

New Mountain Finance Holdings, L.L.C.

Form N-2

April 12, 2012

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As filed with the Securities and Exchange Commission on April 12, 2012

Securities Act File No. 333-

and 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form N-2**

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 x

Pre-Effective Amendment No. "

Post-Effective Amendment No. "

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

(Exact name of registrant as specified in charter)

787 Seventh Avenue, 48th Floor

New York, NY 10019

(212) 720-0300

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

**Robert A. Hamwee**

**Chief Executive Officer**

**New Mountain Finance Corporation**

**787 Seventh Avenue, 48th Floor**

**New York, NY 10019**

(Name and address of agent for service)

***COPIES TO:***

**Steven B. Boehm, Esq.**

**John J. Mahon, Esq.**

**Sutherland Asbill & Brennan LLP**

**1275 Pennsylvania Avenue, NW**

**Washington, D.C. 20004**

**Tel: (202) 383-0100**

**Fax: (202) 637-3593**

**Approximate date of proposed public offering:** From time to time after the effective date of this Registration Statement.

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

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

" when declared effective pursuant to Section 8(c).

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

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Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, \$0.01 par value per share(2)(5)		\$ 150,000,000(1)(3)	\$ 17,190(1)
Common Stock, \$0.01 par value per share(4)(5)	23,646,902	\$ 319,706,115.04(6)	\$ 36,638.32(6)
Total			\$ 53,828.32

- (1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933 solely for the purpose of determining the registration fee. The proposed maximum offering price per security will be determined, from time to time, by New Mountain Finance Corporation ( NMFC ) in connection with the sale by NMFC of the securities registered under this Registration Statement.
- (2) Subject to Note 3 below, there is being registered hereunder an indeterminate number of shares of common stock of NMFC as may be sold from time to time.
- (3) In no event will the aggregate offering price of all NMFC securities issued from time to time pursuant to this Registration Statement exceed \$150,000,000.
- (4) These shares are being sold by selling stockholders.
- (5) For each outstanding share of NMFC common stock, NMFC will hold one common membership unit of New Mountain Finance Holdings, L.L.C. ( NMFH , and together with NMFC, the Registrants ) on a one-to-one basis. No separate consideration will be received for the NMFH common membership units in this offering.
- (6) Estimated solely for the purpose of calculating the registration fee. Pursuant to Rule 457(c) of the Securities Act of 1933, as amended, the proposed maximum aggregate offering amount and the amount of the registration fee have been determined on the basis of the high and low market prices of NMFC s common stock reported on the New York Stock Exchange on April 10, 2012.

**The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**SUBJECT TO COMPLETION, DATED                      , 2012**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**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 23,646,902 shares of NMFC 's common stock that may be sold by the selling stockholders identified under Selling Stockholders .

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.

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 April 10, 2012, the last reported sales price on the New York Stock Exchange for NMFC 's common stock was \$13.37 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 20 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.**

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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 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>.

**, 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 23,646,902 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.

### **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

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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 December 31, 2011. 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 ended 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 ended 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 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

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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 December 31, 2011, NMFC and AIV Holdings own 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.

The diagram below depicts our current organizational structure.

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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 December 31, 2011, the Operating Company's net asset value was \$420.5 million and its portfolio had a fair value of approximately \$703.5 million in 55 portfolio companies, with a weighted average Unadjusted and Adjusted Yield to Maturity of approximately 10.7% and 13.1%, respectively. Adjusted Yield to Maturity assumes that the investments in the Operating Company's portfolio are purchased at fair value on December 31, 2011 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. 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 December 31, 2011, the Investment Adviser was supported by over 90 staff members of New Mountain Capital, including 54 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.

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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 Londal, 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.

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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 .

### **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.*

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*Middle market companies continue to face difficulties in accessing the capital markets.* We believe opportunities to serve the middle market will continue to exist. While many middle market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult in recent years as institutional investors have sought to invest in larger, more liquid offerings. In addition, many private finance companies and hedge funds have reduced their middle market lending activities due to decreased availability of 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 intends to elect to be treated, and intends to qualify annually, as a RIC under Subchapter M of the Code, commencing with its taxable year ending on December 31, 2011. See Material Federal Income Tax Considerations . As a RIC, 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

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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 and AIV Holdings are holding companies, 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;



## Edgar Filing: New Mountain Finance Holdings, L.L.C. - Form N-2

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 and AIV Holdings will be subject to corporate-level federal income tax on all of their income if they are unable to maintain RIC status under Subchapter M of the Code, which would have a material adverse effect on their respective financial performance;

NMFC and AIV Holdings may not be able to pay you distributions on their common stock, their 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;

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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 and AIV Holdings are holding companies with no direct operations of their own, and will depend on distributions from the Operating Company to meet their 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, 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 23,646,902 shares of NMFC's common stock that may be sold by the selling stockholders identified under "Selling Stockholders".

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".

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

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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. NMFC and the Operating Company are seeking exemptive relief from the SEC to permit the Operating Company to pay 50.0%, on an after tax basis, of the incentive fee in units of the Operating Company, which will be exchangeable into shares of NMFC s common stock on a one-for-one basis. There can be no assurance that this exemptive relief will be granted. If exemptive relief is not granted, the Operating Company will continue to pay the entire incentive fee in cash. 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 directors. The

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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 ended 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 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

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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.

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

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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)	%(1)
Offering expenses borne by us (as a percentage of offering price)	%(2)
Dividend reinvestment plan fees	None (3)

<b>Total stockholder transaction expenses (as a percentage of offering price)</b>	<b>%</b>
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**Annual expenses (as a percentage of net assets attributable to common stock):**

Base management fees	2.1%(4)
Incentive fees payable under the Investment Management Agreement	2.2%(5)
Interest payments on borrowed funds	2.0%(6)
Other expenses (estimated)	0.8%(7)

<b>Total annual expenses</b>	<b>7.1%(8)</b>
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**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 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.

	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	\$ 72	\$ 213	\$ 348	\$ 655

**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%. In addition, while the example assumes 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 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.



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- (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 December 31, 2011 and September 30, 2011. 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 period from October 1, 2011 through December 31, 2011. 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 December 31, 2011. 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 December 31, 2011, the Operating Company had \$129.0 million and \$165.9 million of indebtedness outstanding under the Holdings Credit Facility and the SLF Credit Facility, respectively. For purposes of this calculation, we have assumed the December 31, 2011 amounts outstanding under these credit facilities, and have computed interest expense using an assumed interest rate of 3.3% for the Holdings Credit Facility and 2.5% for the SLF Credit Facility, which were the rates payable as of December 31, 2011. 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) had been capped at \$3.0 million for the time period from April 1, 2011 to March 31, 2012 and capped at \$3.5 million for the time period from April 1, 2012 to March 31, 2013. This expense ratio assumes the expenses that will be incurred under the expense cap for the year ended December 31, 2012. 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 and December 31, 2009 has been derived from our financial statements.

(in thousands except shares and per share data)

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

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) 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 the net asset value on the last day of the respective quarter. For the years ended December 31, 2010 and December 31, 2009, total return was the ratio of net income compared to capital, adjusted for capital contributions and distributions.
- (2) The Operating Company's weighted average Unadjusted Yield to Maturity was 10.7% for the year ended December 31, 2011.



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

- (1) 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) 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 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 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 Change 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
December 31, 2011	\$ 17,127	\$ 0.55	\$ 9,541	\$ 0.31	\$ 8,316	\$ 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)*