Revenue, expenses, and capital gains (losses):* At each quarterly valuation date, the Operating Company's investment income, expenses, net realized gains (losses), and net increase (decrease) in unrealized appreciation (depreciation) are allocated to NMFC based on its pro-rata interest in the net assets of the Operating Company. This is recorded on NMFC's Statements of Operations. NMFC used the proceeds from its IPO and Concurrent Private Placement to purchase units in the Operating Company at \$13.75 per unit (its IPO price per share). At the IPO date, \$13.75 per unit represented a discount to the actual net asset value per unit of the Operating Company. As a result, NMFC experienced immediate unrealized appreciation on its investment.

All expenses are paid and recorded by the Operating Company. Expenses are allocated to NMFC based on pro-rata ownership interest. In addition, the Operating Company paid all of the offering costs related to the IPO. NMFC has recorded its portion of the offering costs as a direct reduction to net assets and the cost of its investment in the Operating Company.

With respect to the expenses incident to any registration of shares of NMFC's common stock issued in exchange for units of the Operating Company, AIV Holdings is responsible for the expenses of any demand registration (including underwriters' discounts or commissions) and their pro-rata share of any piggyback registration expenses. No shares have been exchanged since formation.

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### **Monitoring of Portfolio Investments**

The Operating Company monitors the performance and financial trends of its portfolio companies on at least a quarterly basis. The Operating Company attempts to identify any developments at the portfolio company or within the industry or the macroeconomic environment that may alter any material element of its original investment strategy.

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

Investment Rating 1 Investment is performing materially above expectations;

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

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

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

As of June 30, 2012, all investments in the Operating Company's portfolio had an Investment Rating of 1 or 2 with the exception of one investment. As of June 30, 2012, the Operating Company's original first lien position in ATI Acquisition Company had an Investment Rating of 4 due to the underlying business encountering significant regulatory headwinds which have led to the portfolio company's underperformance. As of June 30, 2012, the Operating Company's original first lien position in ATI Acquisition Company remained on non-accrual status due to the inability of the portfolio company to service its interest payments for the quarter then ended and uncertainty about its ability to pay such amounts in the future. As of June 30, 2012, this first lien debt investment had a cost basis of \$4.3 million, a fair value of \$0.3 million and total unearned interest income of \$0.2 million and \$0.3 million, respectively, for the three and six months then ended. Additionally, the Operating Company has two super priority first lien debt investments in ATI Acquisition Company with a combined cost basis of \$1.6 million and a combined fair value of \$1.4 million as of June 30, 2012. Unrealized gains include a fee that the Operating Company would receive upon maturity of the two super priority first lien debt investments. Neither super priority first lien positions are on non-accrual status. As of June 30, 2012, the Operating Company's total investment in ATI Acquisition Company had an aggregate cost basis of \$5.9 million and an aggregate fair value of \$1.7 million.

### **Portfolio and Investment Activity**

The fair value of the Operating Company's investments was approximately \$751.1 million in 56 portfolio companies at June 30, 2012 and approximately \$703.5 million in 55 portfolio companies at December 31, 2011. For the six months ended June 30, 2012, the Operating Company made approximately \$233.1 million of new investments in 19 portfolio companies. For the six months ended June 30, 2011, the Operating Company made approximately \$244.7 million of new investments in 22 portfolio companies.

For the six months ended June 30, 2012, the Operating Company had approximately \$128.6 million in debt repayments in existing portfolio companies and sales of securities in 12 portfolio companies aggregating approximately \$75.2 million. In addition, during the six months ended June 30,



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2012, the Operating Company had a change in unrealized appreciation on 34 portfolio companies totaling approximately \$10.0 million, which was offset by a change in unrealized depreciation on 29 portfolio companies totaling approximately \$9.8 million. For the six months ended June 30, 2011, the Operating Company had approximately \$102.1 million in debt repayments in existing portfolio companies and sales of securities in nine portfolio companies aggregating approximately \$50.1 million. During the six months ended June 30, 2011, the Operating Company had a change in unrealized appreciation on 33 portfolio companies totaling approximately \$6.3 million, which was offset by a change in unrealized depreciation on 22 portfolio companies totaling approximately \$12.8 million.

At June 30, 2012, the Operating Company's weighted average Unadjusted and Adjusted Yield to Maturity was approximately 10.7% and 13.0%, respectively.

**Recent Accounting Standards Updates**

In May 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ( ASU 2011-04 ), which provides clarification about how to measure fair value and improves comparability of fair value measurements presented and disclosed in accordance with GAAP and International Financial Reporting Standards. The amendments included in ASU 2011-04 clarify the FASB's intent about the application of existing fair value measurement and disclosure requirements outlined in ASC 820, as well as include some instances of changes to particular principles or requirements. ASU 2011-04 clarifies that (i) the concept of the highest and best use valuation premise applies only to nonfinancial assets, (ii) instruments classified in stockholders' equity should be valued from the perspective of a market participant that holds that instrument as an asset, and (iii) quantitative information should be disclosed about unobservable inputs used in a fair value measurement that is categorized within Level III of the fair value hierarchy. ASU 2011-04 changes the guidance in (i) permitting an exception to ASC 820 by allowing an entity to measure the fair value of a group of financial assets and financial liabilities exposed to market and credit risks to be consistent with the entity's net risk exposures, instead of gross risk, (ii) applying premiums and discounts in a fair value measurement lacking a Level I inputs to be consistent with the ASC 820 requirements of fair value measurement but that applying premiums and discounts in a fair value measurement related to size as a characteristic of the holding rather than as a characteristic of the asset or liability is not permitted, and (iii) requiring additional disclosures about fair value measurements categorized within Level III of the fair value hierarchy, including the valuation processes used and the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. ASU 2011-04 is effective for the interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a significant impact on the New Mountain Finance Entities' financial statements. Additional disclosure was added where applicable.

**Results of Operations**

Since NMFC is a holding company with no direct operations of its own, and its only business and sole asset is its ownership of common membership units of the Operating Company, NMFC's results of operations is based on the Operating Company's results of operations.

Under GAAP, NMFC's IPO did not step-up the cost basis of the Operating Company's existing investments to fair market value at the IPO date. Since the total value of the Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, and different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold or mature in the future. The

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Operating Company tracks the transferred (or fair market) value of each of its investment as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts income as if each investment was purchased at the date of the IPO (or stepped up to fair market value). The respective Adjusted Net Investment Income (defined as net investment income adjusted to reflect income as if the cost basis of investments held at the IPO date had stepped-up to fair market value as of the IPO date) is used in calculating both the incentive fee and dividend payments. The Operating Company also uses the transferred (or fair market) value of each of its investments as of the time of the IPO to adjust capital gains ( Adjusted Realized Capital Gains ) or losses ( Adjusted Realized Capital Losses ) and unrealized capital appreciation ( Adjusted Unrealized Capital Appreciation ) and unrealized capital depreciation ( Adjusted Unrealized Capital Depreciation ). See *Item 1. Financial Statements Note 5, Agreements* for additional details.

The following table for the Operating Company for the three months ended June 30, 2012 is adjusted to reflect the step-up to fair market value and the allocation of the incentive fees related to hypothetical capital gains out of the adjusted post-incentive fee net investment income.

(in thousands)	Three months ended June 30, 2012	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments(1)	Adjusted three months ended June 30, 2012
<b>Investment income</b>				
Interest income	\$ 20,124	\$ (825)	\$	\$ 19,299
Other income	175			175
<b>Total investment income</b>	20,299	(825)		19,474
Total expenses pre-incentive fee	5,882			5,882
<b>Pre-Incentive Fee Net Investment Income</b>	14,417	(825)		13,592
Incentive fee	2,771		(53)	2,718
<b>Post-Incentive Fee Net Investment Income</b>	11,646	(825)	53	10,874
Net realized gains on investments	11,968	(4,504)		7,464
Net change in unrealized (depreciation) appreciation of investments	(12,529)	5,329		(7,200)
Capital gains incentive fees			(53)	(53)
<b>Net increase in capital resulting from operations</b>	\$ 11,085			\$ 11,085

(1) For the three months ended June 30, 2012, the Operating Company incurred total incentive fees of \$2.8 million, of which \$0.1 million related to capital gains incentive fees on a hypothetical liquidation basis.

For the three months ended June 30, 2012, the Operating Company had a \$0.8 million adjustment to interest income for amortization, a decrease of \$4.5 million to net realized gains and an increase of \$5.3 million to net change in unrealized (depreciation) appreciation to adjust for the stepped-up cost basis of the transferred investments as discussed above. For the three months ended June 30, 2012, total adjusted interest income of \$19.3 million consisted of approximately \$17.0 million in cash interest from investments, approximately \$0.6 million in PIK interest from investments, approximately \$1.1 million in prepayment fees and net amortization of purchase premiums/discounts and origination fees of approximately \$0.6 million. The Operating Company's Adjusted Net Investment Income was \$10.9 million for the three months ended June 30, 2012.

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The following table for the Operating Company for the six months ended June 30, 2012 is adjusted to reflect the step-up to fair market value and the allocation of the incentive fees related to hypothetical capital gains out of the adjusted post-incentive fee net investment income.

(in thousands)	Six months ended June 30, 2012	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments(1)	Adjusted six months ended June 30, 2012
<b>Investment income</b>				
Interest income	\$ 38,725	\$ (1,848)	\$	\$ 36,877
Other income	596			596
Total investment income	39,321	(1,848)		37,473
Total expenses pre-incentive fee	11,629			11,629
<b>Pre-Incentive Fee Net Investment Income</b>	27,692	(1,848)		25,844
Incentive fee	6,133		(964)	5,169
<b>Post-Incentive Fee Net Investment Income</b>	21,559	(1,848)	964	20,675
Net realized gains on investments	12,976	(5,218)		7,758
Net change in unrealized appreciation of investments	216	7,066		7,282
Capital gains incentive fees			(964)	(964)
<b>Net increase in capital resulting from operations</b>	\$ 34,751			\$ 34,751

(1) For the six months ended June 30, 2012, the Operating Company incurred total incentive fees of \$6.1 million, of which \$1.0 million related to capital gains incentive fees on a hypothetical liquidation basis.

For the six months ended June 30, 2012, the Operating Company had a \$1.8 million adjustment to interest income for amortization, a decrease of \$5.2 million to net realized gains and an increase of \$7.0 million to net change in unrealized appreciation (depreciation) to adjust for the stepped-up cost basis of the transferred investments as discussed above. For the six months ended June 30, 2012, total adjusted interest income of \$36.9 million consisted of approximately \$33.3 million in cash interest from investments, approximately \$1.1 million in PIK interest from investments, approximately \$1.3 million in prepayment fees and net amortization of purchase premiums/discounts and origination fees of approximately \$1.2 million. The Operating Company's Adjusted Net Investment Income was \$20.7 million for the six months ended June 30, 2012.

In accordance with GAAP, for the six months ended June 30, 2012, the Operating Company accrued \$1.0 million of hypothetical capital gains incentive fee based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of each period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value. As of June 30, 2012, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

**Table of Contents****Results of Operations for the Operating Company for the Three Months Ended June 30, 2012 and June 30, 2011****Revenue**

(in thousands)	Three months ended		Percent Change
	June 30, 2012	June 30, 2011	
Interest income	\$ 20,124	\$ 12,810	57%
Other income	175	306	(43)%
Total investment income	\$ 20,299	\$ 13,116	

The Operating Company's total investment income increased by \$7.2 million for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The increase in investment income from the three months ended June 30, 2011 to the three months ended June 30, 2012 was primarily attributable to larger invested balances, driven by the proceeds of the IPO on May 19, 2011 and the Operating Company's use of leverage from its revolving credit facilities to originate new investments.

**Operating Expenses**

(in thousands)	Three months ended		Percent Change
	June 30, 2012	June 30, 2011	
Incentive fee(1)	\$ 2,771	\$ 504	NM*
Management fee	2,606	774	NM*
Interest and other credit facility expenses	2,401	1,534	57%
Professional fees	308	517	(40)%
Other expenses	567	233	143%
Total operating expenses	\$ 8,653	\$ 3,562	

\* Not meaningful.

(1) For the three months ended June 30, 2012, the total incentive fees incurred of \$2.8 million included \$0.1 million related to capital gains incentive fees on a hypothetical liquidation basis.

The Operating Company's total operating expenses increased by \$5.1 million for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. Interest and other credit facility expenses increased by \$0.9 million during the three months ended June 30, 2012, because the average debt outstanding increased from \$45.2 million to \$134.1 million for the Holdings Credit Facility and from \$118.1 million to \$168.1 million for the SLF Credit Facility for the three months ended June 30, 2011 compared to June 30, 2012.

Additionally, the Operating Company's management fees and incentive fees increased by \$1.8 million and \$2.3 million, respectively, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The increase in management and incentive fees from the three months ended June 30, 2011 to the three months ended June 30, 2012 was attributable to larger invested balances, driven by the proceeds of the IPO on May 19, 2011 and the Operating Company's use of leverage from its revolving credit facilities to originate new investments. In addition, as a result of the IPO on May 19, 2011, the Operating Company pays management fees and incentive fees under its Investment Management Agreement, which provides a different basis for the calculation of these fees as compared to amounts previously paid prior to the completion of the IPO. Prior to the IPO, an affiliate of the Predecessor Entities paid a majority of the management and incentive fees. In addition,

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historical operating expenses do not reflect the allocation of certain professional fees, administrative and other expenses that have been incurred following the completion of the IPO. Accordingly, the Operating Company's historical operating expenses are not comparable to its operating expenses after the completion of the IPO.

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

(in thousands)	Three months ended		Percent Change
	June 30, 2012	June 30, 2011	
Net realized gains on investments	\$ 11,968	\$ 6,660	80%
Net change in unrealized (depreciation) appreciation of investments	(12,529)	(7,559)	66%
Total net realized gains and net change in unrealized (depreciation) appreciation of investments	\$ (561)	\$ (899)	

The Operating Company's net realized and unrealized gains or losses resulted in a net loss of \$0.6 million for the three months ended June 30, 2012 compared to a net loss of \$0.9 million for the same period in 2011. We look at net realized and unrealized gains or losses together as movement in unrealized appreciation or depreciation can be the result of realizations. The net loss for the three months ended June 30, 2012 and the three months ended June 30, 2011 were primarily driven by an increase in the cost basis of the Operating Company's portfolio due to the amortization of purchase discounts and market prices remaining relatively constant during the period.

**Results of Operations for the Operating Company for the Six months Ended June 30, 2012 and June 30, 2011****Revenue**

(in thousands)	Six months ended		Percent Change
	June 30, 2012	June 30, 2011	
Interest income	\$ 38,725	\$ 23,978	62%
Other income	596	350	70%
Total investment income	\$ 39,321	\$ 24,328	

The Operating Company's total investment income increased by \$15.0 million for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase in investment income from the six months ended June 30, 2011 to the six months ended June 30, 2012 was primarily attributable to larger invested balances, driven by the proceeds of the IPO on May 19, 2011 and the Operating Company's use of leverage from its revolving credit facilities to originate new investments. Additionally in 2012, the Operating Company's other income increased due to commitment fees received associated with the closing of its two bridge facilities held as of December 31, 2011 and fees received associated with the early repayments or partial repayments of seven different portfolio companies held by the Operating Company as of December 31, 2011.

**Table of Contents****Operating Expenses**

(in thousands)	Six months ended		Percent Change
	June 30, 2012	June 30, 2011	
Incentive fee(1)	\$ 6,133	\$ 504	NM*
Management fee	5,120	808	NM*
Interest and other credit facility expenses	4,884	3,081	59%
Professional fees	509	570	(11)%
Other expenses	1,116	382	192%
Total operating expenses	\$ 17,762	\$ 5,345	

\* Not meaningful.

(1) For the six months ended June 30, 2012, the total incentive fees incurred of \$6.1 million included \$1.0 million related to capital gains incentive fees on a hypothetical liquidation basis.

The Operating Company's total operating expenses increased by \$12.4 million for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. Interest and other credit facility expenses increased by \$1.8 million during the six months ended June 30, 2012, because the average debt outstanding increased from \$53.9 million to \$131.5 million for the Holdings Credit Facility and from \$108.4 million to \$170.1 million for the SLF Credit Facility for the six months ended June 30, 2011 compared to June 30, 2012.

Additionally, the Operating Company's management fees and incentive fees increased by \$4.3 million and \$5.6 million, respectively, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. As a result of the IPO on May 19, 2011, the Operating Company pays management fees and incentive fees under its Investment Management Agreement, which provides a different basis for the calculation of these fees as compared to amounts previously paid prior to the completion of the IPO. Prior to the IPO, an affiliate of the Predecessor Entities paid a majority of the management and incentive fees. In addition, historical operating expenses do not reflect the allocation of certain professional fees, administrative and other expenses that have been incurred following the completion of the IPO. Accordingly, the Operating Company's historical operating expenses are not comparable to its operating expenses after the completion of the IPO.

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

(in thousands)	Six months ended		Percent Change
	June 30, 2012	June 30, 2011	
Net realized gains on investments	\$ 12,976	\$ 12,552	3%
Net change in unrealized appreciation (depreciation) of investments	216	(6,462)	(103)%
Total net realized gains and net change in unrealized (depreciation) appreciation of investments	\$ 13,192	\$ 6,090	

The Operating Company's net realized and unrealized gains or losses resulted in a net gain of \$13.2 million for the six months ended June 30, 2012 compared to a net gain of \$6.1 million for the same period in 2011. We look at net realized and unrealized gains or losses together as movement in unrealized appreciation or depreciation can be the result of realizations. The net gain for the six months ended June 30, 2012 was primarily related to the overall increase in the market and the quality of the Operating Company's portfolio, directly impacting the prices of the Operating Company's portfolio. The net gain for the six months ended June 30, 2011 was primarily driven by the appreciation

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of the Operating Company's portfolio and the sale or repayment of investments with fair values in excess of December 31, 2010 valuations, resulting in net realized gains being greater than the reversal of the cumulative net unrealized gains for those investments.

### **Liquidity and Capital Resources**

The primary use of existing funds and any funds raised in the future is expected to be for the Operating Company's repayment of indebtedness, the Operating Company's investments in portfolio companies, cash distributions to the Operating Company's unit holders or for other general corporate purposes.

Guardian AIV and New Mountain Guardian Partners, L.P. contributed a portfolio to the Operating Company in connection with the IPO of NMFC, receiving 20,221,938 units of the Operating Company and 1,252,964 shares of NMFC, respectively. On May 19, 2011, NMFC priced its initial offering of 7,272,727 shares of common stock at a public offering price of \$13.75 per share. Concurrently with the closing of the IPO and at the public offering price of \$13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in the Concurrent Private Placement. NMFC used the gross proceeds from the IPO and Concurrent Private Placement to acquire units in the Operating Company.

The Operating Company's liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, and, we expect, through periodic follow-on equity offerings of NMFC.

At June 30, 2012 and December 31, 2011, the Operating Company had cash and cash equivalents of approximately \$9.5 million and \$15.3 million, respectively. Cash (used in) operating activities for the six months ended June 30, 2012 and June 30, 2011 was approximately \$(0.1) million and \$(150.2) million, respectively. We expect that all current liquidity needs by the Operating Company will be met with cash flows from operations and other activities.

### ***Credit Facilities***

**Holdings Credit Facility** The Loan and Security Agreement, as amended and restated, dated May 19, 2011 (the "Holdings Credit Facility") among the Operating Company as the Borrower and Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 27, 2016, as amended on May 8, 2012. The maximum amount of revolving borrowings available under the Holdings Credit Facility is \$160.0 million. The Operating Company is permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien or non-first lien debt securities, and up to 67.0% and 45.0% of the purchase price of specified first lien debt securities and specified non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, National Association. The credit facility is collateralized by all of the investments of the Operating Company on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Operating Company's Consolidated Statement of Assets, Liabilities, and Members' Capital and charged against income as other credit facility expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. In addition, the Holdings Credit Facility requires the Operating Company to maintain a minimum asset coverage ratio. However, the covenants are generally not tied to mark to market fluctuations in the prices of the Operating Company's investments, but rather to the performance of the underlying portfolio companies.

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The Holdings Credit Facility (as well as the Predecessor Credit Facility) bears interest at a rate of LIBOR plus 2.75% per annum, as amended on May 8, 2012, and charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement). Interest expense and non-usage fees were \$1.0 million and \$33.6 thousand, respectively, for the three months ended June 30, 2012. Interest expense and non-usage fees were \$2.1 million and \$72.8 thousand, respectively, for the six months ended June 30, 2012. Interest expense and non-usage fees were \$0.4 million and \$0.2 million, respectively, for the three months ended June 30, 2011. Interest expense and non-usage fees were \$0.9 million and \$0.4 million, respectively, for the six months ended June 30, 2011. The weighted average interest rate for the six months ended June 30, 2012 and June 30, 2011 was 3.2% and 3.2%, respectively. The average debt outstanding for the six months ended June 30, 2012 and June 30, 2011 was \$131.5 million and \$53.9 million, respectively. The outstanding balance as of June 30, 2012 and December 31, 2011 was \$138.8 million and \$129.0 million, respectively. As of June 30, 2012 and December 31, 2011, the Operating Company was in compliance with all financial and operational covenants required by the credit facilities existing on such dates.

**SLF Credit Facility** The Operating Company's senior loan fund's Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the SLF Credit Facility) among NMF SLF as the Borrower, the Operating Company as the Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 27, 2016, as amended on May 8, 2012. The maximum amount of revolving borrowings available under the SLF Credit Facility is \$175.0 million. The loan is non-recourse to the Operating Company and secured by all assets owned by the borrower on an investment by investment basis. All fees associated with the origination or upsizing of the SLF Credit Facility are capitalized on the Consolidated Statement of Assets, Liabilities, and Members' Capital and charged against income as other credit facility expenses over the life of the SLF Credit Facility. The SLF Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. The covenants are generally not tied to mark to market fluctuations in the prices of our investments, but rather to the performance of the underlying portfolio companies.

The SLF Credit Facility permits borrowings of up to 67.0% of the purchase price of pledged debt securities subject to approval by Wells Fargo Bank, National Association. Due to a fifth amendment to the SLF Credit Facility on October 27, 2011, NMF SLF is no longer restricted from the purchase or sale of loans with an affiliate. Therefore, specified first lien loans can be moved as collateral between the Holdings Credit Facility and the SLF Credit Facility.

The SLF Credit Facility bears interest at a rate of LIBOR plus 2.00% per annum, as amended on May 8, 2012. A non-usage fee is paid, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement). Interest expense and non-usage fees were \$1.0 million and \$8.7 thousand, respectively, for the three months ended June 30, 2012. Interest expense and non-usage fees were \$2.1 million and \$12.4 thousand, respectively, for the six months ended June 30, 2012. Interest expense and non-usage fees were \$0.7 million and \$40.3 thousand, respectively, for the three months ended June 30, 2011. Interest expense and non-usage fees were \$1.3 million and \$58.2 thousand, respectively, for the six months ended June 30, 2011. The weighted average interest rate for the six months ended June 30, 2012 and June 30, 2011 for the facility was 2.4% and 2.5%, respectively. The average debt outstanding for the six months ended June 30, 2012 and June 30, 2011 was \$170.1 million and \$108.4 million, respectively. The outstanding balance as of June 30, 2012 and December 31, 2011 was \$173.1 million and \$165.9 million, respectively. As of June 30, 2012 and December 31, 2011, NMF SLF was in compliance with all financial and operational covenants required by the SLF Credit Facility.



**Table of Contents****Off-Balance Sheet Arrangements**

The Operating Company may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of June 30, 2012 and December 31, 2011, the Operating Company had outstanding commitments to third parties to fund investments totaling \$13.3 million and \$27.0 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

The Operating Company may from time to time enter into financing commitment letters or bridge financing commitments. As of June 30, 2012 and December 31, 2011, the Operating Company did not have any commitment letters to purchase debt investments. As of June 30, 2012 and December 31, 2011, the Operating Company had bridge financing commitments in an aggregate par amount of \$0 million and \$35.0 million, respectively, which could require funding in the future.

**Borrowings**

The Operating Company had borrowings of \$138.8 million and \$129.0 million outstanding as of June 30, 2012 and December 31, 2011, respectively, under the Holdings Credit Facility. The Operating Company had borrowings of \$173.1 million and \$165.9 million outstanding as of June 30, 2012 and December 31, 2011, respectively, under the SLF Credit Facility.

**Contractual Obligations**

A summary of the Operating Company's significant contractual payment obligations as of June 30, 2012 is as follows:

	<b>Contractual Obligations Payments Due by Period (in thousands)</b>				
	<b>Total</b>	<b>Less than 1 Year</b>	<b>1 - 3 Years</b>	<b>3 - 5 Years</b>	<b>More than 5 Years</b>
Holdings Credit Facility(1)	\$ 138,757	\$	\$	\$ 138,757	\$
SLF Credit Facility(2)	173,112			173,112	
<b>Total Contractual Obligations</b>	<b>\$ 311,869</b>	<b>\$</b>	<b>\$</b>	<b>\$ 311,869</b>	<b>\$</b>

- (1) Under the terms of the \$160.0 million Holdings Credit Facility, all outstanding borrowings under that facility (\$138.8 million as of June 30, 2012) must be repaid on or before October 27, 2016. As of June 30, 2012, there was approximately \$21.2 million of possible capacity remaining under the Holdings Credit Facility.
- (2) Under the terms of the \$175.0 million SLF Credit Facility, all outstanding borrowings under that facility (\$173.1 million as of June 30, 2012) must be repaid on or before October 27, 2016. As of June 30, 2012, there was \$1.9 million of possible capacity remaining under the SLF Credit Facility.

The Operating Company has certain contracts under which it has material future commitments. The Operating Company has \$13.3 million of undrawn funding commitments as of June 30, 2012 related to its participation as a lender in revolving credit facilities, delayed draw commitments or other future funding commitments of the Operating Company's portfolio companies. As of June 30, 2012, the Operating Company did not enter into any bridge financing commitments, which could require funding in the future.

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

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

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

**Distributions and Dividends**

Dividends declared to stockholders / unit holders of the New Mountain Finance Entities for the six months ended June 30, 2012 totaled \$27.5 million, of which \$6.9 million remained as an outstanding payable as of June 30, 2012 to AIV Holdings only and its stockholders. Tax characteristics of all dividends paid by NMFC are reported to stockholders on Form 1099 after the end of the calendar year. Future quarterly dividends, if any, for the New Mountain Finance Entities will be determined by their respective board of directors.

The following table summarizes the Operating Company's and NMFC's quarterly cash distributions, including dividends and returns of capital, if any, per unit/share that have been declared by the Operating Company's board of directors, and subsequently NMFC's board of directors, since NMFC's IPO:

<b>Fiscal Year Ended</b>	<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Per Share/ Unit Amount</b>
<b>December 31, 2012</b>				
Second Quarter	May 8, 2012	June 15, 2012	June 29, 2012	\$ 0.34
Second Quarter(1)	May 8, 2012	May 21, 2012	May 31, 2012	0.23
First Quarter	March 7, 2012	March 15, 2012	March 30, 2012	0.32
<b>December 31, 2011</b>				
Fourth Quarter	November 8, 2011	December 15, 2011	December 30, 2011	\$ 0.30
Third Quarter	August 10, 2011	September 15, 2011	September 30, 2011	0.29
Second Quarter	August 10, 2011	August 22, 2011	August 31, 2011	0.27
<b>Total</b>				\$ 1.75

(1) Special dividend related to estimated realized capital gains attributable to the Operating Company's investments in Lawson Software, Inc. and Infor Lux Bond Company.

Since NMFC is a holding company, all distributions on its common stock will be paid from distributions received from the Operating Company. The Operating Company intends to make distributions to its unit holders that will be sufficient to enable NMFC to pay quarterly distributions to its stockholders and to maintain its status as a RIC. NMFC intends to distribute approximately its entire

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portion of the Operating Company's Adjusted Net Investment Income on a quarterly basis and substantially its entire portion of the Operating Company's taxable income on an annual basis, except that it may retain certain net capital gains for reinvestment.

NMFC maintains an "opt out" dividend reinvestment plan for its common stockholders. As a result, if the Operating Company declares a dividend, then NMFC stockholders' cash dividends will be automatically reinvested in additional shares of NMFC's common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends. Cash dividends reinvested in additional shares of NMFC's common stock will be automatically reinvested by NMFC in the Operating Company in exchange for additional units of the Operating Company. See *Item 1 Financial Statements Note 2, Summary of Significant Accounting Policies* for additional details regarding NMFC's dividend reinvestment plan.

### **Related Parties**

The New Mountain Finance Entities have entered into a number of business relationships with affiliated or related parties, including the following:

Together, NMFC and AIV Holdings own all the outstanding units of the Operating Company. As of June 30, 2012, NMFC and AIV Holdings own approximately 34.6% and 65.4%, respectively, of the units of the Operating Company.

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

The New Mountain Finance Entities have entered into an Administration Agreement, with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the New Mountain Finance Entities and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. The Operating Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the New Mountain Finance Entities under the Administration Agreement, including rent, the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of the Operating Company's chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement, as amended and restated, and further restricted by the Operating Company, expenses payable to the Administrator by the Operating Company as well as other direct and indirect expenses (excluding interest and other credit facility expense and management and incentive fees) has been capped at \$3.5 million for the time period from April 1, 2012 to March 31, 2013.

The New Mountain Finance Entities, the Investment Adviser and the Administrator have entered into a royalty-free Trademark License Agreement, as amended, with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant the New Mountain Finance Entities, the Investment Adviser and the Administrator, a non-exclusive, royalty-free license to use the name "New Mountain" and "New Mountain Finance".

In addition, NMFC and the Operating Company have adopted a formal code of ethics that governs the conduct of their respective officers and directors. These officers and directors also remain subject to the duties imposed by the 1940 Act, the Delaware General Corporation Law and the Delaware Limited Liability Company Act.

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The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with the Operating Company's investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Operating Company and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the Securities and Exchange Commission and its staff, and consistent with the Investment Adviser's allocation procedures.

Concurrently with the IPO, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in the Concurrent Private Placement.

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**Table of Contents****SELLING STOCKHOLDER**

The following table sets forth:

The name of the selling stockholder;

The number of shares of common stock and the percentage of the total shares of common stock outstanding that the selling stockholder beneficially owned as of September 21, 2012;

The number of shares of common stock beneficially owned by the selling stockholder that are being offered under this prospectus supplement; and

The number of shares of common stock and the percentage of total shares of common stock outstanding to be beneficially owned by the selling stockholder following the offering contemplated by this prospectus supplement.

This table is prepared solely based on information supplied to us by the listed stockholders and any public documents filed with the SEC. The applicable percentages of beneficial ownership are based on an aggregate of 36,846,431 shares of NMFC's common stock issued and outstanding on September 21, 2012, which assumes that all the outstanding units of the Operating Company have been exchanged for shares of NMFC's common stock, adjusted as may be required by rules promulgated by the SEC.

Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act and includes voting or investment power (including the power to dispose) with respect to the securities. Assumes no other purchases or sales of securities since the most recently available SEC filings. This assumption has been made under the rules and regulations of the SEC and does not reflect any knowledge that NMFC has with respect to the present intent of the beneficial owners of the securities listed in the table below.

Name	Shares Beneficially Owned Prior to Offering		Number of Shares Being Offered	Number of Shares Subject to Over-Allotment Option	Shares Beneficially Owned After Offering			
	Number	Percent			Number	Percent	Number with Over-Allotment Option	Percent with Over-Allotment Option
NEW MOUNTAIN FINANCE AIV HOLDINGS CORPORATION(1)	20,221,938	54.9%	4,000,000	600,000	16,221,938	44.0%	15,621,938	42.4%
TOTAL	20,221,938	54.9%	4,000,000	600,000	16,221,938	44.0%	15,621,938	42.4%

- (1) Guardian AIV is the sole stockholder of AIV Holdings. AIV Holdings has the right to exchange its units of the Operating Company for shares of NMFC's common stock on a one-for-one basis. If AIV Holdings chooses to exchange all of its units of the Operating Company, AIV Holdings would receive 20,221,938 shares of NMFC's common stock. The general partner of Guardian AIV is New Mountain Investments III, L.L.C., of which Steven B. Klinsky is the managing member. New Mountain Investments III, L.L.C., as the general partner of Guardian AIV, has voting power on a pass-through basis as to its portion of units of the Operating Company. In addition, because Guardian AIV owns all of the common stock of AIV Holdings, Guardian AIV may be deemed to beneficially own the units of the Operating Company held by AIV Holdings. Mr. Klinsky, as the managing member of New Mountain Investments III, L.L.C., has voting power and decision making power over the disposition of the holdings of Guardian AIV on a pass-through basis. Mr. Klinsky may be deemed to beneficially own the direct or indirect holdings of Guardian AIV. Mr. Klinsky and New Mountain Investments III, L.L.C. expressly disclaim beneficial ownership of the above shares of NMFC common stock and the above units of the Operating Company.



**Table of Contents****UNDERWRITING**

NMFC, the Operating Company, the selling stockholder and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered by the selling stockholder. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., Morgan Stanley & Co. LLC and Wells Fargo Securities, LLC are the representatives of the underwriters.

<b>Underwriter</b>	<b>Number of Shares</b>
Goldman, Sachs & Co.	1,600,000
Morgan Stanley & Co. LLC	1,200,000
Wells Fargo Securities, LLC	1,200,000
 Total	 4,000,000

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional 600,000 shares from the selling stockholder. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions (sales load) to be paid to the underwriters by the selling stockholder. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 600,000 additional shares.

	<b>No Exercise</b>	<b>Full Exercise</b>
Per Share	\$ 0.4000	\$ 0.4000
Total	\$ 1,600,000	\$ 1,840,000

Because the Financial Industry Regulatory Authority, or FINRA, views the common stock offered hereby as interests in a direct participation program, the offering is being made in compliance with the requirements of FINRA Rule 2310. In compliance with such requirements, the underwriting discounts and commissions in connection with the sale of securities will not exceed 10.0% of gross proceeds of this offering. Investor suitability with respect to the common stock should be judged similarly to suitability with respect to other securities that are listed for trading on a national securities exchange.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Shares sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$0.4000 per share from the public offering price. If all the

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shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

NMFC, each of its officers and directors, each of the members of the Investment Adviser's investment committee and the selling stockholder have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any shares of NMFC's common stock or securities convertible into or exchangeable for shares of NMFC's common stock during the period from the date of this prospectus supplement continuing through the date 45 days after the date of this prospectus supplement, except with the prior written consent of Goldman, Sachs & Co., Morgan Stanley & Co. LLC and Wells Fargo Securities, LLC.

The 45 day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the 45 day restricted period the NMFC issues an earnings release or announce material news or a material event; or (2) prior to the expiration of the 45 day restricted period, the NMFC announces that it will release earnings results during the 15-day period following the last day of the 45 day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release of the announcement of the material news or material event.

NMFC's common stock is listed on the New York Stock Exchange under the symbol NMFC .

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from us in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. Naked short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own account, may have the effect of preventing or retarding a decline in the market price of the company's stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.



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We will not bear any expenses in connection with this offering. The offering expenses of this offering will be borne by the selling stockholder.

NMFC, the Operating Company and the selling stockholder have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates may, from time to time, perform various financial advisory and investment banking services for the company, for which they will receive customary fees and expenses. In addition, an affiliate of Wells Fargo Securities, LLC is a lender under our Credit Facilities.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The principal business address of Goldman, Sachs & Co. is 200 West Street, New York, New York 10282, the principal business address of Morgan Stanley & Co. LLC is 1585 Broadway, New York, New York 10036 and the principal business address of Wells Fargo Securities, LLC is 375 Park Avenue, New York, New York 10152.

Each of the underwriters may arrange to sell common shares offered hereby in certain jurisdictions outside the United States, either directly or through affiliates, where they are permitted to do so. In that regard, Wells Fargo Securities, LLC may arrange to sell shares in certain jurisdictions through an affiliate, Wells Fargo Securities International Limited, or WFSIL. WFSIL is a wholly-owned indirect subsidiary of Wells Fargo & Company and an affiliate of Wells Fargo Securities, LLC. WFSIL is a United Kingdom incorporated investment firm regulated by the Financial Services Authority. Wells Fargo Securities is the trade name for certain corporate and investment banking services of Wells Fargo & Company and its affiliates, including Wells Fargo Securities, LLC and WFSIL.

**European Economic Area**

Each underwriter has represented and agreed that, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State ), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date ), it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

- (1) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (2) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representative or  
  
representatives nominated by NMFC for any such offer; or

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(3) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require NMFC or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of shares to the public in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State; Prospectus Directive means European Council Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) and includes any relevant implementing measure in the Relevant Member State; and 2010 PD Amending Directive means Directive 2010/73/EU.

### **United Kingdom**

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorized person, apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

### **Switzerland**

This document does not constitute a prospectus within the meaning of Art. 652a of the Swiss Code of Obligations. The shares of common stock may not be sold directly or indirectly in or into Switzerland except in a manner which will not result in a public offering within the meaning of the Swiss Code of Obligations. Neither this document nor any other offering materials relating to the shares of common stock may be distributed, published or otherwise made available in Switzerland except in a manner which will not constitute a public offer of the shares of common stock in Switzerland.

### **Hong Kong**

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

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**Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

**Japan**

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

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**LEGAL MATTERS**

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Sutherland Asbill & Brennan LLP, Washington, District of Columbia. Certain legal matters in connection with the securities offered hereby will be passed upon for the underwriters by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, New York.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

With respect to the unaudited interim financial information of New Mountain Finance Holdings, L.L.C. as of June 30, 2012 and for the three and six month periods ended June 30, 2012 and 2011, and of New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation as of June 30, 2012 and for the three and six month periods then ended and for the period May 19, 2011 to June 30, 2011, which is included in this prospectus, Deloitte & Touche LLP, an independent registered public accounting firm, has applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports included in this prospectus, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial information because those reports are not reports or a part of the Registration Statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

The principal business address of Deloitte & Touche LLP is 2 World Financial Center, New York, New York 10281.

**AVAILABLE INFORMATION**

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. The registration statement contains additional information about us and the shares of common stock being offered by this prospectus supplement and the accompanying prospectus.

We are required to file with or submit to the SEC annual, quarterly and current reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, District of Columbia 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC, which are available on the SEC's website at <http://www.sec.gov>. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, District of Columbia 20549. This information will also be available free of charge by contacting us at 787 Seventh Avenue, 48th Floor, New York, New York 10019, by telephone at (212) 720-0300, or on our website at <http://www.newmountainfinance.com>. Information contained on our website or on the SEC's web site about us is not incorporated into this prospectus supplement and the accompanying prospectus and you should not consider information contained on our website or on the SEC's website to be part of this prospectus supplement and the accompanying prospectus.

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**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Statements of Assets, Liabilities and Members Capital**

	<b>June 30, 2012 (unaudited)</b>	<b>December 31, 2011</b>
<b>Assets</b>		
Investments at fair value (cost of \$747,213,642 and \$699,864,784, respectively)	\$ 751,078,894	\$ 703,513,560
Cash and cash equivalents	9,508,403	15,318,811
Interest receivable	7,045,804	7,307,092
Deferred credit facility costs (net of accumulated amortization of \$1,367,025 and \$855,955, respectively)	4,938,821	3,713,739
Deferred offering costs	187,359	
Receivable from affiliate	118,853	369,017
Other assets	795,788	356,486
<b>Total assets</b>	<b>\$ 773,673,922</b>	<b>\$ 730,578,705</b>
<b>Liabilities</b>		
SLF Credit Facility	173,112,281	165,928,000
Holdings Credit Facility	138,756,913	129,037,813
Payable for unsettled securities purchased	19,200,000	7,604,931
Dividends payable	6,875,459	
Incentive fee payable	3,682,368	2,317,328
Management fee payable	2,605,561	2,200,354
Interest payable	571,386	1,747,095
Other liabilities	1,135,145	1,241,366
<b>Total liabilities</b>	<b>345,939,113</b>	<b>310,076,887</b>
<b>Members Capital</b>	<b>427,734,809</b>	<b>420,501,818</b>
<b>Total liabilities and members capital</b>	<b>\$ 773,673,922</b>	<b>\$ 730,578,705</b>
Outstanding common membership units	30,919,629	30,919,629
Capital per unit	\$ 13.83	\$ 13.60

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

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30, 2012</b>	<b>June 30, 2011</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>Investment income</b>				
Interest income	\$ 20,124,043	\$ 12,810,147	\$ 38,725,226	\$ 23,978,194
Other income	174,980	306,144	595,798	349,817
<b>Total investment income</b>	<b>20,299,023</b>	<b>13,116,291</b>	<b>39,321,024</b>	<b>24,328,011</b>
<b>Expenses</b>				
Incentive fee	2,771,189	504,393	6,132,652	504,393
Management fee	2,605,561	773,509	5,119,857	807,509
Interest and other credit facility expenses	2,401,028	1,534,147	4,884,317	3,080,900
Professional fees (net of reimbursable expenses of \$118,853, \$130,186, \$364,862 and \$130,186, respectively)	307,535	516,678	509,373	569,834
Administrative expenses (net of reimbursable expenses of \$279,048, \$180,255, \$582,843 and \$180,255, respectively)	224,875	62,610	476,744	203,418
Other general and administrative expenses	342,590	170,712	638,883	178,568
<b>Total expenses</b>	<b>8,652,778</b>	<b>3,562,049</b>	<b>17,761,826</b>	<b>5,344,622</b>
<b>Net investment income</b>	<b>11,646,245</b>	<b>9,554,242</b>	<b>21,559,198</b>	<b>18,983,389</b>
Net realized gains on investments	11,968,454	6,659,833	12,975,787	12,552,163
Net change in unrealized (depreciation) appreciation of investments	(12,529,939)	(7,559,450)	216,476	(6,462,113)
<b>Net increase in capital resulting from operations</b>	<b>\$ 11,084,760</b>	<b>\$ 8,654,625</b>	<b>\$ 34,751,461</b>	<b>\$ 25,073,439</b>

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

**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Statements of Changes in Members' Capital****(unaudited)**

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

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

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**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Statements of Cash Flows****(unaudited)**

	<b>Six months ended</b>	
	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>Cash flows from operating activities</b>		
Net increase in capital resulting from operations	\$ 34,751,461	\$ 25,073,439
Adjustments to reconcile net (increase) decrease in capital resulting from operations to net cash (used in) provided by operating activities:		
Net realized gains on investments	(12,975,787)	(12,552,163)
Net change in unrealized (appreciation) depreciation of investments	(216,476)	6,462,113
Amortization of purchase discount	(3,006,326)	(3,401,906)
Amortization of deferred credit facility costs	511,070	311,283
Non-cash interest income	(715,298)	(727,135)
<b>(Increase) decrease in operating assets:</b>		
Purchase of investments	(233,117,132)	(245,993,220)
Proceeds from sales and paydowns of investments	203,830,686	152,208,584
Cash received for purchase of undrawn portion of revolving credit facility		1,260,000
Cash paid for drawn revolvers	(7,665,000)	(535,593)
Cash repayments on drawn revolvers	6,300,000	
Interest receivable	261,288	(1,038,712)
Receivable from affiliate	250,164	
Other assets	(439,302)	(754,525)
<b>Increase (decrease) in operating liabilities:</b>		
Payable for unsettled securities purchased	11,595,069	(71,576,780)
Incentive fee payable	1,365,040	504,393
Management fee payable	405,207	807,509
Interest payable	(1,175,709)	279,149
Payable to affiliates		(202,180)
Other liabilities	(61,335)	(326,040)
<b>Net cash flows (used in) provided by operating activities</b>	<b>(102,380)</b>	<b>(150,201,784)</b>
<b>Cash flows from financing activities</b>		
Contributions		195,294,674
Distributions		(10,249,155)
Dividends paid	(20,643,011)	
Offering costs paid	(101,299)	(8,344,393)
Proceeds from Holdings Credit Facility	177,618,025	63,281,605
Repayment of Holdings Credit Facility	(167,898,925)	(88,678,542)
Proceeds from SLF Credit Facility	46,943,332	92,043,800
Repayment of SLF Credit Facility	(39,759,051)	(22,062,352)
Deferred credit facility costs paid	(1,867,099)	(3,977,249)
<b>Net cash flows (used in) provided by financing activities</b>	<b>(5,708,028)</b>	<b>217,308,388</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(5,810,408)</b>	<b>67,106,604</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>15,318,811</b>	<b>10,744,082</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 9,508,403</b>	<b>\$ 77,850,686</b>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ 5,323,912	\$ 1,962,278
<b>Non-cash financing activities:</b>		
Dividends declared and payable	\$ 6,875,459	\$
Accrual for offering costs	86,060	3,096,530
Accrual for deferred credit facility costs	61,153	

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

**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments****June 30, 2012****(unaudited)**

<b>Portfolio Company, Location and Industry</b>	<b>Type of Investment</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount, Par Value or Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Members Capital</b>
<b>Funded Debt</b>							
<b>Investments United Kingdom</b>							
Magic Newco, LLC**							
Software	First lien(3)	7.25% (Base Rate + 6.00%)	12/12/2018	\$ 15,000,000	\$ 14,552,352	\$ 14,722,500	3.44%
<b>Total Funded Debt</b>				<b>\$ 15,000,000</b>	<b>\$ 14,552,352</b>	<b>\$ 14,722,500</b>	<b>3.44%</b>
<b>Investments United Kingdom</b>							
<b>Funded Debt</b>							
<b>Investments United States</b>							
Plato, Inc. (Archipelago Learning, Inc.)							
Education	First lien(3)	7.50% (Base Rate + 6.00%)	5/17/2018	\$ 12,000,000	\$ 11,646,435	\$ 11,962,500	
	Second lien(2)	11.25% (Base Rate + 9.75%)	5/17/2019	25,000,000	24,505,115	24,703,125	
				37,000,000	36,151,550	36,665,625	8.57%
Meritas Schools Holdings, LLC							
Education	First lien(3)	7.50% (Base Rate + 6.00%)	7/29/2017	9,000,000	8,920,755	8,977,500	
	Second lien(2)	11.50% (Base Rate + 10.00%)	1/29/2018	20,000,000	19,729,250	20,050,000	
				29,000,000	28,650,005	29,027,500	6.79%
Global Knowledge Training LLC							
Education	First lien(3)	6.50% (Base Rate + 4.99%)	4/21/2017	4,837,224	4,772,210	4,764,666	
	Second lien(2)	11.50% (Base Rate + 9.75%)	10/21/2018	24,250,000	23,788,152	23,755,300	
				29,087,224	28,560,362	28,519,966	6.67%
Managed Health Care Associates, Inc.							
Healthcare Services	First lien(2)	3.50% (Base Rate + 3.25%)	8/1/2014	14,755,543	12,784,371	14,275,988	
	Second lien(2)	6.75% (Base Rate + 6.50%)	2/1/2015	15,000,000	12,354,185	13,950,000	
				29,755,543	25,138,556	28,225,988	6.60%
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)							
Software	First lien(3)	7.25% (Base Rate + 5.75%)	11/22/2017	8,000,000	7,842,359	7,916,000	
	Second lien(2)	11.00% (Base Rate + 9.50%)	11/22/2018	20,000,000	19,406,247	19,587,500	
				28,000,000	27,248,606	27,503,500	6.43%

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Insight Pharmaceuticals LLC							
Healthcare Products	Second lien(2)	13.25% (Base Rate + 11.75%)	8/25/2017	25,000,000	24,095,068	24,625,000	5.76%
Unitek Global Services, Inc.							
Business Services	First lien(2)	9.00% (Base Rate + 7.50%)	4/15/2018	19,800,000	19,306,272	19,354,500	
	First lien(2)	9.00% (Base Rate + 7.50%)	4/15/2018	5,000,000	4,803,707	4,887,500	
				24,800,000	24,109,979	24,242,000	5.67%
Renaissance Learning, Inc.							
Education	Second lien(2)	12.00% (Base Rate + 10.50%)	10/19/2018	20,000,000	19,063,864	20,100,000	4.70%

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

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**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****June 30, 2012****(unaudited)**

<b>Portfolio Company, Location and Industry</b>	<b>Type of Investment</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount, Par Value or Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Members Capital</b>
Learning Care Group (US), Inc. Education	First lien(2)	12.00%	4/27/2016	17,368,421	17,144,523	16,695,606	
	Subordinated(2)	15.00% PIK*	6/30/2016	3,518,479	3,354,963	3,194,889	
				20,886,900	20,499,486	19,890,495	4.65%
U.S. Healthworks Holding Company, Inc. Healthcare Services	Second lien(2)	10.50% (Base Rate + 9.00%)	6/15/2017	\$ 20,000,000	\$ 19,738,856	\$ 19,700,000	4.60%
Transplace Texas, L.P. Logistics	Second lien(2)	11.00% (Base Rate + 9.00%)	4/12/2017	20,000,000	19,549,196	19,500,000	4.56%
eResearchTechnology, Inc. Healthcare Services	First lien(2)	8.00% (Base Rate + 6.50%)	5/2/2018	20,000,000	19,200,000	19,200,000	4.49%
Ipreo Holdings LLC Information Services	First lien(3)	8.00% (Base Rate + 6.50%)	8/5/2017	18,609,375	18,244,485	18,562,852	4.34%
NEWAsurion Corporation(6) Business Services							
Asurion, LLC (fka Asurion Corporation)	Second lien(2)	9.00% (Base Rate + 7.50%)	5/24/2019	5,000,000	4,978,378	5,128,125	
Lonestar Intermediate Super Holdings, LLC	Subordinated(2)	11.00% (Base Rate + 9.50%)	9/2/2019	12,000,000	11,649,756	12,342,000	
				17,000,000	16,628,134	17,470,125	4.08%
Rocket Software, Inc. Software	Second lien(2)	10.25% (Base Rate + 8.75%)	2/8/2019	17,500,000	17,283,942	17,412,500	4.07%
PODS, Inc.(7) Consumer Services							
PODS Funding Corp. II	First lien(3)	8.50% (Base Rate + 7.00%)	11/29/2016	12,734,077	12,386,167	12,670,407	
Storapod Holding Company, Inc.	Subordinated(2)	21.00% PIK*	11/29/2017	4,500,000	4,352,251	4,344,095	
				17,234,077	16,738,418	17,014,502	3.98%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien(3)	7.00% (Base Rate + 5.50%)	4/21/2017	16,830,035	16,694,323	16,661,734	3.89%
KeyPoint Government Solutions, Inc. Federal Services	First lien(2)	10.00% (Base Rate + 8.00%)	12/31/2015	16,406,308	16,161,010	16,488,340	3.85%
OpenLink International, Inc. Software	First lien(3)	7.75% (Base Rate + 6.25%)	10/30/2017	14,925,000	14,652,855	14,980,969	3.50%
Brock Holdings III, Inc. Industrial Services	Second lien(2)	10.00% (Base Rate + 8.25%)	3/16/2018	15,000,000	14,754,147	14,850,000	3.47%

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

**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****June 30, 2012****(unaudited)**

<b>Portfolio Company, Location and Industry</b>	<b>Type of Investment</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount, Par Value or Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Members Capital</b>
Volume Services America, Inc. (Centerplate)							
Consumer Services	First lien(2)	10.50% (Base Rate + 8.50%)	9/16/2016	14,775,000	14,469,492	14,821,172	3.46%
Landslide Holdings, Inc. (Crimson Acquisition Corp.)							
Software	First lien(2)	7.00% (Base Rate + 5.75%)	6/19/2018	15,000,000	14,700,654	14,700,000	3.44%
SRA International, Inc.							
Federal Services	First lien(3)	6.50% (Base Rate + 5.25%)	7/20/2018	15,163,953	14,505,783	14,699,557	3.44%
Triple Point Technology, Inc.							
Software	First lien(3)	8.00% (Base Rate + 6.50%)	10/27/2017	14,427,500	13,899,706	14,535,706	3.40%
Pacific Architects and Engineers Incorporated							
Federal Services	First lien(3)	7.50% (Base Rate + 6.00%)	4/4/2017	14,100,000	13,871,885	14,100,000	3.30%
Virtual Radiologic Corporation							
Healthcare Information Technology	First lien(3)	7.75% (Base Rate + 4.50%)	12/22/2016	14,814,975	14,645,542	13,222,365	3.09%
Aspen Dental Management, Inc							
Healthcare Services	First lien(3)	7.00% (Base Rate + 5.50%)	10/6/2016	12,935,000	12,690,433	12,886,494	3.01%
Smile Brands Group Inc.							
Healthcare Services	First lien(3)	7.00% (Base Rate + 5.25%)	12/21/2017	12,275,283	12,123,296	12,290,627	2.87%
Vision Solutions, Inc.							
Software	Second lien(2)	9.50% (Base Rate + 8.00%)	7/23/2017	12,000,000	11,903,462	11,940,000	2.79%
Permian Tank & Manufacturing, Inc.							
Energy	First lien(3)	9.00% (Base Rate + 7.25%)	3/15/2017	11,828,829	11,546,638	11,533,108	2.70%
TravelCLICK, Inc. (fka TravelCLICK Acquisition Co.)							
Information Services	First lien(3)	6.50% (Base Rate + 5.00%)	3/16/2016	11,343,875	11,174,700	11,358,055	2.65%
Mailsouth, Inc.							
Media	First lien(3)	6.75% (Base Rate + 4.99%)	12/14/2016	\$ 11,192,992	\$ 11,060,805	\$ 11,025,097	2.58%
Merrill Communications LLC							
Business Services	First lien(2)	7.75% (Base Rate + 4.50%)	12/24/2012	11,421,788	10,834,927	10,765,035	2.52%
Immucor, Inc.							
Healthcare Services	First lien(3)	7.25% (Base Rate + 5.75%)	8/19/2018	4,962,500	4,782,927	5,002,820	
	Subordinated(2)	11.13%	8/15/2019	5,000,000	4,940,257	5,500,000	
				9,962,500	9,723,184	10,502,820	2.46%

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

**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****June 30, 2012****(unaudited)**

<b>Portfolio Company, Location and Industry</b>	<b>Type of Investment</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount, Par Value or Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Members Capital</b>
CHG Companies, Inc. Healthcare Services	Second lien(2)	11.25% (Base Rate + 9.50%)	4/7/2017	10,000,000	9,838,824	10,050,000	2.35%
YP Intermediate Holdings Corp. / YP Intermediate Holdings II LLC Media	Second lien(1)(2)	15.00% (12.00% + 3.00% PIK)*	5/18/2017	10,329,897	10,026,652	10,020,000	2.34%
Vertafore, Inc. Software	Second lien(2)	9.75% (Base Rate + 8.25%)	10/29/2017	10,000,000	9,917,822	9,950,000	2.33%
Premier Dental Services, Inc. (Western) Healthcare Services	First lien(2)	5.97% (Base Rate + 5.50%)	7/1/2013	9,961,832	9,420,645	9,463,740	2.21%
Merge Healthcare Inc.** Healthcare Services	First lien(2)	11.75%	5/1/2015	9,000,000	8,897,244	9,337,500	2.18%
Sunquest Information Systems, Inc. (Misys Hospital Systems, Inc.) Healthcare Services	Second lien(2)	9.75% (Base Rate + 8.50%)	6/16/2017	9,000,000	8,851,864	9,270,000	2.17%
Tekelec Global, Inc. Software	First lien(3)	9.00% (Base Rate + 7.50%)	1/29/2018	7,820,000	7,709,062	7,702,700	1.80%
Physio-Control International, Inc. Healthcare Products	First lien(2)(8)	9.88%	1/15/2019	7,000,000	7,000,000	7,490,000	1.75%
Surgery Center Holdings, Inc. Healthcare Services	First lien(3)	6.50% (Base Rate + 5.00%)	2/6/2017	6,868,750	6,841,269	6,834,406	1.60%
Research Pharmaceutical Services, Inc. Healthcare Services	First lien(3)	7.00% (Base Rate + 5.50%)	2/18/2017	7,312,500	7,223,525	6,581,250	1.54%
Alion Science and Technology Corporation Federal Services	First lien(2)	10.00% + 2.00% PIK*	11/1/2014	6,257,192	6,017,932	5,876,549	1.37%
Stratus Technologies, Inc. Information Technology	First lien(2)	12.00%	3/29/2015	6,664,000	6,364,947	5,831,000	1.36%
Ozburn-Hessey Holding Company LLC Logistics	Second lien(2)	11.50% (Base Rate + 9.50%)	10/10/2016	6,000,000	5,902,813	5,220,000	1.22%

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

**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****June 30, 2012****(unaudited)**

<b>Portfolio Company, Location and Industry</b>	<b>Type of Investment</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount, Par Value or Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Members Capital</b>
<b>LVI Services Inc.</b>							
Industrial Services	First lien(2)	9.75% (Base Rate + 6.50%)	3/31/2014	5,063,248	4,547,127	4,354,394	1.02%
<b>Education Management LLC**</b>							
Education	First lien(3)	8.25% (Base Rate + 7.00%)	3/30/2018	3,989,171	3,873,125	3,890,690	0.91%
<b>Mach Gen, LLC</b>							
Power Generation	Second lien(2)	7.97% PIK (Base Rate + 7.50%)*	2/22/2015	\$ 5,391,921	\$ 4,670,806	\$ 3,696,603	0.86%
<b>Brickman Group Holdings, Inc.</b>							
Business Services	Subordinated(2)(8)	9.13%	11/1/2018	3,650,000	3,323,358	3,577,000	0.84%
<b>Airvana Network Solutions Inc.</b>							
Software	First lien(2)	10.00% (Base Rate + 8.00%)	3/25/2015	3,428,571	3,381,359	3,325,714	0.78%
<b>ATI Acquisition Company (fka Ability Acquisition, Inc.)</b>							
Education	First lien(2)	12.25% (Base Rate + 5.00% + 4.00% PIK)(5)*	12/30/2014	4,432,500	4,306,437	332,438	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)*	6/30/2012 Past Due	102,861	93,691	82,289	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)*	6/30/2012 Past Due	1,665,103	1,516,666	1,332,082	
				6,200,464	5,916,794	1,746,809	0.41%
<b>Advantage Sales &amp; Marketing Inc.</b>							
Business Services	First lien(2)(4)	6.25% (Base Rate + 3.00%)	12/17/2015	1,365,000	1,365,000	1,262,625	0.30%
<b>Total Funded Debt Investments United States</b>				<b>\$ 753,578,703</b>	<b>\$ 731,403,517</b>	<b>\$ 734,502,112</b>	<b>171.72%</b>
<b>Equity United States</b>							
<b>Global Knowledge Training LLC</b>							
Education	Ordinary shares(2)			2	\$ 2,109	\$ 2,109	
	Preferred shares(2)			2,423	2,422,891	2,422,891	
					2,425,000	2,425,000	0.57%

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



**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****June 30, 2012****(unaudited)**

<b>Portfolio Company, Location and Industry</b>	<b>Type of Investment</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount, Par Value or Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Members Capital</b>
<b>Stratus Technologies, Inc.</b>							
Information Technology	Ordinary shares(2)			144,270	65,123	5,869	
	Preferred shares(2)			32,830	14,819	1,336	
					79,942	7,205	0.00%
<b>Total Shares</b>					<b>\$ 2,504,942</b>	<b>\$ 2,432,205</b>	<b>0.57%</b>
<b>Warrants United States</b>							
<b>Alion Science and Technology Corporation</b>							
Federal Services	Warrants(2)			6,000	\$ 292,851	\$ 209,827	0.05%
<b>PODS, Inc.(7)</b>							
<b>Storapod Holding Company, Inc.</b>							
Consumer Services	Warrants(2)			360,129	155,905	155,906	0.04%
<b>Learning Care Group (US), Inc.</b>							
Education	Warrants(2)			844	193,850	14,372	0.00%
<b>Total Warrants</b>					<b>\$ 642,606</b>	<b>\$ 380,105</b>	<b>0.09%</b>
<b>Total Funded Investments</b>					<b>\$ 749,103,417</b>	<b>\$ 752,036,922</b>	<b>175.82%</b>
<b>Unfunded Debt Investments United States</b>							
<b>Kronos Incorporated</b>							
Software	First lien(2)(4)	Undrawn	6/11/2013	4,198,500	(629,775)	(272,903)	(0.07)%
<b>Advantage Sales &amp; Marketing Inc.</b>							
Business Services	First lien (2)(4)	Undrawn	12/17/2015	\$ 9,135,000	\$ (1,260,000)	\$ (685,125)	(0.16)%
<b>Total Unfunded Debt Investments</b>				<b>\$ 13,333,500</b>	<b>\$ (1,889,775)</b>	<b>\$ (958,028)</b>	<b>(0.23)%</b>
<b>Total Investments</b>					<b>\$ 747,213,642</b>	<b>\$ 751,078,894</b>	<b>175.59%</b>

(1) Investment includes a warrant to purchase a percentage interest of YP Equity Investors, LLC.

(2) The Holdings Credit Facility is collateralized by the indicated investments.

(3) The SLF Credit Facility is collateralized by the indicated investments.

(4) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities. Cost amounts represent the cash received at settlement date net the impact of paydowns and cash paid for drawn revolvers.

(5) Investment is on non-accrual status.

(6)

## Edgar Filing: New Mountain Finance Holdings, L.L.C. - Form 497

New Mountain Finance Holdings, L.L.C. ( NMF Holdings ) holds investments in two related entities of NEWAsurion Corporation. NMF Holdings has credit investments in Asurion, LLC and Lonestar Intermediate Super Holdings, LLC. Asurion, LLC is a wholly-owned subsidiary of Lonestar Intermediate Holdings, LLC, which in turn is a wholly-owned subsidiary of Lonestar Intermediate Super Holdings, LLC.

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

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**New Mountain Finance Holdings, L.L.C.**

**Consolidated Schedule of Investments (continued)**

**June 30, 2012**

**(unaudited)**

- (7) NMF Holdings holds investments in two related entities of PODS, Inc. NMF Holdings directly holds warrants in Storapod Holding Company, Inc. ( Storapod ) and has a credit investment in Storapod through Storapod WCF II Limited ( Storapod WCF II ). Storapod WCF II is a special purpose entity used to enter into a Shari ah-compliant financing arrangement with Storapod. Additionally, NMF Holdings has a credit investment in PODS Funding Corp. II ( PODS II ). PODS, Inc. is a wholly-owned subsidiary of PODS Holding, Inc., which in turn is a majority-owned subsidiary of Storapod. PODS II is a special purpose entity used to enter into a Shari ah-compliant financing arrangement with PODS, Inc. and its subsidiary, PODS Enterprises, Inc.
- (8) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities are considered liquid and may be resold in transactions exempt from registration to qualified institutional buyers. At June 30, 2012, the aggregate market value of these securities amounted to \$11,067,000 or 2.59% of members' capital.
- \* All or a portion of interest contains payments-in-kind ( PIK ).
- \*\* Indicates assets that NMF Holdings deems to be non-qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of NMF Holdings' total assets at the time of acquisition of any additional non-qualifying assets.

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

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**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****June 30, 2012****(unaudited)**

	<b>June 30, 2012 Percent of Total Investments at Fair Value</b>
<b>Investment Type</b>	
First lien	58.02%
Second lien	37.75%
Subordinated	3.86%
Equity and other	0.37%
<b>Total investments</b>	<b>100.00%</b>

	<b>June 30, 2012 Percent of Total Investments at Fair Value</b>
<b>Industry Type</b>	
Healthcare Services	20.55%
Education	18.94%
Software	18.17%
Federal Services	9.06%
Business Services	7.54%
Healthcare Products	4.28%
Consumer Services	4.26%
Information Services	3.98%
Logistics	3.29%
Media	2.80%
Industrial Services	2.56%
Healthcare Information Technology	1.76%
Energy	1.54%
Information Technology	0.78%
Power Generation	0.49%
<b>Total investments</b>	<b>100.00%</b>

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

**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments****December 31, 2011**

Portfolio Company, Location and Industry	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members Capital
<b>Funded Debt Investments United States</b>							
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)							
Software	First lien(3)	6.50% (Base Rate + 5.00%)	4/27/2017	\$ 13,825,000	\$ 13,703,238	\$ 13,583,062	
	Second lien(2)	9.50% (Base Rate + 8.00%)	10/27/2017	20,000,000	19,669,018	19,200,000	
				33,825,000	33,372,256	32,783,062	7.80%
Decision Resources, LLC							
Business Services	First lien(3)	7.00% (Base Rate + 5.50%)	12/28/2016	17,820,000	17,588,508	17,196,300	
	Second lien(2)	9.50% (Base Rate + 8.00%)	5/7/2018	14,500,000	14,368,204	14,282,500	
				32,320,000	31,956,712	31,478,800	7.48%
Lawson Software, Inc. (fka SoftBrands, Inc.)							
Software	First lien(3)	6.75% (Base Rate + 5.25%)	7/5/2017	18,703,125	18,001,977	18,305,684	
	Subordinated(2)(7)	11.50%	7/15/2018	13,500,000	12,329,105	13,162,500	
				32,203,125	30,331,082	31,468,184	7.47%
Meritas Schools Holdings, LLC							
Education	First lien(3)	7.50% (Base Rate + 6.00%)	7/29/2017	9,500,000	9,409,890	9,357,500	
	Second lien(2)	11.50% (Base Rate + 10.00%)	1/29/2018	20,000,000	19,712,425	19,650,000	
				29,500,000	29,122,315	29,007,500	6.89%
Global Knowledge Training LLC							
Education	First lien(3)	6.50% (Base Rate + 5.00%)	4/21/2017	4,867,647	4,796,665	4,794,632	
	Second lien(2)	11.50% (Base Rate + 9.75%)	10/21/2018	24,250,000	23,764,101	23,755,300	
				29,117,647	28,560,766	28,549,932	6.79%
Managed Health Care Associates, Inc.							
Healthcare Services	First lien(2)	3.55% (Base Rate + 3.25%)	8/1/2014	15,467,673	12,941,252	14,462,274	
	Second lien(2)	6.80% (Base Rate + 6.50%)	2/1/2015	15,000,000	11,950,542	13,950,000	
				30,467,673	24,891,794	28,412,274	6.76%
Insight Pharmaceuticals LLC							
Healthcare Products	Second lien(2)	13.25% (Base Rate + 11.75%)	8/25/2017	25,000,000	24,037,614	24,875,000	5.92%
Renaissance Learning, Inc. Education	Second lien(2)	12.00% (Base Rate + 10.50%)	10/19/2018	20,000,000	19,016,871	20,100,000	4.78%

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Learning Care Group  
(US), Inc.

Education	First lien(2)	12.00%	4/27/2016	17,368,421	17,115,609	16,695,606	
	Subordinated(2)	15.00% PIK*	6/30/2016	3,273,004	3,089,870	2,971,990	
				20,641,425	20,205,479	19,667,596	4.68%

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

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**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****December 31, 2011**

<b>Portfolio Company, Location and Industry</b>	<b>Type of Investment</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount, Par Value or Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Members Capital</b>
Transplace Texas, L.P. Logistics	Second lien(2)	11.00% (Base Rate + 9.00%)	4/12/2017	\$ 20,000,000	\$ 19,514,617	\$ 19,500,000	4.64%
U.S. Healthworks Holding Company, Inc. Healthcare Services	Second lien(2)	10.50% (Base Rate + 9.00%)	6/15/2017	20,000,000	19,719,547	19,500,000	4.64%
Unitek Global Services, Inc. Business Services	First lien(2)	9.00% (Base Rate + 7.50%)	4/15/2018	19,850,000	19,312,984	19,440,594	4.62%
Ipreo Holdings LLC Information Services	First lien(3)	8.00% (Base Rate + 6.50%)	8/5/2017	18,703,125	18,308,298	18,282,305	4.35%
KeyPoint Government Solutions, Inc. Federal Services	First lien(2)	10.00% (Base Rate + 8.00%)	12/31/2015	17,820,000	17,521,860	17,909,100	4.26%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.) Federal Services	First lien(3)	7.00% (Base Rate + 5.50%)	4/21/2017	16,915,000	16,764,489	16,872,713	4.01%
SRA International, Inc. Federal Services	First lien(3)	6.50% (Base Rate + 5.25%)	7/20/2018	17,433,389	16,624,324	16,416,447	3.90%
OpenLink International, Inc. Software	First lien(2)	7.75% (Base Rate + 6.25%)	10/30/2017	15,000,000	14,706,514	15,056,250	3.58%
Volume Services America, Inc. (Centerplate) Consumer Services	First lien(2)	10.50% (Base Rate + 8.50%)	9/16/2016	14,850,000	14,512,417	14,924,250	3.55%
SonicWALL, Inc. Software	First lien(3)	8.27% (Base Rate + 6.19%)	1/23/2016	4,822,985	4,831,869	4,847,099	
	Second lien(2)	12.00% (Base Rate + 10.00%)	1/23/2017	10,000,000	9,746,209	9,950,000	
				14,822,985	14,578,078	14,797,099	3.52%
PODS, Inc.(6) Consumer Services							
PODS Funding Corp. II	First lien(2)	8.50% (Base Rate + 7.00%)	11/29/2016	11,561,538	11,218,525	11,214,692	
Storapod Holding Company, Inc.	Subordinated(2)	21.00% PIK*	11/29/2017	3,728,642	3,600,214	3,599,461	
				15,290,180	14,818,739	14,814,153	3.52%
Triple Point Technology, Inc. Software	First lien(3)	8.00% (Base Rate + 6.50%)	10/27/2017	14,500,000	13,932,051	14,536,250	3.46%
Virtual Radiologic Corporation Healthcare Information Technology	First lien(3)	7.75% (Base Rate + 4.50%)	12/22/2016	14,889,987	14,704,271	14,108,263	3.36%
Brock Holdings III, Inc. Industrial Services	Second lien(2)	10.00% (Base Rate + 8.25%)	3/16/2018	15,000,000	14,746,132	13,818,750	3.29%
LANDesk Group, Inc. Software	First lien(3)	7.00% (Base Rate + 5.25%)	3/28/2016	14,062,500	13,828,336	13,798,828	3.28%
Pacific Architects and Engineers Incorporated Federal Services	First lien(3)	7.50% (Base Rate + 6.00%)	4/4/2017	14,100,000	13,848,322	13,677,000	3.25%

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

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**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****December 31, 2011**

<b>Portfolio Company, Location and Industry</b>	<b>Type of Investment</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount, Par Value or Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Members Capital</b>
Smile Brands Group Inc. Healthcare Services	First lien(3)	7.00% (Base Rate + 5.25%)	12/21/2017	\$ 12,337,594	\$ 12,173,547	\$ 12,329,883	2.93%
Mailsouth, Inc. Media	First lien(3)	6.75% (Base Rate + 4.99%)	12/14/2016	11,910,000	11,756,172	11,731,350	2.79%
Vision Solutions, Inc. Software	Second lien(2)	9.50% (Base Rate + 8.00%)	7/23/2017	12,000,000	11,893,985	11,640,000	2.77%
TravelCLICK, Inc. (fka TravelCLICK Acquisition Co.) Information Services	First lien(3)	6.50% (Base Rate + 5.00%)	3/16/2016	11,401,313	11,208,577	11,344,306	2.70%
Merrill Communications LLC Business Services	First lien(2)	7.50% (Base Rate + 5.50%)	12/24/2012	11,421,788	10,284,637	11,002,985	2.62%
Brickman Group Holdings, Inc. Business Services	First lien(3)	7.25% (Base Rate + 5.50%)	10/14/2016	7,957,406	8,005,917	7,982,272	
	Subordinated(2)(7)	9.13%	11/1/2018	3,000,000	2,716,216	2,715,000	
				10,957,406	10,722,133	10,697,272	2.54%
Immucor, Inc. Healthcare Services	First lien(3)	7.25% (Base Rate + 5.75%)	8/19/2018	4,987,500	4,795,791	5,022,826	
	Subordinated(2)	11.13%	8/15/2019	5,000,000	4,937,575	5,200,000	
				9,987,500	9,733,366	10,222,826	2.43%
CHG Companies, Inc. Healthcare Services	Second lien(2)	11.25% (Base Rate + 9.50%)	4/7/2017	10,000,000	9,826,548	10,025,000	2.38%
Vertafore, Inc. Software	Second lien(2)	9.75% (Base Rate + 8.25%)	10/29/2017	10,000,000	9,912,104	9,725,000	2.31%
Merge Healthcare Inc.** Healthcare Services	First lien(2)	11.75%	5/1/2015	9,000,000	8,879,303	9,585,000	2.28%
Porex Corporation Specialty Chemicals and Materials	First lien(3)	6.75% (Base Rate + 5.25%)	3/31/2015	9,573,968	9,449,821	9,430,359	2.24%
Sunquest Information Systems, Inc. (Misys Hospital Systems, Inc.) Healthcare Services	Second lien(2)	9.75% (Base Rate + 8.50%)	6/16/2017	9,000,000	8,840,688	8,910,000	2.12%
Mach Gen, LLC Power Generation	Second lien(2)	8.03% PIK (Base Rate + 7.50%)*	2/22/2015	12,063,894	9,966,951	8,609,943	2.05%
Research Pharmaceutical Services, Inc. Healthcare Services	First lien(3)	6.75% (Base Rate + 5.24%)	2/18/2017	7,453,125	7,354,306	7,192,266	1.71%
Airvana Network Solutions Inc. Software	First lien(2)	10.00% (Base Rate + 8.00%)	3/25/2015	7,009,524	6,895,616	7,044,571	1.68%
Surgery Center Holdings, Inc. Healthcare Services	First lien(3)	6.50% (Base Rate + 5.00%)	2/6/2017	6,947,500	6,916,695	6,478,544	1.54%
Stratus Technologies, Inc. Information Technology	First lien(2)	12.00%	3/29/2015	6,827,000	6,490,139	6,212,570	1.48%

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



**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****December 31, 2011**

<b>Portfolio Company, Location and Industry</b>	<b>Type of Investment</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount, Par Value or Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Members Capital</b>
<b>Alion Science and Technology Corporation</b>							
Federal Services	First lien(2)	10.00% + 2.00% PIK*	11/1/2014	\$ 6,195,238	\$ 5,613,308	\$ 5,555,066	1.32%
<b>Datatel, Inc.</b>							
Software	Second lien(2)	8.75% (Base Rate + 7.25%)	2/19/2018	5,000,000	4,977,238	5,150,000	1.22%
<b>Ozburn-Hessey Holding Company LLC</b>							
Logistics	Second lien(2)	11.50% (Base Rate + 9.50%)	10/8/2016	6,000,000	5,892,802	5,110,002	1.22%
<b>Asurion, LLC (fka Asurion Corporation)</b>							
Business Services	Second lien(2)	9.00% (Base Rate + 7.50%)	5/24/2019	5,000,000	4,976,820	4,950,000	1.18%
<b>Pharmaceutical Product Development, Inc. (Jaguar Holdings, LLC)</b>							
Healthcare Services	First lien(3)	6.25% (Base Rate + 5.00%)	12/5/2018	4,894,921	4,864,327	4,888,802	1.16%
<b>Fibertech Networks, LLC (fka Firefox Merger Sub, LLC)</b>							
Telecommunication	First lien(3)	6.75% (Base Rate + 5.00%)	11/30/2016	4,897,632	4,835,069	4,873,144	1.16%
<b>LVI Services Inc.</b>							
Industrial Services	First lien(2)	9.25% (Base Rate + 7.50%)	3/31/2014	5,120,334	4,474,056	3,725,043	0.89%
<b>ATI Acquisition Company (fka Ability Acquisition, Inc.)</b>							
Education	First lien(2)	12.25% (Base Rate + 5.00% + 4.00% PIK)(5)*	12/30/2014	4,477,810	4,351,747	783,617	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)*	6/30/2012	91,696	91,696	91,696	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)*	6/30/2012	1,484,370	1,484,370	1,484,370	
				6,053,876	5,927,813	2,359,683	0.56%
<b>Total Funded Debt Investments</b>				<b>\$ 727,364,649</b>	<b>\$ 702,801,889</b>	<b>\$ 702,587,965</b>	<b>167.08%</b>

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



**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****December 31, 2011**

<b>Portfolio Company, Location and Industry</b>	<b>Type of Investment</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount, Par Value or Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Members Capital</b>
<b>Equity United States</b>							
Stratus Technologies, Inc.							
Information Technology	Ordinary shares(2)			144,270	\$ 65,123	\$ 29,881	
	Preferred shares(2)			32,830	14,819	6,800	
					79,942	36,681	0.01%
Global Knowledge Training LLC							
Education	Ordinary shares(2)			2	2,109	2,109	
	Preferred shares(2)			2,423	2,422,891	2,422,891	
					2,425,000	2,425,000	0.58%
<b>Total Shares</b>					<b>\$ 2,504,942</b>	<b>\$ 2,461,681</b>	<b>0.59%</b>
<b>Warrants United States</b>							
Alion Science and Technology Corporation							
Federal Services	Warrants(2)			6,000	\$ 292,851	\$ 244,237	0.06%
PODS, Inc.(6)							
Storapod Holding Company, Inc.							
Consumer Services	Warrants(2)			298,398	129,181	129,181	0.03%
Learning Care Group (US), Inc.							
Education	Warrants(2)			844	193,850	14,372	0.00%
<b>Total Warrants</b>					<b>\$ 615,882</b>	<b>\$ 387,790</b>	<b>0.09%</b>
<b>Total Funded Investments</b>					<b>\$ 705,922,713</b>	<b>\$ 705,437,436</b>	<b>167.76%</b>
<b>Unfunded Debt Investments United States</b>							
Datatel, Inc.							
Software	Subordinated Bridge(1)(2)		12/13/2012	\$ 20,000,000	\$	\$	0.00%
Physio-Control International, Inc.							
Healthcare Products	First lien Bridge(1)(2)			15,000,000			0.00%
ATI Acquisition Company (fka Ability Acquisition, Inc.)							
Education	First lien(1)(2) Undrawn		1/1/2012	39,947			
	First lien(1)(2) Undrawn		1/1/2012	865			
					40,812		0.00%
PODS, Inc.(6)							
Consumer Services							
PODS Funding Corp. II	First lien(1)(2) Undrawn		11/29/2016	3,438,462	(103,154)	(103,154)	
Storapod Holding Company, Inc.	Subordinated(1)(2) Undrawn		11/29/2017	771,358			

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				4,209,820	(103,154)	(103,154)	(0.03)%
RGIS Services, LLC							
Business Services	First lien(2)(4)	Undrawn	4/30/2013	5,000,000	(2,850,000)	(293,850)	(0.07)%
Education Management LLC**							
Education	First lien(2)(4)	Undrawn	6/1/2012	3,000,000	(1,215,000)	(330,000)	(0.08)%

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

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**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****December 31, 2011**

<b>Portfolio Company, Location and Industry</b>	<b>Type of Investment</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount, Par Value or Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Members Capital</b>
Kronos Incorporated Software	First lien(2)(4)	Undrawn	6/11/2013	\$ 4,198,500	\$ (629,775)	\$ (356,872)	(0.08)%
Advantage Sales & Marketing Inc. Business Services	First lien (2)(4)	Undrawn	12/17/2015	10,500,000	(1,260,000)	(840,000)	(0.20)%
<b>Total Unfunded Debt Investments</b>				<b>\$ 61,949,132</b>	<b>\$ (6,057,929)</b>	<b>\$ (1,923,876)</b>	<b>(0.46)%</b>
<b>Total Investments</b>					<b>\$ 699,864,784</b>	<b>\$ 703,513,560</b>	<b>167.30%</b>

- (1) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of the bridge facility, delayed draw or other future funding commitments.
  - (2) The Holdings Credit Facility is collateralized by the indicated investments.
  - (3) The SLF Credit Facility is collateralized by the indicated investments.
  - (4) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities. Cost amounts represent the cash received at settlement date net the impact of paydowns and cash paid for drawn revolvers.
  - (5) Investment is on non-accrual status.
  - (6) New Mountain Finance Holdings, L.L.C. ( NMF Holdings ) holds investments in two related entities of PODS, Inc. NMF Holdings directly holds warrants in Storapod Holding Company, Inc. ( Storapod ) and has a credit investment in Storapod through Storapod WCF II Limited ( Storapod WCF II ). Storapod WCF II is a special purpose entity used to enter into a Shari ah-compliant financing arrangement with Storapod. Additionally, NMF Holdings has a credit investment in PODS Funding Corp. II ( PODS II ). PODS, Inc. is a wholly-owned subsidiary of PODS Holding, Inc., which in turn is a majority-owned subsidiary of Storapod. PODS II is a special purpose entity used to enter into a Shari ah-compliant financing arrangement with PODS, Inc. and its subsidiary, PODS Enterprises, Inc.
  - (7) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities are considered liquid and may be resold in transactions exempt from registration to qualified institutional buyers. At December 31, 2011, the aggregate market value of these securities amounted to \$15,877,500 or 3.78% of members capital.
- \* All or a portion of interest contains payments-in-kind ( PIK ).
- \*\* Indicates assets that NMF Holdings deems to be non-qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of NMF Holdings total assets at the time of acquisition of any additional non-qualifying assets.

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

**Table of Contents****New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (continued)****December 31, 2011**

	<b>December 31, 2011</b>
	<b>Percent of Total</b>
	<b>Investments at</b>
<b>Investment Type</b>	<b>Fair Value</b>
First lien	58.32%
Second lien	37.34%
Subordinated	3.93%
Equity and other	0.41%
<b>Total investments</b>	<b>100.00%</b>

	<b>December 31, 2011</b>
	<b>Percent of Total</b>
	<b>Investments at</b>
<b>Industry Type</b>	<b>Fair Value</b>
Software	22.12%
Healthcare Services	16.71%
Education	14.47%
Business Services	10.86%
Federal Services	10.05%
Consumer Services	4.23%
Information Services	4.21%
Healthcare Products	3.54%
Logistics	3.50%
Industrial Services	2.49%
Healthcare Information Technology	2.01%
Media	1.67%
Specialty Chemicals and Materials	1.34%
Power Generation	1.22%
Information Technology	0.89%
Telecommunication	0.69%
<b>Total investments</b>	<b>100.00%</b>

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



**Table of Contents****New Mountain Finance Corporation****Statement of Assets and Liabilities**

	<b>June 30, 2012</b> <b>(unaudited)</b>	<b>December 31, 2011</b>
<b>Assets</b>		
Investment in New Mountain Finance Holdings, L.L.C., at fair value (cost of \$144,355,856 and \$144,355,856, respectively)	\$ 147,989,318	\$ 145,486,821
<b>Total assets</b>	<b>\$ 147,989,318</b>	<b>\$ 145,486,821</b>
<b>Net assets</b>		
Common stock, par value \$0.01 per share 10,697,691 shares issued and outstanding	106,977	106,977
Paid in capital in excess of par	144,248,879	144,248,879
Undistributed net investment income	398,657	
Accumulated undistributed net realized gains	2,315,250	286,307
Net unrealized appreciation (depreciation)	919,555	844,658
<b>Total net assets</b>	<b>\$ 147,989,318</b>	<b>\$ 145,486,821</b>
Number of shares outstanding	10,697,691	10,697,691
<b>Net asset value per share</b>	<b>\$ 13.83</b>	<b>\$ 13.60</b>

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

**Table of Contents****New Mountain Finance Corporation****Statement of Operations****(unaudited)**

	Three months ended June 30, 2012	From May 19, 2011 (commencement of operations) to June 30, 2011	Six months ended June 30, 2012	From May 19, 2011 (commencement of operations) to June 30, 2011
<b>Net investment income allocated from New Mountain Finance Holdings, L.L.C.</b>				
Interest income	\$ 6,962,593	\$ 2,423,593	\$ 13,398,301	\$ 2,423,593
Other income	60,540	105,921	206,136	105,921
Total expenses	(2,993,721)	(945,385)	(6,145,304)	(945,385)
<b>Net investment income allocated from New Mountain Finance Holdings, L.L.C.</b>				
	4,029,412	1,584,129	7,459,133	1,584,129
<b>Net realized and unrealized gain (loss) allocated from New Mountain Finance Holdings, L.L.C.</b>				
Net realized gains (losses) on investments	4,140,892	(139,087)	4,489,412	(139,087)
Net change in unrealized (depreciation) appreciation of investments	(4,335,157)	380,661	74,897	380,661
<b>Net realized and unrealized (loss) gain allocated from New Mountain Finance Holdings, L.L.C.</b>				
	(194,265)	241,574	4,564,309	241,574
<b>Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.</b>				
	3,835,147	1,825,703	12,023,442	1,825,703
<b>Unrealized appreciation in New Mountain Finance Holdings, L.L.C. resulting from public offering price</b>				
		6,220,520		6,220,520
<b>Net increase in net assets resulting from operations</b>				
	\$ 3,835,147	\$ 8,046,223	\$ 12,023,442	\$ 8,046,223
<b>Basic earnings per share</b>				
	\$ 0.36	\$ 0.75	\$ 1.12	\$ 0.75
<b>Weighted average shares of common stock outstanding basic (See Note 11)</b>				
	10,697,691	10,697,691	10,697,691	10,697,691
<b>Diluted earnings per share</b>				
	\$ 0.36	\$ 0.17	\$ 1.12	\$ 0.17
<b>Weighted average shares of common stock outstanding diluted (See Note 11)</b>				
	30,919,629	30,919,629	30,919,629	30,919,629

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

**Table of Contents****New Mountain Finance Corporation****Statement of Changes in Net Assets****(unaudited)**

	<b>Six months ended June 30, 2012</b>	<b>From May 19, 2011 (commencement of operations) to June 30, 2011</b>
<b>Increase (decrease) in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.:</b>		
Net investment income	\$ 7,459,133	\$ 1,584,129
Net realized gains (losses) on investments	4,489,412	(139,087)
Net change in unrealized appreciation of investments	74,897	380,661
<b>Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.</b>	<b>12,023,442</b>	<b>1,825,703</b>
<b>Unrealized appreciation in New Mountain Finance Holdings, L.L.C. resulting from public offering price</b>		<b>6,220,520</b>
<b>Total net increase in net assets resulting from operations</b>	<b>12,023,442</b>	<b>8,046,223</b>
<b>Capital transactions</b>		
Proceeds from shares sold		129,864,996
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.		(3,958,378)
Contributions from exchanged shares		18,489,457
Dividends declared	(9,520,945)	
<b>Total net (decrease) increase in net assets resulting from capital transactions</b>	<b>(9,520,945)</b>	<b>144,396,075</b>
<b>Net increase in net assets</b>	<b>2,502,497</b>	<b>152,442,298</b>
<b>Net assets at beginning of period</b>	<b>145,486,821</b>	
<b>Net assets at end of period</b>	<b>\$ 147,989,318</b>	<b>\$ 152,442,298</b>

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

**Table of Contents****New Mountain Finance Corporation****Statement of Cash Flows****(unaudited)**

	<b>Six months ended June 30, 2012</b>	<b>From May 19, 2011 (commencement of operations) to June 30, 2011</b>
<b>Cash flows from operating activities</b>		
Net increase in net assets resulting from operations	\$ 12,023,442	\$ 8,046,223
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	(7,459,133)	(1,584,129)
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.	(4,564,309)	(241,574)
Unrealized appreciation in New Mountain Finance Holdings, L.L.C. resulting from public offering price		(6,220,520)
<b>(Increase) decrease in operating assets:</b>		
Purchase of investment		(129,864,996)
Distribution from New Mountain Finance Holdings, L.L.C.	9,520,945	
<b>Net cash flows provided (used in) by operating activities</b>	<b>9,520,945</b>	<b>(129,864,996)</b>
<b>Cash flows from financing activities</b>		
Proceeds from shares sold		129,864,996
Dividends paid	(9,520,945)	
<b>Net cash flows (used in) provided by financing activities</b>	<b>(9,520,945)</b>	<b>129,864,996</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		
<b>Cash and cash equivalents at the beginning of the period</b>		
<b>Cash and cash equivalents at the end of the period</b>	<b>\$</b>	<b>\$</b>
<b>Non-cash financing activities:</b>		
New Mountain Guardian Partners, L.P. exchange of New Mountain Finance Holdings, L.L.C. units for shares	\$	\$ 18,489,457
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.		(3,958,378)

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

**Table of Contents****New Mountain Finance AIV Holdings Corporation****Statement of Assets and Liabilities**

	<b>June 30, 2012 (unaudited)</b>	<b>December 31, 2011</b>
<b>Assets</b>		
Investment in New Mountain Finance Holdings, L.L.C., at fair value (cost of \$290,847,952 and \$290,847,952, respectively)	\$ 279,745,491	\$ 275,014,997
Distribution receivable from New Mountain Finance Holdings, L.L.C.	6,875,459	
<b>Total assets</b>	<b>\$ 286,620,950</b>	<b>\$ 275,014,997</b>
<b>Liabilities</b>		
Dividends payable	6,875,459	
<b>Total liabilities</b>	<b>6,875,459</b>	
<b>Net assets</b>		
Common stock, par value \$0.01 per share 100 shares issued and outstanding	1	1
Paid in capital in excess of par	292,383,201	292,383,201
Undistributed net investment income	753,586	
Accumulated undistributed net realized gains / distributions in excess of net realized gains	2,841,295	(994,034)
Net unrealized (depreciation) appreciation	(16,232,592)	(16,374,171)
<b>Total net assets</b>	<b>279,745,491</b>	<b>275,014,997</b>
<b>Total liabilities and net assets</b>	<b>\$ 286,620,950</b>	<b>\$ 275,014,997</b>

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

**Table of Contents****New Mountain Finance AIV Holdings Corporation****Statement of Operations****(unaudited)**

	Three months ended June 30, 2012	From May 19, 2011 (commencement of operations) to June 30, 2011	Six months ended June 30, 2012	From May 19, 2011 (commencement of operations) to June 30, 2011
<b>Net investment income allocated from New Mountain Finance Holdings, L.L.C.</b>				
Interest income	\$ 13,161,450	\$ 4,581,339	\$ 25,326,925	\$ 4,581,339
Other income	114,440	200,223	389,662	200,223
Total expenses	(5,659,057)	(1,787,065)	(11,616,522)	(1,787,065)
<b>Net investment income allocated from New Mountain Finance Holdings, L.L.C.</b>	7,616,833	2,994,497	14,100,065	2,994,497
<b>Net realized and unrealized gain (loss) allocated from New Mountain Finance Holdings, L.L.C.</b>				
Net realized gains (losses) on investments	7,827,562	(262,916)	8,486,375	(262,916)
Net change in unrealized (depreciation) appreciation of investments	(8,194,782)	719,567	141,579	719,567
<b>Net realized and unrealized (loss) gain allocated from New Mountain Finance Holdings, L.L.C.</b>	(367,220)	456,651	8,627,954	456,651
<b>Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.</b>	7,249,613	3,451,148	22,728,019	3,451,148
Unrealized depreciation in New Mountain Finance Holdings, L.L.C. resulting from public offering price		(6,212,133)		(6,212,133)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 7,249,613</b>	<b>\$ (2,760,985)</b>	<b>\$ 22,728,019</b>	<b>\$ (2,760,985)</b>

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

**Table of Contents****New Mountain Finance AIV Holdings Corporation****Statement of Changes in Net Assets****(unaudited)**

	<b>Six months ended June 30, 2012</b>	<b>From May 19, 2011 (commencement of operations) to June 30, 2011</b>
<b>Increase (decrease) in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.:</b>		
Net investment income	\$ 14,100,065	\$ 2,994,497
Net realized gains (losses) on investments	8,486,375	(262,916)
Net change in unrealized appreciation of investments	141,579	719,567
<b>Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.</b>	<b>22,728,019</b>	<b>3,451,148</b>
<b>Unrealized depreciation in New Mountain Finance Holdings, L.L.C. resulting from public offering price</b>		<b>(6,212,133)</b>
<b>Total net increase (decrease) in net assets resulting from operations</b>	<b>22,728,019</b>	<b>(2,760,985)</b>
<b>Capital transactions</b>		
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.		(7,482,550)
Contributions from exchanged shares		298,406,533
Dividends declared	(17,997,525)	
<b>Total net (decrease) increase in net assets resulting from capital transactions</b>	<b>(17,997,525)</b>	<b>290,923,983</b>
<b>Net increase in net assets</b>	<b>4,730,494</b>	<b>288,162,998</b>
<b>Net assets at beginning of period</b>	<b>275,014,997</b>	
<b>Net assets at end of period</b>	<b>\$ 279,745,491</b>	<b>\$ 288,162,998</b>

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

**Table of Contents****New Mountain Finance AIV Holdings Corporation****Statement of Cash Flows****(unaudited)**

	<b>Six months ended June 30, 2012</b>	<b>From May 19, 2011 (commencement of operations) to June 30, 2011</b>
<b>Cash flows from operating activities</b>		
Net increase (decrease) in net assets resulting from operations	\$ 22,728,019	\$ (2,760,985)
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	(14,100,065)	(2,994,497)
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.	(8,627,954)	(456,651)
Unrealized depreciation in New Mountain Finance Holdings, L.L.C. resulting from public offering price		6,212,133
<b>(Increase) decrease in operating assets:</b>		
Distribution from New Mountain Finance Holdings, L.L.C.	11,122,066	
<b>Net cash flows provided (used in) by operating activities</b>	<b>11,122,066</b>	
<b>Cash flows from financing activities</b>		
Dividends paid	(11,122,066)	
<b>Net cash flows (used in) provided by financing activities</b>	<b>(11,122,066)</b>	
<b>Net increase (decrease) in cash and cash equivalents</b>		
<b>Cash and cash equivalents at the beginning of the period</b>		
<b>Cash and cash equivalents at the end of the period</b>	<b>\$</b>	<b>\$</b>
<b>Non-cash operating activities:</b>		
Distribution receivable from New Mountain Finance Holdings, L.L.C.	\$ 6,875,459	\$
<b>Non-cash financing activities:</b>		
Dividends declared and payable	\$ (6,875,459)	\$
New Mountain Guardian AIV, L.P. contribution of New Mountain Finance Holdings, L.L.C. units for shares of New Mountain Finance AIV Holdings, L.L.C.		298,406,533
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.		(7,482,550)

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



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**Combined Notes to the Consolidated Financial Statements of**  
**New Mountain Finance Holdings, L.L.C.,**  
**the Financial Statements of New Mountain Finance Corporation, and the Financial Statements**  
**of New Mountain Finance AIV Holdings Corporation**  
**June 30, 2012**  
**(unaudited)**

*The information in these combined notes to the financial statements relates to each of the three separate registrants: New Mountain Finance Holdings, L.L.C., New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation (collectively, the Companies ). Information that relates to an individual registrant will be specifically referenced by the respective company. None of the Companies makes any representation as to the information related solely to the other registrants other than itself.*

**Note 1. Formation and Business Purpose**

New Mountain Finance Holdings, L.L.C. ( NMF Holdings , the Operating Company or the Master Fund ) is a Delaware limited liability company. NMF Holdings is externally managed and has elected to be treated as a business development company ( BDC ) under the Investment Company Act of 1940, as amended (the 1940 Act ). As such, NMF Holdings is obligated to comply with certain regulatory requirements. NMF Holdings intends to be treated as a partnership for federal income tax purposes for so long as it has at least two members.

NMF Holdings is externally managed by New Mountain Finance Advisers BDC, L.L.C. (the Investment Adviser ). New Mountain Finance Administration, L.L.C. (the Administrator ) provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital (defined as New Mountain Capital Group, L.L.C. and its affiliates). New Mountain Capital is a 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 approximately \$9.0 billion as of June 30, 2012. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity, and credit investment vehicles. NMF Holdings, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ( Guardian AIV ) by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately \$300.0 million of the \$5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising \$20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the Predecessor Entities .

New Mountain Finance Corporation ( NMFC ) is a Delaware corporation that was originally incorporated on June 29, 2010. NMFC is a closed-end, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. As such, NMFC is obligated to comply with certain regulatory requirements. NMFC intends to be treated, and intends to comply with the requirements to qualify annually, as a regulated investment company ( RIC ) under Subchapter M of the Internal Revenue Code of 1986, as amended, (the Code ) commencing with its taxable year ending on December 31, 2011.

New Mountain Finance AIV Holdings Corporation ( AIV Holdings ) is a Delaware corporation that was originally incorporated on March 11, 2011. Guardian AIV, a Delaware limited partnership, is AIV Holdings' sole stockholder. AIV Holdings is a closed-end, non-diversified management investment

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**Combined Notes to the Consolidated Financial Statements of**  
**New Mountain Finance Holdings, L.L.C.,**  
**the Financial Statements of New Mountain Finance Corporation, and the Financial Statements**  
**of New Mountain Finance AIV Holdings Corporation (continued)**

company that has elected to be treated as a BDC under the 1940 Act. As such, AIV Holdings is obligated to comply with certain regulatory requirements. AIV Holdings intends to be treated, and intends to comply with the requirements to qualify annually, as a RIC under the Code commencing with its taxable year ending on December 31, 2011.

On May 19, 2011, NMFC priced its initial public offering (the IPO) of 7,272,727 shares of common stock at a public offering price of \$13.75 per share. Concurrently with the closing of the IPO and at the public offering price of \$13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a concurrent private placement (the Concurrent Private Placement). Additionally, 1,252,964 shares were issued to the limited partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities. In connection with NMFC's IPO and through a series of transactions, NMF Holdings owns all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

NMFC and AIV Holdings are holding companies with no direct operations of their own, and their sole asset is their ownership in NMF Holdings. NMFC and AIV Holdings each entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of NMF Holdings, pursuant to which NMFC and AIV Holdings were admitted as members of NMF Holdings. NMFC acquired from NMF Holdings, with the gross proceeds of the IPO and the Concurrent Private Placement, common membership units (units) of NMF Holdings (the number of units are equal to the number of shares of NMFC's common stock sold in the IPO and the Concurrent Private Placement). Additionally, NMFC received units of NMF Holdings equal to the number of shares of common stock of NMFC issued to the limited partners of New Mountain Guardian Partners, L.P. Guardian AIV was the parent of NMF Holdings prior to the IPO and, as a result of the transactions completed in connection with the IPO, obtained units in NMF Holdings. Guardian AIV contributed its units in NMF Holdings to its newly formed subsidiary, AIV Holdings, in exchange for common stock of AIV Holdings. AIV Holdings has the right to exchange all or any portion of its units in NMF Holdings for shares of NMFC's common stock on a one-for-one basis.

As of June 30, 2012, NMFC and AIV Holdings own approximately 34.6% and 65.4%, respectively, of the units of NMF Holdings.

The current structure was designed to generally prevent NMFC from being allocated taxable income with respect to unrecognized gains that existed at the time of the IPO in the Predecessor Entities' assets, and rather such amounts would be allocated generally to AIV Holdings. The result is that any distributions made to NMFC's stockholders that are attributable to such gains generally will not be treated as taxable dividends but rather as return of capital.

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**Combined Notes to the Consolidated Financial Statements of  
New Mountain Finance Holdings, L.L.C.,  
the Financial Statements of New Mountain Finance Corporation, and the Financial Statements  
of New Mountain Finance AIV Holdings Corporation (continued)**

The diagram below depicts the Companies' current organizational structure.

NMF Holdings' investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, NMF Holdings' investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) opportunities for niche market dominance.

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**Combined Notes to the Consolidated Financial Statements of**  
**New Mountain Finance Holdings, L.L.C.,**  
**the Financial Statements of New Mountain Finance Corporation, and the Financial Statements**  
**of New Mountain Finance AIV Holdings Corporation (continued)**

**Note 2. Summary of Significant Accounting Policies**

**Basis of accounting** The Companies' financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ( "GAAP" ). NMF Holdings consolidates its wholly-owned subsidiary, New Mountain Finance SPV Funding, L.L.C. ( "NMF SLF" ). NMFC and AIV Holdings do not consolidate the Operating Company. NMFC and AIV Holdings apply investment company master-feeder financial statement presentation, as described in Accounting Standards Codification 946, *Financial Services Investment Companies*, ( "ASC 946" ) to their interest in the Operating Company. NMFC and AIV Holdings observe that it is industry practice to follow the presentation prescribed for a Master Fund-Feeder fund structure in ASC 946 in instances in which a Master Fund is owned by more than one feeder fund and that such presentation provides stockholders of NMFC and AIV Holdings with a clearer depiction of their investment in the Master Fund.

The Companies' financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition for all periods presented. All intercompany transactions have been eliminated. Revenues are recognized when earned and expenses when incurred. The financial results of the Operating Company's portfolio investments are not consolidated in the financial statements. Prior to the IPO, an affiliate of the Predecessor Entities paid a majority of the management and incentive fees. Historical operating expenses do not reflect the allocation of certain professional fees, administrative and other expenses that have been incurred following the completion of the IPO. Accordingly, the Operating Company's historical operating expenses are not comparable to its operating expenses after the completion of the IPO.

The Companies' interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. Accordingly, the Companies' interim financial statements do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2012.

**Investments** The Operating Company applies fair value accounting in accordance with GAAP. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments are reflected on the Operating Company's Consolidated Statements of Assets, Liabilities and Members' Capital at fair value, with changes in unrealized gains and losses resulting from changes in fair value reflected in the Operating Company's Consolidated Statements of Operations as Net change in unrealized appreciation (depreciation) of investments and realizations on portfolio investments reflected in the Operating Company's Consolidated Statements of Operations as Net realized gains (losses) on investments .

The Operating Company values its assets on a quarterly basis, or more frequently if required under the 1940 Act. In all cases, the Operating Company's board of directors is ultimately and solely responsible for determining the fair value of the portfolio investments on a quarterly basis in good faith, including investments that are not publicly traded, those whose market prices are not readily available

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and any other situation where its portfolio investments require a fair value determination. Security transactions are accounted for on a trade date basis. The Operating Company's quarterly valuation procedures are set forth in more detail below:

(1) Investments for which market quotations are readily available on an exchange are valued at such market quotations based on the closing price indicated from independent pricing services.

(2) Investments for which indicative prices are obtained from various pricing services and/or brokers or dealers are valued through a multi-step valuation process, as described below, to determine whether the quote(s) obtained is representative of fair value in accordance with GAAP.

a. Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below); and

b. For investments other than bonds, the Operating Company looks at the number of quotes readily available and performs the following:

i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained;

ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).

(3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:

a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;

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

c. If an investment falls into (3) above for four consecutive quarters and if the investment's par value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which the Operating Company does not have a readily available market quotation will be reviewed by an independent valuation firm engaged by our board of directors; and

d. Also, when deemed appropriate by the Operating Company's management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

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 of and the realizable value



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of any collateral, the portfolio company's earnings, discounted cash flows, the ability to make payments, the markets in which the portfolio company conducts business, and other relevant factors, including available market data such as relevant and applicable market trading and transaction comparables; applicable market yields and multiples; security covenants; call protection provisions; information rights; comparable merger and acquisition transactions; and the principal market and enterprise values. 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.

The values assigned to investments are based upon available information and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of NMF Holdings' investments may fluctuate from period to period.

NMFC and AIV Holdings are holding companies with no direct operations of their own, and their sole asset is their ownership in the Operating Company. NMFC's and AIV Holdings' investments in the Operating Company are carried at fair value and represent the respective pro-rata interest in the net assets of the Operating Company as of the applicable reporting date. NMFC and AIV Holdings value their ownership interest on a quarterly basis, or more frequently if required under the 1940 Act.

See Note 3, *Investments*, for further discussion relating to investments.

***Cash and cash equivalents*** Cash and cash equivalents include cash and short-term, highly liquid investments. The Companies define cash equivalents as securities that are readily convertible into known amounts of cash and so near maturity that there is insignificant risk of changes in value. Generally, these securities have original maturities of three months or less.

***Revenue recognition***

The Operating Company's revenue recognition policies are as follows:

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

***Interest income:*** Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. The Operating Company has loans in the portfolio that contain a payment-in-kind (PIK) provision. PIK represents interest that is accrued and recorded as interest income at the contractual rates, added to the loan principal on the respective capitalization dates, and generally due at maturity.

***Non-accrual income:*** Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more and when there is reasonable doubt that principal or interest will be collected. Accrued cash and un-capitalized PIK interest is generally reversed when a

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loan is placed on non-accrual status. Previously capitalized PIK interest is not reversed when an investment is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment of the ultimate outcome. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current.

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

NMFC's and AIV Holdings' revenue recognition policies are as follows:

*Revenue, expenses, and capital gains (losses):* At each quarterly valuation date, the Operating Company's investment income, expenses, net realized gains (losses), and net increase (decrease) in unrealized appreciation (depreciation) are allocated to NMFC and AIV Holdings based on their pro-rata interest in the net assets of the Operating Company. This is recorded on NMFC's and AIV Holdings' Statements of Operations. NMFC used the proceeds from its IPO and Concurrent Private Placement to purchase units in the Operating Company at \$13.75 per unit (its IPO price per share). At the IPO date, \$13.75 per unit represented a discount to the actual net asset value per unit of the Operating Company. As a result, NMFC experienced immediate unrealized appreciation on its investment. Concurrently, AIV Holdings experienced immediate unrealized depreciation on its investment in the Operating Company equal to the difference between NMFC's IPO price of \$13.75 per unit and the actual net asset value per unit.

All expenses, including those of NMFC and AIV Holdings, are paid and recorded by the Operating Company. Expenses are allocated to NMFC and AIV Holdings based on pro-rata ownership interest. In addition, the Operating Company paid all of the offering costs related to the IPO. NMFC and AIV Holdings have recorded their portion of the offering costs as a direct reduction to net assets and the cost of their investment in the Operating Company.

With respect to the expenses incident to any registration of shares of NMFC's common stock issued in exchange for AIV Holdings' units of the Operating Company, AIV Holdings is directly responsible for the expenses of any demand registration (including underwriters' discounts or commissions) and their pro-rata share of any piggyback registration expenses. No shares have been exchanged since formation.

*Interest and other credit facility expenses* Interest and other credit facility fees are recorded on an accrual basis by the Operating Company. See Note 7, *Borrowing Facilities*, for details.

*Deferred credit facility costs* The deferred credit facility costs of the Operating Company consist of capitalized expenses related to the origination and amending of the Operating Company's existing credit facilities. The Operating Company amortizes these costs into expense using the straight-line method over the stated life of the related credit facility. See Note 7, *Borrowing Facilities*, for details.

*Income taxes* NMF Holdings is treated as a partnership for federal income tax purposes. Accordingly, no provision for income taxes has been made in the accompanying financial statements,



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as the partners are individually responsible for reporting income or loss based on their respective share of the revenues and expenses. NMF Holdings files United States ( U.S. ) federal, state, and local income tax returns.

NMFC and AIV Holdings intend to elect to be treated, and intend to comply with the requirements to qualify annually, as RICs under subchapter M of the Code, commencing with their taxable years ending on December 31, 2011. As RICs, NMFC and AIV Holdings are not subject to federal income tax on the portion of taxable income and gains timely distributed to stockholders; therefore, no provision for income taxes has been recorded.

To qualify as RICs, NMFC and AIV Holdings are required to meet certain income and asset diversification tests in addition to distributing at least 90.0% of their respective investment company taxable income, as defined by the Code. Since federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes.

Differences between taxable income and the results of operations for financial reporting purposes may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

For federal income tax purposes, distributions paid to stockholders of NMFC and AIV Holdings are reported as ordinary income, return of capital, long term capital gains or a combination thereof.

NMFC and AIV Holdings will be subject to a 4.0% nondeductible federal excise tax on certain undistributed income unless NMFC and AIV Holdings distribute, in a timely manner as required by the Code, an amount at least equal to the sum of (1) 98.0% of their respective net ordinary income earned for the calendar year and (2) 98.2% of their respective capital gain net income for the one-year period ending October 31 in the calendar year.

The Companies have adopted the Income Taxes topic of the Codification ( ASC 740 ). ASC 740 provides guidance for how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on their analyses, the Companies have determined that the adoption of ASC 740 did not have a material impact to the Companies' financial statements.

**Dividends** Distributions to common unit holders of NMF Holdings and common stockholders of NMFC and AIV Holdings are recorded on the record date as set by the respective board of directors. In order for NMFC and AIV Holdings to pay a dividend or other distribution to holders of their common stock, it must be accompanied by a prior distribution by NMF Holdings to all of its unit holders. NMF Holdings intends to make distributions to its unit holders that will be sufficient to enable NMFC and AIV Holdings to pay quarterly distributions to their stockholders and to obtain and maintain their status as RICs. NMFC and AIV Holdings intend to distribute approximately all of their portion of NMF Holdings adjusted net investment income (see Note 5, *Agreements*) on a quarterly basis and substantially all of their portion of NMF Holdings' taxable income on an annual basis, except that NMFC may retain certain net capital gains for reinvestment.

Under certain circumstances, the distributions that NMF Holdings makes to its members may not be sufficient for AIV Holdings to satisfy the annual distribution requirement necessary for AIV Holdings

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to qualify as a RIC. In that case, it is expected that Guardian AIV would consent to be treated as if it received distributions from AIV Holdings sufficient to satisfy the annual distribution requirement. Guardian AIV would be required to include the consent dividend in its taxable income as a dividend from AIV Holdings, which would result in phantom (i.e., non-cash) taxable income to Guardian AIV. AIV Holdings intends to make quarterly distributions to Guardian AIV, its sole stockholder, out of assets legally available for distribution each quarter.

NMF Holdings and NMFC are required to take certain actions in order to maintain, at all times, a one-to-one ratio between the number of units held by NMFC and the number of shares of NMFC's common stock outstanding. NMFC has adopted a dividend reinvestment plan that provides on behalf of its stockholders for reinvestment of any distributions declared, unless a stockholder elects to receive cash. Cash distributions reinvested in additional shares of NMFC's common stock will be automatically reinvested by NMFC into additional units of NMF Holdings. In addition, AIV Holdings does not intend to reinvest any distributions received from NMF Holdings in additional units of NMF Holdings.

NMFC applies the following in implementing the dividend reinvestment plan. If the price at which newly issued shares are to be credited to stockholders' accounts is greater than 110.0% of the last determined net asset value of the shares, NMFC will use only newly issued shares to implement its dividend reinvestment plan. Under such circumstances, the number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of NMFC's common stock on the New York Stock Exchange ( NYSE ) on the distribution payment date. Market price per share on that date will be the closing price for such shares on the NYSE or, if no sale is reported for such day, the average of their electronically reported bid and asked prices. If NMFC uses newly issued shares to implement the plan, NMFC will receive, on a one-for-one basis, additional units of NMF Holdings in exchange for cash distributions that are reinvested in shares of NMFC's common stock under the dividend reinvestment plan.

If the price at which newly issued shares are to be credited to stockholders' accounts is less than 110.0% of the last determined net asset value of the shares, NMFC will either issue new shares or instruct the plan administrator to purchase shares in the open market to satisfy the additional shares required. Shares purchased in open market transactions by the plan administrator will be allocated to a stockholder based on the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased in the open market. The number of shares of NMFC's common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of NMFC's stockholders have been tabulated.

**Foreign securities** The accounting records of the Operating Company are maintained in U.S. dollars. Investment securities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies on the respective dates of the transactions. The Operating Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with Net change in unrealized (depreciation) appreciation of investments and Net realized gains (losses) on investments in the Operating Company's Consolidated Statements of Operations.

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Investments denominated in foreign currencies may be negatively affected by movements in the rate of exchange between the U.S. dollar and such foreign currencies. This movement is beyond the control of the Operating Company and cannot be predicted.

*Use of estimates* The preparation of the Companies' financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Companies' financial statements and the reported amounts of revenues and expenses during the reporting periods. Changes in the economic environment, financial markets, and other metrics used in determining these estimates could cause actual results to differ from the estimates used, and the differences could be material.

**Note 3. Investments**

At June 30, 2012 the Operating Company's investments consisted of the following:

**Investment Cost and Fair Value by Type**

	<b>Cost</b>	<b>Fair Value</b>
First lien	\$ 436,086,866	\$ 435,800,447
Second lien	280,358,643	283,508,153
Subordinated	27,620,585	28,957,984
Equity and other	3,147,548	2,812,310
<b>Total investments</b>	<b>\$ 747,213,642</b>	<b>\$ 751,078,894</b>

**Investment Cost and Fair Value by Industry**

	<b>Cost</b>	<b>Fair Value</b>
Healthcare Services	\$ 149,687,696	\$ 154,342,825
Education	145,334,036	142,280,457
Software	134,620,045	136,500,686
Federal Services	67,543,784	68,036,007
Business Services	55,001,398	56,631,660
Healthcare Products	31,095,068	32,115,000
Consumer Services	31,363,815	31,991,580
Information Services	29,419,185	29,920,907
Logistics	25,452,009	24,720,000
Media	21,087,457	21,045,097
Industrial Services	19,301,274	19,204,394
Healthcare Information Technology	14,645,542	13,222,365
Energy	11,546,638	11,533,108
Information Technology	6,444,889	5,838,205
Power Generation	4,670,806	3,696,603

Total investments

\$ 747,213,642

\$ 751,078,894

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At December 31, 2011 the Operating Company's investments consisted of the following:

**Investment Cost and Fair Value by Type**

	<b>Cost</b>	<b>Fair Value</b>
First lien	\$ 407,538,564	\$ 410,313,643
Second lien	262,532,416	262,701,495
Subordinated	26,672,980	27,648,951
Equity and other	3,120,824	2,849,471
<b>Total investments</b>	<b>\$ 699,864,784</b>	<b>\$ 703,513,560</b>

**Investment Cost and Fair Value by Industry**

	<b>Cost</b>	<b>Fair Value</b>
Software	\$ 153,797,485	\$ 155,642,372
Healthcare Services	113,200,121	117,544,595
Education	104,237,094	101,794,083
Business Services	73,143,286	76,435,801
Federal Services	70,665,154	70,674,563
Consumer Services	29,357,183	29,764,430
Information Services	29,516,875	29,626,611
Healthcare Products	24,037,614	24,875,000
Logistics	25,407,419	24,610,002
Industrial Services	19,220,188	17,543,793
Healthcare Information Technology	14,704,271	14,108,263
Media	11,756,172	11,731,350
Specialty Chemicals and Materials	9,449,821	9,430,359
Power Generation	9,966,951	8,609,943
Information Technology	6,570,081	6,249,251
Telecommunication	4,835,069	4,873,144
<b>Total investments</b>	<b>\$ 699,864,784</b>	<b>\$ 703,513,560</b>

As of June 30, 2012, the Operating Company's original first lien position in ATI Acquisition Company remained on non-accrual status due to the inability of the portfolio company to service its interest payment for the quarter then ended and uncertainty about its ability to pay such amounts in the future. As of June 30, 2012, this first lien debt investment had a cost basis of \$4,306,437, a fair value of \$332,438 and total unearned interest income of \$151,478 and \$297,234, respectively, for the three and six months then ended. Additionally, the Operating Company has two super priority first lien debt investments in ATI Acquisition Company with a combined cost basis of \$1,610,357 and a combined fair value of \$1,414,371 as of June 30, 2012. Unrealized gains include a fee that the Operating Company would receive upon maturity of the two super priority first lien debt investments. Neither super priority first lien positions are on non-accrual status. As of June 30, 2012, the Operating

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Company's total investment in ATI Acquisition Company had an aggregate cost basis of \$5,916,794 and an aggregate fair value of \$1,746,809. As of December 31, 2011, the Operating Company's original first lien position

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in ATI Acquisition Company was put on non-accrual status, with a cost basis of \$4,351,747, a fair value of \$783,617 and total unearned interest income of \$139,793 for the quarter and year then ended. The Operating Company's two super priority first lien debt investments in ATI Acquisition Company had a combined cost basis and fair value of \$1,576,066 as of December 31, 2011. As of December 31, 2011, the Operating Company's total investment in ATI Acquisition Company had an aggregate cost basis of \$5,927,813 and an aggregate fair value of \$2,359,683.

As of June 30, 2012, the Operating Company had unfunded commitments on revolving credit facilities and bridge facilities of \$13,333,500 and \$0, respectively. The Operating Company did not have any unfunded commitments in the form of a delayed draw or other future funding commitments as of June 30, 2012. These unfunded commitments are disclosed on the Operating Company's Consolidated Schedule of Investments as of June 30, 2012.

As of December 31, 2011, the Operating Company had unfunded commitments on revolving credit facilities and bridge facilities of \$22,698,500 and \$35,000,000, respectively. Additionally, the Operating Company had unfunded commitments in the form of a delayed draw or other future funding commitments of \$4,250,632 as of December 31, 2011. These unfunded commitments are disclosed on the Operating Company's Consolidated Schedules of Investments as of December 31, 2011.

**Investment Risk Factor** First and second lien debt that the Operating Company invests in is entirely, or almost entirely, rated below investment grade or may be unrated. These loans are considered speculative because of the credit risk of the issuers. Such issuers are considered more likely than investment grade issuers to default on their payments of interest and principal and such defaults could reduce the net asset value and income distributions of the Operating Company. First and second lien debt may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these first and second lien loans. This illiquidity may make it more difficult to value the debt.

Subordinated debt is generally subject to similar risks as those associated with first and second lien debt, except that such debt is subordinated in payment and/or lower in lien priority. Subordinated debt is subject to the additional risk that the cash flow of the borrower and the property securing the debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured and unsecured obligations of the borrower.

**Note 4. Fair Value**

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* (ASC 820), establishes a fair value hierarchy that prioritizes and ranks the inputs to valuation techniques used in measuring investments at fair value. The hierarchy classifies the inputs used in measuring fair value into three levels as follows:

*Level I* Quoted prices (unadjusted) are available in active markets for identical investments and the Operating Company has the ability to access such quotes as of the reporting date. The type of investments which would generally be included in Level I include active exchange-traded equity securities and exchange-traded derivatives. As required by ASC 820, the Operating Company, to the extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Operating Company holds a large position and a sale could reasonably impact the quoted price.

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*Level II* Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Level II inputs include the following:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

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

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

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

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

The inputs into the determination of fair value require significant judgment or estimation by management and consider factors specific to each investment. A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in the reclassification of certain investments within the fair value hierarchy from period to period. Reclassifications impacting the fair value hierarchy are reported as transfers in/out of the respective leveling categories as of the beginning of the quarter in which the reclassifications occur.

The following table summarizes the levels in the fair value hierarchy that the Operating Company's portfolio investments fall into as of June 30, 2012:

	Total	Level I	Level II	Level III
First lien	\$ 435,800,447	\$	\$ 393,052,961	\$ 42,747,486
Second lien	283,508,153		230,232,853	53,275,300
Subordinated	28,957,984		21,419,000	7,538,984
Equity and other	2,812,310			2,812,310
<b>Total investments</b>	<b>\$ 751,078,894</b>	<b>\$</b>	<b>\$ 644,704,814</b>	<b>\$ 106,374,080</b>



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The following table summarizes the levels in the fair value hierarchy that the Operating Company's portfolio investments fall into as of December 31, 2011:

	Total	Level I	Level II	Level III
First lien	\$ 410,313,643	\$	\$ 377,172,906	\$ 33,140,737
Second lien	262,701,495		214,296,195	48,405,300
Subordinated	27,648,951		21,077,500	6,571,451
Equity and other	2,849,471			2,849,471
<b>Total investments</b>	<b>\$ 703,513,560</b>	<b>\$</b>	<b>\$ 612,546,601</b>	<b>\$ 90,966,959</b>

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended June 30, 2012, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Operating Company at June 30, 2012:

	Total	First Lien	Second Lien	Subordinated	Equity and other
<b>Fair value, March 31, 2012</b>	<b>\$ 103,244,861</b>	<b>\$ 50,568,639</b>	<b>\$ 43,255,300</b>	<b>\$ 6,571,451</b>	<b>\$ 2,849,471</b>
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	4,146,467	4,146,467			
Net change in unrealized (depreciation) appreciation	(4,355,516)	(4,268,436)	(619)	(22,576)	(63,885)
Purchases, including capitalized PIK, revolver fundings and delayed draws	11,054,862	17,410	10,020,619	990,109	26,724
Proceeds from sales and paydowns of investments	(7,716,594)	(7,716,594)			
<b>Fair value, June 30, 2012</b>	<b>\$ 106,374,080</b>	<b>\$ 42,747,486</b>	<b>\$ 53,275,300</b>	<b>\$ 7,538,984</b>	<b>\$ 2,812,310</b>

Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	\$ (548,016)	\$ (460,936)	\$ (619)	\$ (22,576)	\$ (63,885)
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The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended June 30, 2011, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Operating Company at June 30, 2011:

	Total	First Lien	Subordinated	Equity and other
<b>Fair value, March 31, 2011</b>	\$ 29,440,577	\$ 15,944,572	\$ 13,010,878	\$ 485,127
Total gains or losses included in earnings:				
Net change in unrealized appreciation (depreciation)	34,078	34,999	7,842	(8,763)
Purchases, including capitalized PIK and revolver fundings	15,488,011	15,235,593	212,418	
Transfers into Level III(1)	(420,669)	(420,669)		
<b>Fair value, June 30, 2011</b>	\$ 44,501,997	\$ 30,794,495	\$ 13,231,138	\$ 476,364
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	\$ 34,078	\$ 34,999	\$ 7,842	\$ (8,763)

- (1) As of June 30, 2011, the portfolio investments were transferred into Level III from Level II at fair value as of the beginning of the quarter in which the reclassifications occurred.

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The following table summarizes the changes in fair value of Level III portfolio investments for the six months ended June 30, 2012, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Operating Company at June 30, 2012:

	Total	First Lien	Second Lien	Subordinated	Equity and other
<b>Fair value, December 31, 2011</b>	\$ 90,966,959	\$ 33,140,737	\$ 48,405,300	\$ 6,571,451	\$ 2,849,471
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	4,168,819	4,146,203	22,616		
Net change in unrealized (depreciation) appreciation	(4,162,499)	(3,902,803)	(173,235)	(22,576)	(63,885)
Purchases, including capitalized PIK, revolver fundings and delayed draws	45,628,933	34,591,481	10,020,619	990,109	26,724
Proceeds from sales and paydowns of investments	(19,116,594)	(14,116,594)	(5,000,000)		
Transfers out of Level III(1)	(11,111,538)	(11,111,538)			
<b>Fair value, June 30, 2012</b>	\$ 106,374,080	\$ 42,747,486	\$ 53,275,300	\$ 7,538,984	\$ 2,812,310
Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	\$ (548,733)	\$ (461,653)	\$ (619)	\$ (22,576)	\$ (63,885)

- (1) As of June 30, 2012, the portfolio investments were transferred out of Level III into Level II at fair value as of the beginning of the quarter in which the reclassifications occurred.

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The following table summarizes the changes in fair value of Level III portfolio investments for the six months ended June 30, 2011, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Operating Company at June 30, 2011:

	Total	First Lien	Subordinated	Equity and other
<b>Fair value, December 31, 2010</b>	\$ 30,255,961	\$ 16,975,334	\$ 12,747,764	\$ 532,863
Total gains or losses included in earnings:				
Net change in unrealized appreciation (depreciation)	788,581	596,294	270,956	(78,669)
Purchases, including capitalized PIK and revolver fundings	14,210,181	13,975,593	212,418	22,170
Transfers into Level III(1)	(752,726)	(752,726)		
<b>Fair value, June 30, 2011</b>	\$ 44,501,997	\$ 30,794,495	\$ 13,231,138	\$ 476,364
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	\$ 788,581	\$ 596,294	\$ 270,956	\$ (78,669)

(1) As of June 30, 2011, the portfolio investments were transferred into Level III from Level II at fair value as of the beginning of the quarter in which the reclassifications occurred.

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the three and six months ended June 30, 2012 and June 30, 2011. Transfers into Level III occurred as quotations obtained through pricing services were not deemed representative of fair value as of the balance sheet date and such assets were internally valued. As quotations obtained through pricing services were substantiated through additional market sources, investments were transferred out of Level III. The Operating Company invests in revolving credit facilities. These investments are categorized as Level III investments as these assets are not actively traded and their fair values are often implied by the term loans of the respective portfolio companies.

NMF Holdings generally uses the following framework when determining the fair value of investments where there are little, if any, market activity or observable pricing inputs.

**Company Performance, Financial Review, and Analysis:** Prior to investment, as part of its due diligence process, NMF Holdings evaluates the overall performance and financial stability of the portfolio company. Post investment, NMF Holdings analyzes each portfolio company's current operating performance and relevant financial trends versus prior year and budgeted results, including, but not limited to, factors affecting its revenue and earnings before interest, taxes, depreciation, and amortization ( EBITDA ) growth, margin trends, liquidity position, covenant compliance and changes to its capital structure. NMF Holdings also attempts to identify and subsequently track any developments at the portfolio company, within its customer or vendor base or within the industry or the macroeconomic environment, generally, that may alter any material element of its original investment thesis. This analysis is specific to each portfolio company. NMF Holdings leverages the knowledge gained from its original due diligence process, augmented by this subsequent monitoring, to continually refine its outlook for each of its portfolio companies and ultimately form the valuation of its investment in each portfolio company.



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**Market Based Approach:** NMF Holdings typically estimates the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies. NMF Holdings carefully considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, relevant risk factors, as well as size, profitability and growth expectations. NMF Holdings generally applies an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ( LTM ) EBITDA or projected EBITDA to calculate portfolio company enterprise value. This is done in order to ensure that there is an appropriate level of value coverage for each investment. In applying the market based approach as of June 30, 2012, NMF Holdings used a range of 1.0x to 11.5x relevant EBITDA to determine the enterprise value of its investments. NMF Holdings believes this was a reasonable range in light of current comparable company trading levels and the specific companies involved.

**Income Based Approach:** NMF Holdings also typically uses a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. In applying the income based approach as of June 30, 2012, NMF Holdings used a discount range of 6.4% to 23.3% to value its investments.

Based on a comparison to similar BDC credit facilities, the terms and conditions of the Holdings Credit Facility and the SLF Credit Facility are representative of market. Both facilities were amended and restated on May 8, 2012 to lower the applicable interest rate spread by 0.25%. The carrying values of the Holdings Credit Facility and SLF Credit Facility approximate fair value as of June 30, 2012, as both facilities are continually monitored and examined by both the borrower and the lender. The fair value of other financial assets and liabilities approximates their carrying value based on the short term nature of these items. The fair value disclosures discussed in this paragraph are considered Level III.

**Fair value risk factors** The Operating Company seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the Operating Company's portfolio companies conduct their operations, as well as general economic and political conditions, may have a significant negative impact on the operations and profitability of the Operating Company's investments and/or on the fair value of the Operating Company's investments. The Operating Company's investments are subject to the risk of non-payment of scheduled interest or principal, resulting in a reduction in income to the Operating Company and thus the income of NMFC and AIV Holdings, and their corresponding fair valuations. Also, there may be risk associated with the concentration of investments in one geographic region or in certain industries. These events are beyond the control of the Operating Company and cannot be predicted. Furthermore, the ability to liquidate investments and realize value is subject to uncertainties.

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**Note 5. Agreements**

On May 19, 2011, NMFC entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of the Operating Company pursuant to which NMFC was admitted as a member of the Operating Company and agreed to acquire from the Operating Company a number of units of the Operating Company equal to the number of shares of common stock outstanding of NMFC. Additionally on May 19, 2011, in connection with the contribution by Guardian AIV of its units to AIV Holdings, AIV Holdings entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of the Operating Company pursuant to which AIV Holdings was also admitted as a member of the Operating Company.

The Operating Company entered into an investment advisory and management agreement, as amended and restated (the "Investment Management Agreement") with the Investment Adviser. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Operating Company. For providing these services, the Investment Adviser receives a fee from the Operating Company, consisting of two components: a base management fee and an incentive fee.

The base management fee 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 (as defined in Note 7, *Borrowing Facilities*) and (ii) cash and cash equivalents. The base management fee is payable quarterly in arrears, and is calculated based on the average value of the Operating Company's gross assets, borrowings under the SLF Credit Facility, and cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% 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. Pre-Incentive Fee Net Investment Income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that the Operating Company receives from portfolio companies) accrued during the calendar quarter, minus the Operating Company's operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement, as amended and restated, with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred membership units (of which there are none as of June 30, 2012), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Operating Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

Under GAAP, NMFC's IPO did not step-up the cost basis of the Operating Company's existing investments to fair market value at the IPO date. Since the total value of the Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, as well as different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had



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occurred. This will remain until such predecessor investments are sold or mature in the future. The Operating Company tracks the transferred (or fair market) value of each of its investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts Pre-Incentive Fee Net Investment Income to reflect the amortization of purchase or original issue discount on the Operating Company's investments as if each investment was purchased at the date of the IPO, or stepped up to fair market value. This is defined as Pre-Incentive Fee Adjusted Net Investment Income. The Operating Company also uses the transferred (or fair market) value of each of its investments as of the time of the IPO to adjust capital gains ( Adjusted Realized Capital Gains ) or losses ( Adjusted Realized Capital Losses ) and unrealized capital appreciation ( Adjusted Unrealized Capital Appreciation ) and unrealized capital depreciation ( Adjusted Unrealized Capital Depreciation ).

Pre-Incentive Fee Adjusted Net Investment Income, expressed as a rate of return on the value of the Operating Company's net assets at the end of the immediately preceding calendar quarter, will be compared to a hurdle rate of 2.0% per quarter (8.0% annualized), subject to a catch-up provision measured as of the end of each calendar quarter. The hurdle rate is appropriately pro-rated for any partial periods. The calculation of the Operating Company's incentive fee with respect to the Pre-Incentive Fee Adjusted Net Investment Income for each quarter is as follows:

No incentive fee is payable to the Investment Adviser in any calendar quarter in which the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income does not exceed the hurdle rate of 2.0% (the preferred return or hurdle ).

100.0% of the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income with respect to that portion of such Pre-Incentive Fee Adjusted Net Investment Income, if any, that exceeds the hurdle rate but is less than or equal to 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser. This portion of the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income (which exceeds the hurdle rate but is less than or equal to 2.5%) is referred to as the catch-up. The catch-up provision is intended to provide the Investment Adviser with an incentive fee of 20.0% on all of the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income as if a hurdle rate did not apply when the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income exceeds 2.5% in any calendar quarter.

20.0% 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 (10.0% annualized) is payable to the Investment Adviser once the hurdle is reached and the catch-up is achieved. The second part will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement) and will equal 20.0% of the Operating Company's Adjusted Realized Capital Gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee.

In accordance with GAAP, NMF Holdings accrues a hypothetical capital gains incentive fee based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of each period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual

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Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value.

The management fee and incentive fee incurred by the Operating Company were \$2,605,561 and \$2,771,189 for the three months ended June 30, 2012, which includes an accrual of \$52,712 of capital gains incentive fees for the quarter then ended. The management fee and incentive fee incurred by the Operating Company were \$5,119,857 and \$6,132,652 for the six months ended June 30, 2012, which includes an accrual of \$963,890 of capital gains incentive fees for the six months then ended. These accrued capital gains incentive fees would be paid by the Operating Company if the Operating Company ceased operations on June 30, 2012 and liquidated its investments at the current valuation. No accrual was required for the six months ended June 30, 2011. The management fee and incentive fees incurred by the Operating Company were \$807,509 and \$504,393 for the period from May 19, 2011 (effective date of the Investment Management Agreement) to June 30, 2011. For the period ended May 19, 2011, the Operating Company incurred \$34,000 in management fees under the investment advisory and management agreements of the Predecessor Entities. The Operating Company's Consolidated Statement of Operations below is adjusted as if step-up in cost basis to fair market value had occurred at the IPO date, May 19, 2011.

The following Statement of Operations for the three and six months ended June 30, 2012 is adjusted to reflect this step-up to fair market value.

	Three months ended June 30, 2012	Adjustments	Adjusted three months ended June 30, 2012
<b>Investment income</b>			
Interest income	\$ 20,124,043	\$ (825,043)	\$ 19,299,000
Other income	174,980		174,980
Total investment income	20,299,023	(825,043)	19,473,980
Total expenses pre-incentive fee	5,881,589		5,881,589
<b>Pre-Incentive Fee Net Investment Income</b>	14,417,434	(825,043)	13,592,391
Incentive fee(1)	2,771,189		2,771,189
<b>Post-Incentive Fee Net Investment Income</b>	11,646,245	(825,043)	10,821,202
Net realized gains on investments	11,968,454	(4,504,826)	7,463,628
Net change in unrealized (depreciation) appreciation of investments	(12,529,939)	5,329,869	(7,200,070)
<b>Net increase in capital resulting from operations</b>	<b>\$ 11,084,760</b>		<b>\$ 11,084,760</b>

(1)

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For the three months ended June 30, 2012, the Operating Company incurred total incentive fees of \$2,771,189, of which \$52,712 related to capital gains incentive fees on a hypothetical liquidation basis.

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	Six months ended June 30, 2012	Adjustments	Adjusted six months ended June 30, 2012
<b>Investment income</b>			
Interest income	\$ 38,725,226	\$ (1,848,038)	\$ 36,877,188
Other income	595,798		595,798
Total investment income	39,321,024	(1,848,038)	37,472,986
Total expenses pre-incentive fee	11,629,174		11,629,174
<b>Pre-Incentive Fee Net Investment Income</b>	27,691,850	(1,848,038)	25,843,812
Incentive fee(1)	6,132,652		6,132,652
<b>Post-Incentive Fee Net Investment Income</b>	21,559,198	(1,848,038)	19,711,160
Net realized gains on investments	12,975,787	(5,217,550)	7,758,237
Net change in unrealized appreciation of investments	216,476	7,065,588	7,282,064
<b>Net increase in capital resulting from operations</b>	\$ 34,751,461		\$ 34,751,461

(1) For the six months ended June 30, 2012, the Operating Company incurred total incentive fees of \$6,132,652, of which \$963,890 related to capital gains incentive fees on a hypothetical liquidation basis.

The following Statement of Operations begins on May 19, 2011, the effective date of the Investment Management Agreement, for the period ended June 30, 2011, as adjusted to reflect the step-up to fair market value.

	Period from May 19, 2011 to June 30, 2011	Adjustments	Adjusted period from May 19, 2011 to June 30, 2011
<b>Investment income</b>			
Interest income	\$ 7,004,932	\$ (558,689)	\$ 6,446,243
Other income	306,144		306,144
Total investment income	7,311,076	(558,689)	6,752,387
Total expenses pre-incentive fee	2,228,057		2,228,057
<b>Pre-Incentive Fee Net Investment Income</b>	5,083,019	(558,689)	4,524,330

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Incentive fee		504,393		504,393
<b>Post-Incentive Fee Net Investment Income</b>		4,578,626	(558,689)	4,019,937
Net realized losses on investments		(402,003)	215,321	(186,682)
Net change in unrealized appreciation (depreciation) of investments		1,100,228	343,368	1,443,596
<b>Net increase in capital resulting from operations</b>	\$	5,276,851		\$ 5,276,851

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The Companies have entered into an Administration Agreement, as amended and restated, with the Administrator under which the Administrator provides administrative services. The Administrator performs, or oversees the performance of, the Companies' financial records, prepares reports filed with the Securities and Exchange Commission, generally monitors the payment of the Companies' expenses, and watches the performance of administrative and professional services rendered by others. NMF Holdings will reimburse the Administrator for the Companies' allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Companies under the Administration Agreement, as amended and restated. Pursuant to the Administration Agreement, as amended and restated, and further restricted by the Operating Company, expenses payable to the Administrator by the Operating Company as well as other direct and indirect expenses (excluding interest and other credit facility expenses and management and incentive fees) have been capped at \$3,500,000 for the time period from April 1, 2012 to March 31, 2013.

The Operating Company incurred \$397,901 and \$947,705 in expenses in excess of the expense cap for the three months and six months ended June 30, 2012, of which \$118,853 was receivable from an affiliate as of June 30, 2012. The Operating Company incurred \$310,441 in expenses in excess of the expense cap for the three months and six months ended June 30, 2011, of which \$130,186 was receivable from an affiliate as of June 30, 2011.

The Companies, the Investment Adviser and the Administrator have also entered into a Trademark License Agreement, as amended, with New Mountain Capital, L.L.C., pursuant to which New Mountain Capital, L.L.C. has agreed to grant the Companies, the Investment Adviser and the Administrator, a non-exclusive, royalty-free license to use the New Mountain and the New Mountain Finance names. Under the Trademark License Agreement, as amended, subject to certain conditions, the Companies, the Investment Adviser and the Administrator will have a right to use the New Mountain and New Mountain Finance names, for so long as the Investment Adviser or one of its affiliates remains the investment adviser of the Operating Company. Other than with respect to this limited license, the Companies, the Investment Adviser and the Administrator will have no legal right to the New Mountain or the New Mountain Finance names.

AIV Holdings entered into a Registration Rights Agreement with NMFC, Steven B. Klinsky (the Chairman of our board of directors), an entity related to Steven B. Klinsky and the Investment Adviser. Subject to several exceptions, AIV Holdings and the Investment Adviser have the right to require NMFC to register for public resale under the Securities Act of 1933, as amended (the Securities Act of 1933), all registerable securities that are held by any of them and that they request to be registered. Registerable securities subject to the Registration Rights Agreement are shares of NMFC's common stock issued or issuable in exchange for units and any other shares of NMFC'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 effectiveness of the registration statement related to 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 registerable securities in such a registration.

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AIV Holdings and the Investment Adviser may require NMFC to use its reasonable best efforts to register under the Securities Act of 1933 all or any portion of these registerable securities upon a demand request. The demand registration rights are subject to certain limitations.

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

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

AIV Holdings, the Investment Adviser and Steven B. Klinsky (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. NMFC has agreed to indemnify AIV Holdings, the Investment Adviser and Steven B. Klinsky (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 NMFC by such parties. AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) have also agreed to indemnify NMFC with respect to liabilities resulting from untrue statements or omissions furnished by them to NMFC relating to them in any registration statement.

**Note 6. Related Parties**

The Companies have entered into a number of business relationships with affiliated or related parties. NMFC and AIV Holdings own all the outstanding units of the Operating Company. As of June 30, 2012, NMFC and AIV Holdings own approximately 34.6% and 65.4%, respectively, of the units of NMF Holdings.

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

The Companies have entered into an Administration Agreement, as amended and restated, with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the Companies and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement, as amended and restated. NMF Holdings reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Companies under the

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Administration Agreement, as amended and restated, including rent, the fees and expenses associated with performing administrative, finance and compliance functions, and the compensation of the Companies' chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement, as amended and restated, and further restricted by the Operating Company, expenses payable to the Administrator by the Operating Company as well as other direct and indirect expenses (excluding interest and other credit facility expenses and management and incentive fees) have been capped at \$3,500,000 for the time period from April 1, 2012 to March 31, 2013.

The Companies, the Investment Adviser and the Administrator have entered into a royalty-free Trademark License Agreement, as amended, with New Mountain Capital, L.L.C., pursuant to which New Mountain Capital, L.L.C. has agreed to grant the Companies, the Investment Adviser and the Administrator, a non-exclusive, royalty-free license to use the name "New Mountain" and "New Mountain Finance".

The Companies have adopted a formal code of ethics that governs the conduct of their respective officers and directors. These officers and directors also remain subject to the duties imposed by the 1940 Act, the Delaware General Corporation Law and the Delaware Limited Liability Company Act.

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with NMF Holdings' investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for NMF Holdings and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that the Operating Company should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the Securities and Exchange Commission and its staff, and consistent with the Investment Adviser's allocation procedures.

Concurrently with the IPO, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in the Concurrent Private Placement.

**Note 7. Borrowing Facilities**

*Holdings Credit Facility* The Loan and Security Agreement, as amended and restated, dated May 19, 2011 (the "Holdings Credit Facility") among NMF Holdings as the Borrower and Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 27, 2016, as amended on May 8, 2012. The maximum amount of revolving borrowings available under the Holdings Credit Facility is \$160,000,000. The Operating Company is permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien or non-first lien debt securities, and up to 67.0% and 45.0% of the purchase price of specified first lien debt securities and specified non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, National Association. The credit facility is collateralized by all of the investments of the Operating Company on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Operating Company's Consolidated Statement of



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Assets, Liabilities, and Members' Capital and charged against income as other credit facility expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. In addition, the Holdings Credit Facility requires the Operating Company to maintain a minimum asset coverage ratio. However, the covenants are generally not tied to mark to market fluctuations in the prices of the Operating Company's investments, but rather to the performance of the underlying portfolio companies.

The Operating Company became a party to the Holdings Credit Facility upon the IPO of NMFC. The Holdings Credit Facility amends and restates the credit facility of the Predecessor Entities (the Predecessor Credit Facility). The Predecessor Credit Facility consisted of two separate facilities. First, the Loan and Security Agreement dated October 21, 2009 among New Mountain Guardian (Leveraged), L.L.C. as the Collateral Manager, New Mountain Guardian Debt Funding, L.L.C. as the Borrower, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, was structured as a revolving credit facility that matured on October 21, 2014. The maximum amount of revolving borrowings available under this credit facility was \$112,500,000. Second, the Loan and Security Agreement dated November 19, 2009 among New Mountain Guardian Partners (Leveraged), L.L.C. as the Collateral Manager, New Mountain Guardian Partners Debt Funding, L.L.C. as the Borrower, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility that matures on October 21, 2014. The maximum amount of revolving borrowings available under this credit facility was \$7,500,000.

The Holdings Credit Facility (as well as the Predecessor Credit Facility) bears interest at a rate of the London Interbank Offered Rate (LIBOR) plus 2.75% per annum, as amended on May 8, 2012, and charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement). Interest expense and non-usage fees were \$1,050,885 and \$33,622, respectively, for the three months ended June 30, 2012. Interest expense and non-usage fees were \$2,112,794 and \$72,858, respectively, for the six months ended June 30, 2012. Interest expense and non-usage fees were \$366,558 and \$176,225, respectively, for the three months ended June 30, 2011. Interest expense and non-usage fees were \$893,905 and \$374,900, respectively, for the six months ended June 30, 2011. The weighted average interest rate for the six months ended June 30, 2012 and June 30, 2011 was 3.2% and 3.2%, respectively. The average debt outstanding for the six months ended June 30, 2012 and June 30, 2011 was \$131,527,287 and \$53,853,228, respectively. The outstanding balance as of June 30, 2012 and December 31, 2011 was \$138,756,913 and \$129,037,813, respectively. As of June 30, 2012 and December 31, 2011, the Operating Company was in compliance with all financial and operational covenants required by the credit facilities existing on such dates.

*SLF Credit Facility* The Operating Company's senior loan fund's Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the SLF Credit Facility) among NMF SLF as the Borrower, NMF Holdings as the Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 27, 2016, as amended on May 8, 2012. The maximum amount of revolving borrowings available under the SLF Credit Facility is \$175,000,000. The SLF Credit Facility is non-recourse to NMF Holdings and is secured by all assets owned by NMF SLF on an investment by investment basis. All fees associated with the origination or upsizing of the

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SLF Credit Facility are capitalized on the Consolidated Statement of Assets, Liabilities, and Members' Capital and charged against income as other credit facility expenses over the life of the SLF Credit Facility. The SLF Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. The covenants are generally not tied to mark to market fluctuations in the prices of our investments, but rather to the performance of the underlying portfolio companies.

The SLF Credit Facility permits borrowings of up to 67.0% of the purchase price of pledged debt securities subject to approval by Wells Fargo Bank, National Association. Due to a fifth amendment to the SLF Credit Facility on October 27, 2011, NMF SLF is no longer restricted from the purchase or sale of loans with an affiliate. Therefore, specified first lien loans can be moved as collateral between the Holdings Credit Facility and the SLF Credit Facility.

The SLF Credit Facility bears interest at a rate of LIBOR plus 2.00% per annum, as amended on May 8, 2012. A non-usage fee is paid, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement). Interest expense and non-usage fees were \$995,874 and \$8,692, respectively, for the three months ended June 30, 2012. Interest expense and non-usage fees were \$2,086,996 and \$12,370, respectively, for the six months ended June 30, 2012. Interest expense and non-usage fees were \$731,637 and \$40,318, respectively, for the three months ended June 30, 2011. Interest expense and non-usage fees were \$1,349,394 and \$58,168, respectively, for the six months ended June 30, 2011. The weighted average interest rate for the six months ended June 30, 2012 and June 30, 2011 for the facility was 2.4% and 2.5%, respectively. The average debt outstanding for the six months ended June 30, 2012 and June 30, 2011 was \$170,106,639 and \$108,352,940, respectively. The outstanding balance as of June 30, 2012 and December 31, 2011 was \$173,112,281 and \$165,928,000, respectively. As of June 30, 2012 and December 31, 2011, NMF SLF was in compliance with all financial and operational covenants required by the SLF Credit Facility.

**Leverage risk factors** The Operating Company utilizes and may utilize leverage to the maximum extent permitted by the law for investment and other general business purposes. The Operating Company's lenders will have fixed dollar claims on certain assets that are superior to the claims of the Operating Company's unit holders, and therefore NMFC's common stockholders, and the Operating Company would expect such lenders to seek recovery against these assets in the event of a default. The use of leverage also magnifies the potential for gain or loss on amounts invested. Leverage may magnify interest rate risk (particularly on the Operating Company's fixed-rate investments), which is the risk that the prices of portfolio investments will fall or rise if market interest rates for those types of securities rise or fall. As a result, leverage may cause greater changes in the Operating Company's net asset value. Similarly, leverage may cause a sharper decline in the Operating Company's income than if the Operating Company had not borrowed. Such a decline could negatively affect the Operating Company's ability to make dividend payments to its unit holders. Leverage is generally considered a speculative investment technique. The Operating Company's ability to service any debt incurred will depend largely on financial performance and will be subject to prevailing economic conditions and competitive pressures.

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**Note 8. Regulation**

NMFC and AIV Holdings intend to elect to be treated, and intend to comply with the requirements to qualify annually, as RICs under Subchapter M of the Code, commencing with their taxable years ending on December 31, 2011. In order to qualify as RICs, among other things, NMFC and AIV Holdings are required to timely distribute to their stockholders at least 90.0% of investment company taxable income, as defined by the Code, for each year. NMFC and AIV Holdings, among other things, intend to make and continue to make the requisite distributions to their stockholders, which will generally relieve NMFC and AIV Holdings from U.S. federal, state, and local income taxes (excluding excise taxes which may be imposed under the Code). However, under certain circumstances, the distributions that the Operating Company makes to its members may not be sufficient for AIV Holdings to satisfy the annual distribution requirement necessary for AIV Holdings to qualify as a RIC. In that case, it is expected that Guardian AIV would consent to be treated as if it received distributions from AIV Holdings sufficient to satisfy the annual distribution requirement. Guardian AIV would be required to include the consent dividend in its taxable income as dividend from AIV Holdings, which would result in phantom (i.e., non-cash) taxable income to Guardian AIV.

Additionally as BDCs, the Companies must not acquire any assets other than qualifying assets specified in the 1940 Act unless, at the time the acquisition is made, at least 70.0% of its total assets are qualifying assets (with certain limited exceptions).

**Note 9. Commitments and Contingencies**

In the normal course of business, the Companies may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Operating Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments, or delayed draw commitments. As of June 30, 2012, NMF Holdings had unfunded commitments on revolving credit facilities of \$13,333,500 and no outstanding bridge financing commitments or other future funding commitments, all of which are disclosed on NMF Holdings Consolidated Schedule of Investments. As of December 31, 2011, NMF Holdings had unfunded commitments on revolving credit facilities of \$22,698,500, outstanding bridge financing commitments of \$35,000,000 and other future funding commitments of \$4,250,632, all of which are disclosed on NMF Holdings Consolidated Schedule of Investments.

The Operating Company also has revolving borrowings available under the Holdings Credit Facility and the SLF Credit Facility as of June 30, 2012. See Note 7, *Borrowing Facilities*, for details.

The Operating Company may from time to time enter into financing commitment letters. As of June 30, 2012 and December 31, 2011, the Operating Company did not enter into any commitment letters to purchase debt investments, which could require funding in the future.

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**Note 10. Stockholders Equity**

The table below illustrates the effect of certain transactions on the capital accounts of NMFC:

	Common Stock		Paid in Capital	Undistributed Net	Accumulated Undistributed	Net Unrealized	Total
	Shares	Par Amount	in Excess of Par	Investment Income	Net Realized Gains	Appreciation (Depreciation)	Stockholders Equity
Balance at December 31, 2011	10,697,691	\$ 106,977	\$ 144,248,879	\$	\$ 286,307	\$ 844,658	\$ 145,486,821
Dividends declared					(7,060,476)	(2,460,469)	(9,520,945)
Net increase in stockholders equity resulting from operations				7,459,133	4,489,412	74,897	12,023,442
Balance at June 30, 2012	10,697,691	\$ 106,977	\$ 144,248,879	\$ 398,657	\$ 2,315,250	\$ 919,555	\$ 147,989,318

The table below illustrates the effect of certain transactions on the capital accounts of AIV Holdings:

	Common Stock		Paid in Capital	Undistributed Net	Accumulated Undistributed	Net Unrealized	Total
	Shares	Par Amount	in Excess of Par	Investment Income	Net Realized Gains	(Depreciation) Appreciation	Stockholders Equity
Balance at December 31, 2011	100	\$ 1	\$ 292,383,201	\$	\$ (994,034)	\$ (16,374,171)	\$ 275,014,997
Dividends declared					(13,346,479)	(4,651,046)	(17,997,525)
Net increase in stockholders equity resulting from operations				14,100,065	8,486,375	141,579	22,728,019
Balance at June 30, 2012	100	\$ 1	\$ 292,383,201	\$ 753,586	\$ 2,841,295	\$ (16,232,592)	\$ 279,745,491

**Note 11. Earnings Per Share**

The following information sets forth the computation of basic and diluted net increase in NMFC's net assets per share resulting from operations for the six months ended June 30, 2012:

	Three months ended June 30, 2012	Six months ended June 30, 2012
Numerator for basic earnings per share:	\$ 3,835,147	\$ 12,023,442
Denominator for basic weighted average share:	10,697,691	10,697,691
Basic earnings per share:	\$ 0.36	\$ 1.12

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Numerator for diluted earnings per share(a):	\$	11,084,760	\$	34,751,461
Denominator for diluted weighted average share(b):		30,919,629		30,919,629
Diluted earnings per share:	\$	0.36	\$	1.12

- (a) Includes full income at the Operating Company for the period.
- (b) Assumes AIV Holdings exchanges its units in the Operating Company for public shares of NMFC as of December 31, 2011 (see Note 1, *Formation and Business Purpose*).

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The following information sets forth the computation of basic and diluted net increase in NMFC's net assets per share resulting from operations for the period May 19, 2011 to June 30, 2011:

	<b>May 19, 2011 (commencement of operations) to June 30, 2011</b>	
Numerator for basic earnings per share:	\$	8,046,223
Denominator for basic weighted average share:		10,697,691
Basic earnings per share:	\$	0.75
Numerator for diluted earnings per share(a):	\$	5,276,851
Denominator for diluted weighted average share(b):		30,919,629
Diluted earnings per share:	\$	0.17

- (a) Includes full income at the Operating Company for the period. Does not include unrealized appreciation in the Operating Company resulting from the IPO.
- (b) Assumes AIV Holdings exchanges its units in the Operating Company for public shares of NMFC on May 19, 2011 (see Note 1, *Formation and Business Purpose*).

**Note 12. Financial Highlights**

The following information sets forth the financial highlights for the Operating Company for the respective six months ended June 30, 2012 and June 30, 2011.

	<b>Six months ended</b>	
	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Total return based on net asset value(a)	8.34%	8.52%
Average net assets for the period	\$ 427,503,622	\$ 324,243,396
Ratio to average net assets(b):		
Net investment income	10.14%	11.81%
Total expenses (gross)	8.80%	3.52%
Total expenses (net of reimbursable expenses)	8.36%	3.32%
Net assets, end of period	\$ 427,734,809	\$ 440,605,296
Average debt outstanding - Holdings Credit Facility	\$ 131,527,287	\$ 53,853,228
Average debt outstanding - SLF Credit Facility	\$ 170,106,639	\$ 108,352,940
Weighted average shares outstanding	30,919,629	30,919,629(c)
Asset coverage ratio	237.15%	373.30%
Portfolio turnover	27.45%	31.59%

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- (a) For the six months ended June 30, 2012, total return is calculated assuming a purchase at net asset value on the opening of the first day of the year and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter. For the six months ended June 30, 2011, total return is calculated in two parts: (1) from the opening of the first day of the year to NMFC's IPO date, total return is calculated based on net income over weighted average net assets and (2) from NMFC's IPO date to June 30, 2011, total return is calculated assuming a purchase at net asset value on NMFC's IPO date and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.
- (b) Ratio to average net assets has been annualized.

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(c) Weighted average shares outstanding presented from May 19, 2011 forward as the fund became unitized on that date, the IPO date.

	Six months ended June 30, 2012	May 19, 2011 (commencement of operations) to June 30, 2011
Per unit data for the Operating Company:		
Net asset value, January 1, 2012 and May 19, 2011(a), respectively	\$ 13.60	\$ 14.08
Net investment income	0.70	0.15
Net realized and unrealized gains	0.42	0.02
Dividends from net investment income	(0.89)	
Net increase in net assets resulting from operations	0.23	0.17
Net asset value, June 30, 2012 and June 30, 2011, respectively	\$ 13.83	\$ 14.25

(a) Data presented from May 19, 2011 forward as the fund became unitized on that date, the IPO date.

The following information sets forth the financial highlights for NMFC for the six months ended June 30, 2012 and the period May 19, 2011 to June 30, 2011. The ratios to average net assets have been annualized.

	Six months ended June 30, 2012	May 19, 2011 (commencement of operations) to June 30, 2011
Per share data:		
Net asset value, January 1, 2012 and May 19, 2011(a), respectively	\$ 13.60	\$ 13.50
Net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.:		
Net investment income	0.70	0.15
Net realized and unrealized gains	0.42	0.02
Total net increase	1.12	0.17
Unrealized appreciation in New Mountain Finance Holdings, L.L.C. resulting from public offering price		0.58
Dividends declared	(0.89)	
Net asset value, June 30, 2012	\$ 13.83	\$ 14.25
Per share market value, June 30, 2012	\$ 14.19	\$ 12.70
Total return based on market value(b)	12.57%	(7.64)%
Total return based on net asset value(c)	8.34%	1.24%
Average net assets for the period	\$ 147,909,331	\$ 151,529,446
Ratio to average net assets:		
	8.36%	5.42%



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Total expenses allocated from New Mountain Finance Holdings,  
L.L.C.

Net investment income allocated from New Mountain Finance  
Holdings, L.L.C.

10.14%

9.09%

(a) Data presented from May 19, 2011 forward as the fund became unitized on that date, the IPO date.

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- (b) For the six months ended June 30, 2012, total return is calculated assuming a purchase of common stock at the opening of the first day of the year and a sale on the closing of the last business day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under NMFC's dividend reinvestment plan. For the period May 19, 2011 to June 30, 2011, total return is calculated assuming a purchase of common stock at IPO and a sale on the closing of the last business day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under NMFC's dividend reinvestment plan.
- (c) For the six months ended June 30, 2012, total return is calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter. For the period May 19, 2011 to June 30, 2011, total return is calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last business day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.

The following information sets forth the financial highlights for AIV Holdings for the six months ended June 30, 2012 and the period May 19, 2011 to June 30, 2011. The ratios to average net assets have been annualized.

	Six months ended June 30, 2012	May 19, 2011 (commencement of operations) to June 30, 2011
Total return based on net asset value(a)	8.34%	(0.92)%
Average net assets for the period	\$ 279,594,290	\$ 286,437,425
Ratio to average net assets:		
Total expenses	8.36%	5.42%
Net investment income	10.14%	9.09%

- (a) For the six months ended June 30, 2012, total return is calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at net asset value on the last day of the respective quarter. For the period May 19, 2011 to June 30, 2011, total return is calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last business day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.

**Note 13. Recent Accounting Standards Updates**

In May 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ( ASU 2011-04 ), which provides clarification about how to measure fair value and improves comparability of fair value measurements presented and disclosed in accordance with GAAP and International Financial Reporting Standards. The amendments included in ASU 2011-04 clarify the FASB's intent about the application of existing fair value measurement and disclosure requirements outlined in ASC 820, as well as include some instances of changes to particular principles or requirements. ASU 2011-04 clarifies that (i) the concept of the highest and best use

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valuation premise applies only to nonfinancial assets, (ii) instruments classified in stockholders' equity should be valued from the perspective of a market participant that holds that instrument as an asset, and (iii) quantitative information should be disclosed about unobservable inputs used in a fair value measurement that is categorized within Level III of the fair value hierarchy. ASU 2011-04 changes the guidance in (i) permitting an exception to ASC 820 by allowing an entity to measure the fair value of a group of financial assets and financial liabilities exposed to market and credit risks to be consistent with the entity's net risk exposures, instead of gross risk, (ii) applying premiums and discounts in a fair value measurement lacking a Level I inputs to be consistent with the ASC 820 requirements of fair value measurement but that applying premiums and discounts in a fair value measurement related to size as a characteristic of the holding rather than as a characteristic of the asset or liability is not permitted, and (iii) requiring additional disclosures about fair value measurements categorized within Level III of the fair value hierarchy, including the valuation processes used and the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. ASU 2011-04 is effective for the interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a significant impact on the Companies' financial statements. Additional disclosure was added where applicable.

**Note 14. Subsequent Events**

On July 10, 2012, NMFC's shelf registration statement became effective. On July 17, 2012, NMFC completed a public offering of 5,250,000 shares of its common stock at a public offering price of \$14.35 per share for total gross proceeds of approximately \$75,337,500. In connection with the offering, NMFC granted the underwriters for the offering an option to purchase up to an additional 787,500 shares of common stock. Such option remains exercisable until August 11, 2012.

On July 31, 2012, the boards of directors of the Companies each appointed David Malpass as a Class III Director and Adam B. Weinstein as a Class I Director. Additionally Mr. Malpass was appointed to the audit committees, valuation committees and nominating and corporate governance committees of each of the Companies. Mr. Malpass was further appointed to NMFC's and AIV Holdings' compensation committees. Mr. Malpass is not an interested person of any of the Companies as such term is defined under Section 2(a)(19) of the 1940 Act. Mr. Weinstein is the Chief Financial Officer and Treasurer of each of the Companies and thus, Mr. Weinstein is an interested person of each of the Companies as such term is defined under Section 2(a)(19) of the 1940 Act.

On August 7, 2012, the Operating Company entered into a seventh amendment to the Holdings Credit Facility. This amendment increased the maximum amount of revolving borrowings available under the Holdings Credit Facility from \$160,000,000 to \$185,000,000.

On August 7, 2012, NMF SLF entered into a tenth amendment to the SLF Credit Facility. This amendment increased the maximum amount of revolving borrowings available under the SLF Credit Facility from \$175,000,000 to \$200,000,000.

On August 8, 2012, the Operating Company's board of directors, and subsequently NMFC's board of directors, declared a third quarter 2012 distribution of \$0.34 per unit/share payable on September 28, 2012 to holders of record as of September 14, 2012. Subsequently, AIV Holdings board of directors declared a dividend payable on September 28, 2012 to holders of record as of September 14, 2012 in an amount equal to \$0.34 per unit multiplied by the total number of units owned by AIV Holdings of the Operating Company as of the record date.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Boards of Directors of

New Mountain Finance Holdings, L.L.C.,

New Mountain Finance Corporation and

New Mountain Finance AIV Holdings Corporation

New York, New York

We have reviewed the accompanying Consolidated Statement of Assets, Liabilities and Members' Capital of New Mountain Finance Holdings, L.L.C., including the Consolidated Schedule of Investments as of June 30, 2012, and the related Consolidated Statements of Operations for the three and six month periods ended June 30, 2012 and 2011, and the Consolidated Statements of Changes in Members' Capital, and Cash Flows for the six month periods ended June 30, 2012 and 2011. Also, we have reviewed the Statements of Assets and Liabilities of New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation as of June 30, 2012, and the related Statements of Operations for the three and six month periods ended June 30, 2012 and for the period May 19, 2011 (commencement of operations) to June 30, 2011, and the Statements of Changes in Net Assets and Cash Flows for the six month period ended June 30, 2012 and for the period May 19, 2011 to June 30, 2011. These interim financial statements are the responsibility of the management of New Mountain Finance Holdings, L.L.C., New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Statement of Assets, Liabilities and Members' Capital of New Mountain Finance Holdings, L.L.C., including the Consolidated Schedule of Investments as of December 31, 2011, the related Consolidated Statements of Operations, Changes in Members' Capital, and Cash Flows for the year then ended (not presented herein), and the Statements of Assets and Liabilities of New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation as of December 31, 2011, the related Statements of Operations, Changes in Net Assets, and Cash Flows for the period May 19, 2011 (commencement of operations) to December 31, 2011 (not presented herein); and in our reports dated March 7, 2012, we expressed unqualified opinions on those financial statements. In our opinion, the information set forth in the accompanying Consolidated Statement of Assets, Liabilities and Members' Capital of New Mountain Finance Holdings, L.L.C., including the Consolidated Schedule of Investments, and the Statements of Assets and Liabilities of New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation as of December 31, 2011, is fairly stated, in all material respects, in relation to the Consolidated Statement of Assets, Liabilities, and Members' Capital of New Mountain Finance Holdings, L.L.C., including the Consolidated Schedules of Investments, and the Statements of Assets and Liabilities of New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation from which they have been derived.

*DELOITTE & TOUCHE LLP*

New York, New York

August 8, 2012

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**PROSPECTUS**

# **New Mountain Finance Corporation**

## **Common Stock**

New Mountain Finance Corporation ( NMFC ) is a holding company with no direct operations of its own, and its only business and sole asset is its ownership of common membership units of New Mountain Finance Holdings, L.L.C. (the Operating Company ). The Operating Company is an externally managed business development company managed by New Mountain Finance Advisers BDC, L.L.C. and is the operating company for NMFC s business. NMFC and the Operating Company each have elected to be treated as a business development company under the Investment Company Act of 1940. The Operating Company s investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. NMFC owns approximately 34.6% of the common membership units of the Operating Company and New Mountain Finance AIV Holdings Corporation owns approximately 65.4% of the common membership units of the Operating Company.

NMFC may offer, from time to time, in one or more offerings, up to \$150,000,000 of its common stock. The common stock may be offered at prices and on terms to be described in one or more supplements to this prospectus. In addition, this prospectus relates to 22,393,938 shares of NMFC s common stock that may be sold by the selling stockholders identified under Selling Stockholders . Sales of NMFC s common stock by the selling stockholders, which may occur at prices below the net asset value per share of NMFC s common stock, may adversely affect the market price of NMFC s common stock and may make it more difficult for NMFC to raise capital.

The offering price per share of NMFC s common stock less any underwriting commissions or discounts will generally not be less than the net asset value per share of NMFC s common stock at the time we make the offering. However, NMFC may issue shares of its common stock pursuant to this prospectus at a price per share that is less than its net asset value per share (i) with the prior approval of the majority of its common stockholders or (ii) under such other circumstances as the Securities and Exchange Commission may permit.

The selling stockholders identified under Selling Stockholders acquired their respective shares of NMFC s common stock either through (i) the concurrent private placement to certain affiliates of NMFC in connection with NMFC s initial public offering or (ii) the formation transactions completed immediately prior to NMFC s initial public offering. Each offering by the selling stockholders of their shares of NMFC s common stock through agents, underwriters or dealers will be accompanied by a prospectus supplement that will identify the selling stockholders that are participating in such offering. NMFC and the Operating Company will not receive any proceeds from the sale of shares of NMFC s common stock by any of the selling stockholders.

NMFC s common stock may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to an offering will identify any agents or underwriters involved in the sale of NMFC s common stock, and will disclose any applicable purchase price, fee, commission or discount arrangement between NMFC and its agents or underwriters or among NMFC s underwriters or the basis upon which such amount may be calculated. See Plan of Distribution . NMFC may not sell any of its common stock through agents, underwriters or dealers without delivery of this prospectus and a prospectus supplement describing the method and terms of the offering of such common stock.

NMFC s common stock is traded on the New York Stock Exchange under the symbol NMFC . On July 6, 2012, the last reported sales price on the New York Stock Exchange for NMFC s common stock was \$14.91 per share. Based on this last reported sales price of NMFC s common stock, the aggregate market value of the shares of NMFC s common stock held by the selling stockholders identified under Selling Stockholders is approximately \$333.9 million.

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*An investment in NMFC's common stock is very risky and highly speculative. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. In addition, the companies in which NMFC invests, through the Operating Company, are subject to special risks. See Risk Factors beginning on page 21 to read about factors you should consider, including the risk of leverage, before investing in NMFC's common stock.*

**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.**

**This prospectus may not be used to consummate sales of shares of common stock unless accompanied by a prospectus supplement.**

Please read this prospectus and any accompanying prospectus supplements before investing and keep each for future reference. This prospectus and any accompanying prospectus supplements contain important information about NMFC and the Operating Company that a prospective investor ought to know before investing in NMFC's common stock. NMFC and the Operating Company file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (<http://www.sec.gov>), which is available free of charge by contacting NMFC by mail at 787 Seventh Avenue, 48th Floor, New York, New York 10019 or on our website at <http://www.newmountainfinance.com>.

July 10, 2012

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You should rely only on the information contained in this prospectus and any accompanying prospectus supplement. We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus or any prospectus supplement to this prospectus. You must not rely upon any information or representation not contained in this prospectus or any such supplements as if we had authorized it. This prospectus and any such supplements do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus and any such supplements is accurate as of the dates on their covers. Our business, financial condition, results of operations and prospects may have changed since then.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission ( SEC ), using the shelf registration process. Under the shelf registration process, which constitutes a delayed offering in reliance on Rule 415 under the Securities Act of 1933, as amended (the Securities Act ), NMFC may offer, from time to time, in one or more offerings, up to \$150,000,000 of its common stock on terms to be determined at the time of the offering. In addition, this prospectus relates to 22,393,938 shares of NMFC's common stock that may be sold by the selling stockholders identified under Selling Stockholders . The shares may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the offerings of shares that NMFC may conduct pursuant to this prospectus. Each time NMFC uses this prospectus to offer shares, we will provide a prospectus supplement that will contain specific information about the terms of that offering. A prospectus supplement may also add, update or change information contained in this prospectus.

Please carefully read this prospectus and any such supplements together with any exhibits and the additional information described under Available Information and in the Summary and Risk Factors sections before you make an investment decision.



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**PROSPECTUS SUMMARY**

*The following summary contains basic information about offerings pursuant to this prospectus. It may not contain all the information that is important to you. For a more complete understanding of offerings pursuant to this prospectus, we encourage you to read this entire prospectus and the documents to which we have referred in this prospectus, together with any accompanying prospectus supplements, including the risks set forth under the caption *Risk Factors* in this prospectus and any accompanying prospectus supplement and the information set forth under the caption *Available Information* in this prospectus.*

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

*NMFC* refers to New Mountain Finance Corporation, a Delaware corporation, which was incorporated on June 29, 2010 in preparation for the initial public offering;

*NMF SLF* refers to 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 is the operating company for our business. References to the Operating Company include New Mountain Finance Holdings, L.L.C.'s wholly-owned subsidiary, NMF SLF, unless the context otherwise requires. References to the Operating Company exclude NMF SLF when referencing the Operating Company's common membership units, board of directors, and credit facility or leverage;

*Guardian AIV* refers to New Mountain Guardian AIV, L.P.;

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

*New Mountain Finance Entities*, *we*, *us* and *our* refer to NMFC, the Operating Company and AIV Holdings, collectively; except for references to the registration statement of which this prospectus forms a part and the offering of securities thereunder, in which case references to *we*, *us* and *our* refer to NMFC and the Operating Company only.

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

*Administrator* refers to the New Mountain Finance Entities' administrator, New Mountain Finance Administration, L.L.C.;

*New Mountain Capital* refers to New Mountain Capital Group, L.L.C. and its affiliates;

*Predecessor Entities* refers to New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries prior to the initial public offering;

*Holdings Credit Facility* refers to the Operating Company's Amended and Restated Loan and Security Agreement with Wells Fargo Bank, National Association, dated May 19, 2011, as amended;

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*SLF Credit Facility* refers to NMF SLF's Loan and Security Agreement with Wells Fargo Bank, National Association, dated October 27, 2010, as amended; and

*Credit Facilities* refers to the Holding Credit Facility and the SLF Credit Facility, collectively.

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### **Overview**

The Operating Company is a Delaware limited liability company. The Operating Company is externally managed and has elected to be treated as a business development company ( BDC ) under the Investment Company Act of 1940, as amended (the 1940 Act ). As such, the Operating Company is obligated to comply with certain regulatory requirements. The Operating Company intends to be treated as a partnership for federal income tax purposes for so long as it has at least two members.

The Operating Company is externally managed by the Investment Adviser. The Administrator provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital. New Mountain Capital is a 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 approximately \$9.0 billion as of March 31, 2012. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity, and credit investment vehicles. The Operating Company, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of Guardian AIV by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately \$300.0 million of the \$5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising \$20.4 million of commitments.

NMFC is a Delaware corporation that was originally incorporated on June 29, 2010. NMFC is a closed-end, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. As such, NMFC is obligated to comply with certain regulatory requirements. NMFC intends to be treated, and intends to comply with the requirements to qualify annually, as a regulated investment company ( RIC ) under Subchapter M of the Internal Revenue Code of 1986, as amended, (the Code ) commencing with its taxable year ending on December 31, 2011.

AIV Holdings is a Delaware corporation that was originally incorporated on March 11, 2011. Guardian AIV, a Delaware limited partnership, is AIV Holdings' sole stockholder. AIV Holdings is a closed-end, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. As such, AIV Holdings is obligated to comply with certain regulatory requirements. AIV Holdings intends to be treated, and intends to comply with the requirements to qualify annually, as a RIC under the Code commencing with its taxable year ending on December 31, 2011.

On May 19, 2011, NMFC priced its initial public offering (the IPO ) of 7,272,727 shares of common stock at a public offering price of \$13.75 per share. Concurrently with the closing of the IPO and at the public offering price of \$13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a concurrent private placement (the Concurrent Private Placement ). Additionally, 1,252,964 shares were issued to the partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities. In connection with NMFC's IPO and through a series of transactions, the Operating Company owns all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

NMFC and AIV Holdings are holding companies with no direct operations of their own, and their sole asset is their ownership in the Operating Company. NMFC and AIV Holdings each entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of the Operating Company, pursuant to which NMFC and AIV Holdings were admitted as members of the Operating Company. NMFC acquired from the Operating Company, with the gross proceeds of the

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IPO and the Concurrent Private Placement, common membership units ( units ) of the Operating Company (the number of units are equal to the number of shares of NMFC s common stock sold in the IPO and the Concurrent Private Placement). Additionally, NMFC received units of the Operating Company equal to the number of shares of common stock of NMFC issued to the partners of New Mountain Guardian Partners, L.P. Guardian AIV was the parent of the Operating Company prior to the IPO and, as a result of the transactions completed in connection with the IPO, obtained units in the Operating Company. Guardian AIV contributed its units in the Operating Company to its newly formed subsidiary, AIV Holdings, in exchange for common stock of AIV Holdings. AIV Holdings has the right to exchange all or any portion of its units in the Operating Company for shares of NMFC s common stock on a one-for-one basis at any time.

As of March 31, 2012, NMFC and AIV Holdings owned approximately 34.6% and 65.4%, respectively, of the units of the Operating Company.

The current structure was designed to generally prevent NMFC and its stockholders from being allocated taxable income with respect to unrecognized gains that existed at the time of the IPO in the Predecessor Entities assets, and rather such amounts would be allocated generally to AIV Holdings and its stockholders. The result is that any distributions made to NMFC s stockholders that are attributable to such gains generally will not be treated as taxable dividends but rather as return of capital.

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The diagram below depicts our current organizational structure.

The Operating Company's investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, the Operating Company's investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance.

As of March 31, 2012, the Operating Company's net asset value was \$434.3 million and its portfolio had a fair value of approximately \$758.2 million in 57 portfolio companies, with a weighted average Unadjusted and Adjusted Yield to Maturity of approximately 10.6% and 12.8%, respectively. Adjusted Yield to Maturity assumes that the investments in the Operating Company's portfolio are purchased at fair value on March 31, 2012 and held until their respective maturities with no prepayments or losses and exited at par at maturity. This calculation excludes the impact of existing

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leverage, except for the non-recourse debt of NMF SLF. NMF SLF is treated as a fully levered asset of the Operating Company, with NMF SLF's net asset value being included for yield calculation purposes. The actual yield to maturity may be higher or lower due to the future selection of the London Interbank Offered Rate ( LIBOR ) contracts by the individual companies in the Operating Company's portfolio or other factors. References to Unadjusted Yield to Maturity have the same assumptions as Adjusted Yield to Maturity except that NMF SLF is not treated as a fully levered asset of the Operating Company, but rather the assets themselves are consolidated into the Operating Company.

### **The Investment Adviser**

The Investment Adviser, a wholly-owned subsidiary of New Mountain Capital, manages the Operating Company's day-to-day operations and provides it with investment advisory and management services. In particular, the Investment Adviser is responsible for identifying attractive investment opportunities, conducting research and due diligence on prospective investments, structuring the Operating Company's investments and monitoring and servicing the Operating Company's investments. We currently do not have, and do not intend to have, any employees. As of March 31, 2012, the Investment Adviser was supported by over 90 staff members of New Mountain Capital, including 58 investment professionals.

The Investment Adviser is managed by a five member investment committee (the Investment Committee ), which is responsible for approving purchases and sales of the Operating Company's investments above \$5.0 million in aggregate by issuer. The Investment Committee currently consists of Steven B. Klinsky, Robert A. Hamwee, Adam Collins, Douglas Londal and Alok Singh. The Investment Committee is responsible for approving all of the Operating Company's investment purchases above \$5.0 million. The Investment Committee also monitors investments in the Operating Company's portfolio and approves all asset dispositions above \$5.0 million. Purchases and dispositions below \$5.0 million may be approved by the Operating Company's Chief Executive Officer. These approval thresholds are subject to change over time. We expect to benefit from the extensive and varied relevant experience of the investment professionals serving on the Investment Committee, which includes expertise in private equity, primary and secondary leveraged credit, private mezzanine finance and distressed debt.

### **Competitive Advantages**

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

#### ***Proven and Differentiated Investment Style With Areas of Deep Industry Knowledge***

In making its investment decisions, the Investment Adviser applies New Mountain Capital's long-standing, consistent investment approach that has been in place since its founding more than 10 years ago. We focus on companies in less well followed defensive growth niches of the middle market space where we believe few debt funds have built equivalent research and operational size and scale.

We benefit directly from New Mountain Capital's private equity investment strategy that seeks to identify attractive investment sectors from the top down and then works to become a well positioned investor in these sectors. New Mountain Capital focuses on companies and 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 Capital focuses on companies within sectors in which it has significant

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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 Capital, which is based on three primary investment principles:

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

### ***Experienced Management Team and Established Platform***

The Investment Adviser's team members have extensive experience in the leveraged lending space. Steven B. Klinsky, New Mountain Capital's Founder, Chief Executive Officer and Managing Director and Chairman of the board of directors of the New Mountain Finance Entities, was a general partner of Forstmann Little & Co., a manager of debt and equity funds totaling multiple billions of dollars in the 1980s and 1990s. He was also a co-founder of Goldman, Sachs & Co.'s Leverage Buyout Group in the period from 1981 to 1984. Robert A. Hamwee, Chief Executive Officer and President of the New Mountain Finance Entities and Managing Director of New Mountain Capital, was formerly President of GSC Group, Inc. (GSC), where he was the portfolio manager of GSC's distressed debt funds and led the development of GSC's CLOs. Douglas Lodal, Managing Director of New Mountain Capital, was previously co-head of Goldman, Sachs & Co.'s United States (U.S.) mezzanine debt team. Alok Singh, Managing Director of New Mountain Capital, has extensive experience structuring debt products as a long-time partner at Bankers Trust Company.

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

### ***Significant Sourcing Capabilities and Relationships***

We believe the Investment Adviser's ability to source attractive investment opportunities is greatly aided by both New Mountain Capital's historical and current reviews of private equity opportunities in the business segments we target. To date, a significant majority of the investments that the Operating Company has made are in the debt of companies and industry sectors that were first identified and reviewed in connection with New Mountain Capital's private equity efforts, and the majority of our current pipeline reflects this as well. Furthermore, the Investment Adviser's investment professionals

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have deep and longstanding relationships in both the private equity sponsor community and the lending/agency community which they have and will continue to utilize to generate investment opportunities.

### ***Risk Management through Various Cycles***

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

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

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

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

### ***Access to Non Mark to Market, Seasoned Leverage Facilities***

The amounts available under the Credit Facilities are generally not subject to reduction as a result of mark to market fluctuations in the Operating Company's portfolio investments. For a detailed discussion of the Credit Facilities, see Management's Discussion and Analysis of Financial Conditions and Results of Operations Liquidity and Capital Resources .

## **Market Opportunity**

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

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

*Middle market companies continue to face difficulties in accessing the capital markets.* We believe opportunities to serve the middle market will continue to exist. While many middle market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult 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 their own 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.





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*Attractive pricing.* Reduced access to, and availability of, debt capital typically increases the interest rates, or pricing, of loans for middle market lenders. Recent primary debt transactions in this market often include upfront fees, 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 (including traditional first and second lien, as well as unitranche loans) provided by companies such as ours.

### **Operating and Regulatory Structure**

NMFC and the Operating Company are closed-end, non-diversified management investment companies that have elected to be treated as BDCs under the 1940 Act and are required to maintain an asset coverage ratio, as defined in the 1940 Act, of at least 200.0%. NMFC has no material long-term liabilities itself and its only business and sole asset is its ownership of units of the Operating Company. As a result, NMFC looks to the Operating Company's assets for purposes of satisfying the requirements under the 1940 Act otherwise applicable to NMFC. See Regulation . The Operating Company and NMF SLF have long term liabilities related to the Credit Facilities.

NMFC intends to elect to be treated, and intends to comply with the requirements 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, NMFC 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 unit holders that will be sufficient to enable NMFC to pay quarterly distributions to its stockholders and to obtain and maintain its status as a RIC. NMFC 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 units of the Operating Company.

### **Risks**

An investment in NMFC'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 NMFC 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 NMFC's common stock. The value of the Operating Company's assets, as well as the market price of NMFC's shares, will fluctuate. Our investments may be risky, and you may lose all or part of your investment in NMFC. Investing in NMFC involves other risks, including the following:

We have a limited operating history;

The Operating Company may suffer credit losses;

The Operating Company does not expect to replicate the Predecessor Entities' historical performance or the historical performance of other entities managed or supported by New Mountain Capital;

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There is uncertainty as to the value of the Operating Company's portfolio investments because most of its investments are, and may continue to be in private companies and recorded at fair value. In addition, because NMFC is a holding company, the fair values of the Operating Company's investments are determined by the Operating Company's board of directors in accordance with the Operating Company's valuation policy;

The Operating Company's ability to achieve its investment objective depends on key investment personnel of the Investment Adviser. If the Investment Adviser were to lose any of its key investment personnel, the Operating Company's ability to achieve its investment objective could be significantly harmed;

The Investment Adviser has limited experience managing a BDC or a RIC, which could adversely affect our business;

The Operating Company operates in a highly competitive market for investment opportunities and may not be able to compete effectively;

Our business, results of operations and financial condition depends on the Operating Company's ability to manage future growth effectively;

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

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

Regulations governing the operations of BDCs will affect our ability to raise additional equity capital as well as our ability to issue senior securities or borrow for investment purposes, any or all of which could have a negative effect on our investment objectives and strategies;

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

The Operating Company's board of directors may change its 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;

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

NMFC 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;

The Operating Company's investments in portfolio companies may be risky, and the Operating Company could lose all or part of any of its investments;

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The lack of liquidity in the Operating Company's investments may adversely affect our business;

Economic recessions or downturns could impair the Operating Company's portfolio companies and harm its operating results;

NMFC is 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 units of the Operating Company for shares of NMFC's common stock would significantly dilute the voting power of NMFC's current stockholders with

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respect to the election of NMFC directors or other matters that require the approval of NMFC stockholders only. In addition, the interests of the partners of Guardian AIV following such exchange by AIV Holdings may be adverse to the interests of NMFC's current stockholders and could limit your ability to influence the outcome of key transactions, including any change of control;

The market price of NMFC's common stock may fluctuate significantly; and

Sales of substantial amounts of NMFC'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 Seventh Avenue, 48th Floor, New York, New York 10019, and our telephone number is (212) 720-0300. We maintain a website at <http://www.newmountainfinance.com>. 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*, *Selected Quarterly Data*, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, *Senior Securities* and *Portfolio Companies* relate to the Operating Company, which is NMFC's sole investment. The consolidated 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 consolidated 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 *Cautionary Statement Regarding Forward-Looking Statements*.

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**THE OFFERING**

We may offer, from time to time, up to \$150,000,000 of NMFC's common stock on terms to be determined at the time of each offering. We will offer NMFC's shares of common stock at prices and on terms to be set forth in one or more supplements to this prospectus. The offering price per share of NMFC's shares, less any underwriting commissions or discounts, generally will not be less than the net asset value per share of our common stock at the time of an offering. However, we may issue shares of NMFC's common stock pursuant to this prospectus at a price per share that is less than NMFC's net asset value per share (i) with the prior approval of the majority of NMFC's common stockholders or (ii) under such other circumstances as the SEC may permit. Any such issuance of shares of NMFC's common stock below net asset value may be dilutive to the net asset value of NMFC's common stock. See "Risk Factors—Risks Relating to Offerings Pursuant to this Prospectus". In addition, this prospectus relates to 22,393,938 shares of NMFC's common stock that may be sold by the selling stockholders identified under "Selling Stockholders". Sales of NMFC's common stock by the selling stockholders, which may occur at prices below the net asset value per share of NMFC's common stock, may adversely affect the market price of NMFC's common stock and may make it more difficult for NMFC to raise capital.

NMFC's shares may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to an offering will identify any agents or underwriters involved in the sale of NMFC's shares, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution". We may not sell any of NMFC's shares through agents, underwriters or dealers without delivery of this prospectus and a prospectus supplement describing the method and terms of the offering of such shares of common stock.

Set forth below is additional information regarding offerings of NMFC's shares of common stock:

**Use of Proceeds**

Unless otherwise specified in a prospectus supplement, the Operating Company intends to use the net proceeds from the sale of NMFC's common stock for new investments in portfolio companies in accordance with the Operating Company's investment objective and strategies described in this prospectus, to temporarily repay indebtedness (which will be subject to reborrowing), to pay our operating expenses and distributions to our stockholders/unit holders 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. These securities may have lower yields than the types of investments we would typically make in accordance with our investment objective and, accordingly, may result in lower distributions, if any, during such period. Each supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering. See "Use of Proceeds".

We will not receive any proceeds from any sale of common stock by the selling stockholders identified under "Selling Stockholders".

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New York Stock Exchange Symbol

NMFC

Investment Advisory Fees

NMFC does not have an investment adviser. The Operating Company pays the Investment Adviser a fee for its services under an investment advisory and management agreement (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 base management fee is calculated based on the average value of the Operating Company s gross assets, borrowings under the SLF Credit Facility, and the cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter. The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% 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 20.0% 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 and Adjusted Unrealized Capital Depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee. See Investment Management Agreement .

Administrator

The Administrator serves as the administrator for us and arranges office space for us and provides us with office equipment and administrative services. The Administrator performs, or oversees the performance of, our financial records, prepares reports to our stockholders/unit holders and reports filed by us with the SEC, monitors the payment of our expenses, and oversees the performance of administrative and professional services rendered to us by others. The Operating Company reimburses the Administrator for the New Mountain Finance Entities allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the New Mountain Finance Entities under an administration agreement, as amended and restated (the Administration Agreement ). See Administration Agreement .

Distributions

NMFC intends to pay quarterly distributions to its stockholders out of assets legally available for distribution. The quarterly distributions, if any, will be determined by NMFC s board of

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directors. The distributions NMFC 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 NMFC'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 NMFC to pay quarterly distributions to its stockholders. See [Distributions](#) .

Taxation of NMFC

NMFC intends to elect to be treated, and intends to comply with the requirements to qualify annually thereafter, as a RIC under Subchapter M of the Code, commencing with its taxable year ending on December 31, 2011. As a RIC, NMFC 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, NMFC must meet specified source-of-income and asset diversification requirements and distribute annually to its stockholders at least 90.0% 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 NMFC to obtain and maintain its status as a RIC. See [Distributions](#) and [Material Federal Income Tax Considerations](#) .

Taxation of Operating Company

The Operating Company intends 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 unit holders, including NMFC, 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. NMF SLF expects to be treated as a disregarded entity for federal income tax purposes. As a result, NMF 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 NMF SLF's assets and items of income, gain, loss, deduction and credit. See [Material Federal Income Tax Considerations](#) .

Dividend Reinvestment Plan

NMFC has adopted an [opt out](#) dividend reinvestment plan for its stockholders. As a result, if NMFC declares a distribution, then your cash distributions will be automatically reinvested in additional shares of NMFC'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 NMFC's common stock will be automatically reinvested



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by NMFC in additional units of the Operating Company. NMFC will use only newly issued shares to implement the plan if the price at which newly issued shares are to be credited is equal to or greater than 110.0% of the last determined net asset value of the shares. NMFC 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 110.0% 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 NMFC'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. We cannot predict whether NMFC's common stock will trade above, at or below net asset value.

License Agreement

The New Mountain Finance Entities have entered into a royalty-free license agreement with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant the New Mountain Finance Entities a non-exclusive license to use the names New Mountain and New Mountain Finance . See License Agreement .

Leverage

We expect to 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 we invest and therefore, indirectly, increases the risks associated with investing in shares of NMFC's common stock. See Risk Factors .

Anti-Takeover Provisions

The New Mountain Finance Entities' 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 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 NMFC stockholders. See Description of NMFC's Capital Stock Delaware Law and Certain Certificate of Incorporation and Bylaw Provisions; Anti-Takeover Measures .

Available Information

We have filed with the SEC a registration statement on Form N-2 together with all amendments and related exhibits under the Securities Act. The registration statement contains additional information about us and the shares of common stock being offered by this prospectus.

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We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act ). This information is available at the SEC 's public reference room at 100 F Street, NE, Washington, District of Columbia 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 1-800-SEC-0330. This information is also available free of charge by contacting us at New Mountain Finance Corporation, 787 Seventh Avenue, 48th Floor, New York, New York 10019, by telephone at (212) 720-0300, or on our website at <http://www.newmountainfinance.com>. Information contained on our website or on the SEC 's web site about us is not incorporated into this prospectus and you should not consider information contained on our website or on the SEC 's website to be part of this prospectus.

**Table of Contents****FEES AND EXPENSES**

The following table is intended to assist you in understanding the costs and expenses that you 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, NMFC, the Operating Company, or us or that we, NMFC, or the Operating Company will pay fees or expenses, stockholders will indirectly bear such fees or expenses through NMFC's investment in the Operating Company.

**Stockholder transaction expenses:**

Sales load (as a percentage of offering price)	N/A(1)
Offering expenses borne by us (as a percentage of offering price)	N/A(2)
Dividend reinvestment plan fees	N/A(3)

**Total stockholder transaction expenses (as a percentage of offering price)** %

**Annual expenses (as a percentage of net assets attributable to common stock):**

Base management fees	2.3%(4)
Incentive fees payable under the Investment Management Agreement	3.1%(5)
Interest payments on borrowed funds	1.9%(6)
Other expenses	1.2%(7)

**Total annual expenses** 8.5%(8)

**Example**

The following example, required by the SEC, demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in NMFC's common stock. In calculating the following expense amounts, we have assumed that our borrowings and annual operating expenses would remain at the levels set forth in the table above. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load and offering expenses.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$ 55	\$ 163	\$ 269	\$ 529

**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 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. The incentive fee under the Investment Management Agreement, which, assuming a 5.0% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the above example. The above illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses and returns to our investors would be higher. For example, if we assumed that we received our 5.0% annual return completely in the form of net realized capital gains on our investments, computed net of all cumulative unrealized depreciation on our investments, the projected dollar amount of total cumulative expenses set forth in the above illustration would be as follows:

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$ 64	\$ 189	\$ 310	\$ 594



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The example assumes no sales load. In addition, while the examples assume reinvestment of all distributions at net asset value, participants in NMFC's dividend reinvestment plan will receive a number of shares of NMFC's common stock determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of NMFC's common stock at the close of trading on the dividend payment date. The market price per share of NMFC's common stock may be at, above or below net asset value. See Dividend Reinvestment Plan for additional information regarding the dividend reinvestment plan.

- (1) In the event that the shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.
- (2) The prospectus supplement corresponding to each offering, including each underwritten offering by any of the selling stockholders identified under Selling Stockholders, will disclose the applicable estimated amount of offering expenses, the offering price and the offering expenses borne by us as a percentage of the offering price.
- (3) The de minimus expenses of the dividend reinvestment plan are included in other expenses.
- (4) The base management fee under the Investment Management Agreement is based on an annual rate of 1.75% of the Operating Company's average gross assets less (i) the average borrowings under the SLF Credit Facility and (ii) average cash and cash equivalents for the two most recent quarters. The base management fees reflected in the table above is based on the three months ended March 31, 2012. See Investment Management Agreement.
- (5) Assumes that annual incentive fees earned by the Investment Adviser remain consistent with the incentive fees earned by the Investment Adviser during the three months ended March 31, 2012 and includes accrued capital gains incentive fee. These accrued capital gains incentive fees would be paid by the Operating Company if the Operating Company ceased operations on March 31, 2012 and liquidated its investments at the March 31, 2012 valuation. As we cannot predict whether the Operating Company will meet the thresholds for incentive fees under the Investment Management Agreement, the incentive fees paid in subsequent periods, if any, may be substantially different than the fees incurred during the three months ended March 31, 2012. For more detailed information about the incentive fee calculations, see the Investment Management Agreement section of this prospectus.
- (6) We may borrow funds from time to time to make investments to the extent we determine that additional capital would allow us 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 NMFC's stockholders through its investment in the Operating Company. As of March 31, 2012, the Operating Company had \$151.9 million and \$175.0 million of indebtedness outstanding under the Holdings Credit Facility and the SLF Credit Facility, respectively. For purposes of this calculation, we have assumed the March 31, 2012 amounts outstanding under these credit facilities, and have computed interest expense using an assumed interest rate of 3.0% for the Holdings Credit Facility and 2.2% for the SLF Credit Facility. These interest rates assume the rates payable as of March 31, 2012, adjusted downward by 0.25% per amendments to the Credit Facilities executed on May 8, 2012. See Senior Securities.
- (7) Other expenses include the New Mountain Finance Entities' overhead expenses, including payments by the Operating Company under the Administration Agreement based on the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the New Mountain Finance Entities under the Administration Agreement. Pursuant to the Administration Agreement, and further restricted by the Operating Company, expenses payable to the Administrator by the Operating Company as well as other direct and indirect expenses (excluding interest and other credit facility expenses and management and incentive fees) have been capped at \$3.5 million for the time period from April 1, 2012 to March 31, 2013. This expense ratio does not include the expense cap of \$3.5 million. Assuming \$3.5 million of annual expense, the expense ratio would be 0.8%. See Administration Agreement.
- (8) The holders of shares of NMFC's common stock indirectly bear the cost associated with our annual expenses through NMFC's investment in the Operating Company.

**Table of Contents****SELECTED FINANCIAL AND OTHER DATA**

The selected financial data should be read in conjunction with the respective financial statements and related combined notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus. Financial information for the years ended December 31, 2011, December 31, 2010, December 31, 2009 and for the period October 29, 2008 (commencement of operations) to December 31, 2008 has been derived from our financial statements that were audited by Deloitte & Touche, LLP, an independent registered public accounting firm. The financial information at and for the three months ended March 31, 2012 was derived from our unaudited financial statements and related notes. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods, have been included. Our results for the interim period may not be indicative of our results for the full year. See Management's Discussion and Analysis of Financial Condition and Results of Operations and Senior Securities below for more information.

(in thousands except shares and per share data)

	<b>Three months ended</b>	<b>Year ended December 31,</b>			<b>Period from</b>
	<b>March 31, 2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>October 29, 2008</b>
	<b>(unaudited)</b>				<b>(commencement of</b>
					<b>operations) to</b>
					<b>December 31,</b>
					<b>2008</b>
<b>New Mountain Finance Holdings, L.L.C.</b>					
<b>Statement of Operations Data:</b>					
Total investment income	\$ 19,022	\$ 56,523	\$ 41,375	\$ 21,767	\$ 256
Net expenses	9,109	17,998	3,911	1,359	
Net investment income	9,913	38,525	37,464	20,408	256
Net realized and unrealized gains (losses)	13,754	(6,848)	26,328	105,272	(1,435)
Net increase (decrease) in net assets resulting from operations	23,667	31,677	63,792	125,680	(1,179)
<b>Per share data:</b>					
Net asset value	\$ 14.05	\$ 13.60	N/A	N/A	N/A
Net increase (decrease) in net assets resulting from operations (basic and diluted)	0.77	1.02	N/A	N/A	N/A
Dividends paid(3)	0.32	0.86	N/A	N/A	N/A
<b>Balance sheet data:</b>					
Total assets	\$ 788,617	\$ 730,579	\$ 460,224	\$ 330,558	\$ 61,669
SLF Credit Facility	175,000	165,928	56,936		
Holdings Credit Facility	151,923	129,038	59,697	77,745	
Total net assets	434,274	420,502	241,927	239,441	30,354
<b>Other data:</b>					
Total return at net asset value(1)	5.63%	10.09%	26.54%	76.38%	NM
Number of portfolio companies at period end (unaudited)	57	55	43	24	6
Total new investments for the period	\$ 106,680	\$ 493,331	\$ 332,708	\$ 268,382	\$ 63,018
Investment sales and prepayments for the period	71,673	231,962	258,202	125,430	132
Weighted average Adjusted Yield to Maturity on debt portfolio at period end (2) (unaudited)	12.8%	13.1%	12.5%	12.7%	18.8%
Weighted average shares outstanding at period end	30,919,629	30,919,629	N/A	N/A	N/A
Portfolio turnover	9.81%	42.13%	76.69%	57.50%	0.22%

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N/A Fund was not unitized as of December 31, 2010, December 31, 2009 and December 31, 2008.

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NM Total return from commencement of operations through December 31, 2008 was deemed not meaningful due to the scaling of operations during this short time period.

- (1) For the three months ended March 31, 2012, total return is calculated assuming a purchase at net asset value on the opening of the first day of the year and a sale at net asset value on the last day of the period. For the year ended December 31, 2011, total return is calculated in two parts: (1) from the opening of the first day of the year to NMFC's IPO date, total return was calculated based on net income over weighted average net assets and (2) from NMFC's IPO date to the last day of the year, total return was calculated assuming a purchase at net asset value on NMFC's IPO date and a sale at net asset value on the last day of the year. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at net asset value on the last day of the respective periods. For the years ended December 31, 2010 and December 31, 2009, total return is calculated based on an internal rate of return.
- (2) The Operating Company's weighted average Unadjusted Yield to Maturity was 10.6% and 10.7% for the three months ended March 31, 2012 and the year ended December 31, 2011, respectively.
- (3) Actual cash payment on the dividends declared for the quarter ended March 31, 2012, was made on April 4, 2012, to AIV Holdings only.

(in thousands except shares and per share data)

	Three months ended March 31, 2012 (unaudited)	Period from May 19, 2011 (commencement of operations) to December 31, 2011
<b>New Mountain Finance Corporation</b>		
<b>Statement of Operations Data:</b>		
Total investment income allocated from the Operating Company	\$ 6,581	\$ 13,669
Net expenses allocated from the Operating Company	3,151	5,324
Net investment income allocated from the Operating Company	3,430	8,345
Net realized and unrealized gains (losses) allocated from the Operating Company	4,758	(4,235)
Unrealized appreciation in the Operating Company resulting from public offering price		6,221
Net increase (decrease) in net assets resulting from operations	8,188	10,331
<b>Per share data:</b>		
Net asset value	\$ 14.05	\$ 13.60
Net increase (decrease) in net assets resulting from operations (basic)	0.77	0.97
Net increase (decrease) in net assets resulting from operations (diluted)	0.77	0.38
Dividends paid	0.32	0.86
<b>Balance sheet data:</b>		
Total assets	\$ 150,252	\$ 145,487
Total net assets	150,252	145,487
<b>Other data:</b>		
Total return at market value(1)	4.85%	4.16%
Total return at net asset value(2)	5.63%	2.82%
Weighted average shares outstanding at year end	10,697,691	10,697,691

- (1) For the three months ended March 31, 2012, total return is calculated assuming a purchase of common stock on the opening of the first day of the year and a sale on the closing of the last business day of the period. For the period ended December 31, 2011, total return was calculated assuming a purchase of common stock at IPO and a sale on the closing of the last business day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under NMFC's dividend reinvestment plan.
- (2) For the three months ended March 31, 2012, total return is calculated assuming a purchase at net asset value on the opening of the first day of the year and a sale at net asset value on the last business day of the period. For the period ended December 31, 2011, total return was calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.



**Table of Contents****SELECTED QUARTERLY FINANCIAL DATA**

The following table sets forth certain quarterly financial data for the quarter ended March 31, 2012 and for each of the quarters for the fiscal years ended December 31, 2011, December 31, 2010 and December 31, 2009 of the Operating Company and for the quarter ended March 31, 2012 and for each of the quarters from May 19, 2011 (commencement of operations) through December 31, 2011 of NMFC. This data is derived from our unaudited financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

The below selected quarterly financial data is for the Operating Company.

(in thousands except for per unit data)

Quarter Ended	Investment Income		Net Investment Income		Total Net Realized Gains and Net Changes in Unrealized Appreciation (Depreciation) of Investments		Net Increase (Decrease) in Capital Resulting from Operations	
	Total	Per Unit	Total	Per Unit	Total	Per Unit	Total	Per Unit
March 31, 2012	\$ 19,022	\$ 0.62	\$ 9,913	\$ 0.32	\$ 13,754	\$ 0.45	\$ 23,667	\$ 0.77
December 31, 2011	\$ 17,127	\$ 0.55	\$ 9,540	\$ 0.31	\$ 8,317	\$ 0.27	\$ 17,857	\$ 0.58
September 30, 2011	15,069	0.49	10,002	0.32	(21,255)	(0.68)	(11,253)	(0.36)
June 30, 2011	13,116	0.42	9,554	0.31	(899)	(0.03)	8,655	0.28
March 31, 2011	11,212	N/A	9,429	N/A	6,990	N/A	16,419	N/A
December 31, 2010	\$ 9,820	N/A	\$ 8,335	N/A	\$ 7,978	N/A	\$ 16,313	N/A
September 30, 2010	13,881	N/A	13,145	N/A	5,560	N/A	18,705	N/A
June 30, 2010	8,597	N/A	7,777	N/A	(5,349)	N/A	2,428	N/A
March 31, 2010	9,077	N/A	8,208	N/A	18,138	N/A	26,346	N/A
December 31, 2009	\$ 7,617	N/A	\$ 6,617	N/A	\$ 1,617	N/A	\$ 8,234	N/A
September 30, 2009	6,148	N/A	6,030	N/A	33,709	N/A	39,739	N/A
June 30, 2009	5,092	N/A	4,877	N/A	42,562	N/A	47,439	N/A
March 31, 2009	2,910	N/A	2,883	N/A	27,385	N/A	30,268	N/A

N/A Not applicable, as the Operating Company was not unitized until May 19, 2011.

The below selected quarterly financial data is for NMFC.

(in thousands except for per share data)

Quarter Ended	Net Investment Income allocated from the Operating Company		Total Net Realized and Unrealized Gains (Losses)		Net Increase (Decrease) in Net Assets Resulting from Operations	
	Total	Per Share	Total	Per Share	Total	Per Share
March 31, 2012	\$ 3,430	\$ 0.32	\$ 4,758	\$ 0.45	\$ 8,188	\$ 0.77
December 31, 2011	\$ 3,301	\$ 0.31	\$ 2,877	\$ 0.27	\$ 6,178	\$ 0.58
September 30, 2011	3,460	0.32	(7,353)	(0.69)	(3,893)	(0.36)
June 30, 2011	1,584	0.15	6,462	0.60	8,046	0.75
March 31, 2011	N/A	N/A	N/A	N/A	N/A	N/A

N/A Not applicable, as NMFC did not commence operations until May 19, 2011.

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**RISK FACTORS**

*Investing in NMFC's common stock involves a number of significant risks. In addition to the other information contained in this prospectus and any accompanying prospectus supplement, you should consider carefully the following information before making an investment in NMFC'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 NMFC's common stock could decline, and you may lose all or part of your investment.*

**RISKS IN THE CURRENT ECONOMIC ENVIRONMENT**

*The downgrade of the U.S. credit rating and the economic crisis in Europe could negatively impact the Operating Company's liquidity, financial condition and earnings, thus affecting the financial condition and earnings of NMFC.*

The U.S. debt ceiling and budget deficit concerns, together with signs of deteriorating sovereign debt conditions in Europe, have increased the possibility of additional credit-rating downgrades and economic slowdowns. Although U.S. lawmakers passed legislation to raise the federal debt ceiling, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the U.S. from AAA to AA+ in August 2011. The impact of this or any further downgrades to the U.S. government's sovereign credit rating, or its perceived creditworthiness, and the impact of the current crisis in Europe with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations is inherently unpredictable and could adversely affect the U.S. and global financial markets and economic conditions. There can be no assurance that governmental or other measures to aid economic recovery will be effective. These developments, and the government's credit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated with the Operating Company's debt portfolio and its ability to access the debt markets on favorable terms. In addition, the decreased credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on NMFC's stock price. Continued adverse economic conditions could have a material adverse effect on the New Mountain Finance Entities' business, financial condition and results of operations.

**RISKS RELATED TO OUR BUSINESS AND STRUCTURE**

*We have a limited operating history.*

NMFC is a newly-formed entity while the Operating Company commenced operations in October 2008, owning all of the operations, including all of the assets and liabilities, of the Predecessor Entities. NMFC is a holding company with no direct operations of its own, and its only business and sole asset is its ownership of units of the Operating Company. As a result, we are subject to many of the business risks and uncertainties associated with any new business, including the risk that we may not achieve the Operating Company's investment objective and that, as a result, the value of NMFC's common stock and the Operating Company's units could decline substantially.

*The Operating Company may suffer credit losses.*

Investments in small and middle market businesses are highly speculative and involve a high degree of risk of credit loss. These risks are likely to increase during volatile economic periods, such as the U.S. and many other economies have recently been experiencing.

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***The Operating Company does not expect to replicate the Predecessor Entities' historical performance or the historical performance of other entities managed or supported by the New Mountain Capital.***

The Operating Company does not expect to replicate the Predecessor Entities' historical performance or the historical performance of New Mountain Capital's investments. The Operating Company's 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 the Operating Company could conduct its business in light of its investment objectives and strategy. In addition, the Operating Company's investment strategies may differ from those of New Mountain Capital or its affiliates. The New Mountain Finance Entities, as BDCs, and NMFC as a RIC, are subject to certain regulatory restrictions that do not apply to New Mountain Capital or its affiliates.

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

***There is uncertainty as to the value of the Operating Company's portfolio investments because most of its investments are, and may continue to be in private companies and recorded at fair value. In addition, because NMFC is a holding company, the fair values of the Operating Company's investments are determined by the Operating Company's board of directors in accordance with the Operating Company's valuation policy.***

Some of the Operating Company's investments are and may 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 its 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 its securities. The Operating Company values its 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 GAAP.

The Operating Company's board of directors utilizes 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 in accordance with its valuation policy. The inputs into the determination of fair value of these investments may require significant management judgment or estimation. Even if observable market data is 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 takes into account in determining the fair value of its 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

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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. Since 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, NMFC'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 NMFC's common stock based on an overstated net asset value would pay a higher price than the realizable value of our investments might warrant. Since NMFC is a holding company and its only business and sole asset is its ownership of units of the Operating Company, NMFC's net asset value is based on the Operating Company's valuation and its percentage interest in the Operating Company.

Although the Operating Company's current board of directors is comprised of the same individuals as NMFC's board of directors, there can be no assurances that the Operating Company's board composition will remain the same as NMFC. As a result, the value of your investment in NMFC could be similarly understated or overstated based on the Operating Company's fair value determinations. However, in the event that NMFC's board of directors believes that a different fair value for the Operating Company's investments is appropriate, NMFC's board of directors may 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 NMFC are substantially similar to those utilized by the Operating Company described above.

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

***The Operating Company's ability to achieve its investment objective depends on key investment personnel of the Investment Adviser. If the Investment Adviser were to lose any of its key investment personnel, the Operating Company's ability to achieve its investment objective could be significantly harmed.***

The Operating Company depends on the investment judgment, skill and relationships of the investment professionals of the Investment Adviser, particularly Steven B. Klinsky and Robert A. Hamwee, as well as other key personnel to identify, evaluate, negotiate, structure, execute, monitor and service its investments. The Investment Adviser, as an affiliate of New Mountain Capital, is supported by New Mountain Capital's team, which as of March 31, 2012 consisted of over 90 staff members, including 58 investment professionals, of New Mountain Capital 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 Capital to obtain access to investment opportunities originated by the professionals of New Mountain Capital and its affiliates. The Operating Company's future success depends 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 the Operating Company's ability to achieve its investment objective.

The Investment Committee, which provides oversight over the Operating Company's investment activities, is provided by the Investment Adviser. The Investment Committee currently consists of five

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members. The loss of any member of the Investment Committee or of other senior professionals of the Investment Adviser and its affiliates without suitable replacement could limit the Operating Company's ability to achieve its 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 the Operating Company's investment objective, the Investment Adviser may hire, train, supervise and manage new investment professionals to participate in its 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 has limited experience managing a BDC or a RIC, which could adversely affect our business.***

Other than the New Mountain Finance Entities, the Investment Adviser has not previously managed a BDC or a RIC. The 1940 Act and the Code impose numerous constraints on the operations of BDCs 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, BDCs are required to invest at least 70.0% 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. Moreover, qualification for taxation as a RIC under subchapter M of the Code requires satisfaction of source-of-income, asset diversification and annual distribution requirements. NMFC has no assets other than its ownership of units of the Operating Company and has no material long-term liabilities. As a result, NMFC looks to the Operating Company's assets and income for purposes of satisfying the requirements under the 1940 Act applicable to BDCs and the requirements under the Code applicable to RICs. The failure to comply with these provisions in a timely manner could prevent NMFC and the Operating Company from qualifying as BDCs or NMFC 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 BDCs and RICs may hinder its ability to take advantage of attractive investment opportunities and, as a result, achieve the Operating Company's investment objective. If the Operating Company fails to maintain its status as a BDC or operate in a manner consistent with NMFC's status as a RIC, its operating flexibility could be significantly reduced and NMFC may be unable to maintain its status as a BDC or RIC.

***The Operating Company operates in a highly competitive market for investment opportunities and may not be able to compete effectively.***

The Operating Company competes for investments with other BDCs and investment funds (including private equity and hedge funds), as well as traditional financial services companies such as commercial banks and other sources of funding. Many of its competitors are substantially larger and have considerably greater financial, technical and marketing resources than it does. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to the Operating Company. In addition, some of the Operating Company's competitors may have higher risk tolerances or different risk assessments than the Operating Company has. Furthermore, many of the Operating Company's competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act imposes on the New Mountain Finance Entities as BDCs or the source-of-income, asset diversification and distribution requirements that NMFC must satisfy to obtain and maintain its RIC status. These characteristics could allow the Operating Company's competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than the Operating Company is able to do. There are a number of new BDCs 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.

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The Operating Company may lose investment opportunities if it does not match its competitors' pricing, terms and structure. With respect to the investments the Operating Company makes, it does not seek to compete based primarily on the interest rates it may offer, and we believe that some of the Operating Company's competitors may make loans with interest rates that may be lower than the rates it offers. In the secondary market for acquiring existing loans, we expect the Operating Company to compete generally on the basis of pricing terms. If the Operating Company matches its competitors' pricing, terms and structure, it may experience decreased net interest income, lower yields and increased risk of credit loss. If the Operating Company is forced to match its competitors' pricing, terms and structure, it may not be able to achieve acceptable returns on its investments or may bear substantial risk of capital loss. Part of the Operating Company's 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 the Operating Company's competitors in this target market could force it to accept less attractive investment terms. The Operating Company may also compete for investment opportunities with accounts managed by the Investment Adviser or its affiliates. Although the Investment Adviser allocates opportunities in accordance with its policies and procedures, allocations to such other accounts reduces the amount and frequency of opportunities available to the Operating Company and may not be in the best interests of the Operating Company and, consequently, NMFC's stockholders. Moreover, the performance of investment opportunities is not known at the time of allocation. If the Operating Company is not able to compete effectively, its business, financial condition and results of operations may be adversely affected, thus affecting the business, financial condition and results of operations of NMFC. Because of this competition, there can be no assurance that the Operating Company will be able to identify and take advantage of attractive investment opportunities that it identifies or that it will be able to fully invest its available capital.

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

The Operating Company's ability to achieve its investment objective and to grow depends on the Investment Adviser's ability to identify, invest in and monitor companies that meet the Operating Company's 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 the Operating Company's 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 the Operating Company is unable to manage its 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 the Operating Company's investments. In addition, because the base management fee is payable based upon the Operating

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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 NMFC's units of the Operating Company and, consequently, the value of NMFC'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 NMFC that enable NMFC 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 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 may be obligated to pay the Investment Adviser incentive compensation even if the Operating Company incurs a loss.*

The Investment Adviser is