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

Table of Contents

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

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

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form N-2

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 ý**

**Pre-Effective Amendment No. 3 ý**
**Post-Effective Amendment No. o**

# New Mountain Finance Corporation

# New Mountain Guardian (Leveraged), L.L.C.

(Exact name of registrant as specified in charter)

**787 7th Avenue, 48th Floor**
**New York, NY 10019**
**(212) 720-0300**
(Address and telephone number,
including area code, of principal executive offices)

**Robert A. Hamwee**
**Chief Executive Officer**
**New Mountain Finance Corporation**
**787 7th Avenue, 48th Floor**
**New York, NY 10019**
(Name and address of agent for service)

***COPIES TO:***

| | |
|---|---|
| **Stuart H. Gelfond, Esq.** | **Steven B. Boehm, Esq.** |
| **Jessica Forbes, Esq.** | **John J. Mahon, Esq.** |

**Vasiliki B.Tsaganos, Esq.**
**Fried, Frank, Harris, Shriver & Jacobson LLP**
**One New York Plaza**
**New York, NY 10004**
**Tel: (212) 859-8000**
**Fax: (212) 859-4000**

**Sutherland Asbill & Brennan LLP**
**1275 Pennsylvania Avenue, NW**
**Washington, DC 20004**
**Tel: (202) 383-0100**
**Fax: (202) 637-3593**

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

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

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

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

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

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

(1) Includes the underwriters' option to purchase additional shares.

(2) Estimated pursuant to Rule 457(o) under the Securities Act of 1933 solely for the purpose of determining the registration fee.

(3) Previously paid.

(4) For each outstanding share of New Mountain Finance Corporation common stock, New Mountain Finance Corporation will hold one common membership unit of New Mountain Guardian (Leveraged), L.L.C. on a one-to-one basis. No separate consideration will be received for the New Mountain Guardian (Leveraged), L.L.C. common membership units in this offering.

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

Table of Contents

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

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

8,285,172 Shares

# New Mountain Finance Corporation

Common Stock

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

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

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

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

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

This prospectus contains important information about us that a prospective investor should know before investing in our common stock. Please read this prospectus before investing and keep it for future reference. Upon completion of this offering, we will file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information will be available free of charge by contacting us at 787 7th Avenue, 48th Floor, New York, NY 10019 or by telephone at (212) 720-0300 or on our website at *www.newmountainfinancecorp.com*. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus. The Securities and Exchange Commission also maintains a website at *www.sec.gov* that contains such information.

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

| | Per Share | Total |
|---|---|---|
| Public Offering Price | $ | $ |
| Sales Load (Underwriting Discounts and Commissions) | $ | $ |
| Proceeds to us(1)(2) | $ | $ |

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

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

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

*Joint-Lead Bookrunners*

**Goldman, Sachs & Co.** **Wells Fargo Securities** **Morgan Stanley**

*Co-Lead Managers*

**Stifel Nicolaus Weisel** **RBC Capital Markets**

*Co-Managers*

| | | |
|---|---|---|
| **Baird** | **BB&T Capital Markets**<br>**A division of Scott & Stringfellow, LLC** | **Janney Montgomery Scott** |

Prospectus dated , 2011.

TABLE OF CONTENTS



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

Table of Contents

**PROSPECTUS SUMMARY**

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

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

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

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

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

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

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

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

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

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

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

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

**The Company**

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

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

---

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

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

The Operating Company will be externally managed by the Investment Adviser, a wholly-owned subsidiary of New Mountain. The investment strategy, developed by our Investment Adviser, is to invest through the Operating Company primarily in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) opportunities for niche market dominance. The Investment Adviser, through its relationship with New Mountain, already has access to proprietary research and operating insights into many of the companies and industries that meet this template. We believe the presence within New Mountain of numerous former CEOs and other senior operating executives, and their active involvement in our underwriting process, combined with New Mountain's experience as a majority stockholder owning and directing a wide range of businesses and overseeing operating companies in the same or related industries, is a key differentiator for us versus typical debt investment vehicles.

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

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

By Industry

By Type of Investment

---

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

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

Table of Contents

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

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

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

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

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

**New Mountain**

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

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

Table of Contents

### The Investment Adviser

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

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

### Recent Developments(1)

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

***Net Asset Value***

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

Table of Contents

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

***Distributions/Contributions***

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

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

***Recent Portfolio Activity***

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

Table of Contents

**Competitive Advantages**

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

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

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

We expect to benefit directly from New Mountain's private equity investment strategy that seeks to identify attractive investment sectors from the top down and then works to become a well positioned investor in these sectors. New Mountain focuses on companies and end markets with sustainable strengths in all economic cycles, particularly ones that are defensive in nature, that are non-cyclical and can maintain pricing power in the midst of a recessionary and/or inflationary environment. New Mountain focuses on companies within sectors in which it has significant expertise (examples include federal services, software, education, niche healthcare, business services, energy and logistics) while typically avoiding investments in companies with end markets that are highly cyclical, face secular headwinds, are overly-dependent on consumer demand or are commodity-like in nature.

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

1. A generalist approach, combined with proactive pursuit of the highest quality opportunities within carefully selected industries, identified via an intensive and structured ongoing research process;

2. Emphasis on strong downside protection and strict risk controls; and

3. Continued search for superior risk adjusted returns, combined with timely, intelligent exits and outstanding return performance.

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

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

Many of the debt investments that we have made to date have been in the same companies with which New Mountain has already conducted months of intensive acquisition due diligence related to potential private equity investments. We believe that private equity underwriting due diligence is usually more robust than typical due diligence for loan underwriting. In its underwriting of debt investments, the Investment Adviser is able to utilize the research and hands-on operating experience that New Mountain's private equity underwriting teams possess regarding the individual companies and industries. Business and industry due diligence is led by a team of investment

Table of Contents

professionals of the Investment Adviser that generally consists of three to seven individuals, typically based on their relevant company and/or industry specific knowledge. Additionally, the Investment Adviser is also able to utilize its relationships with operating management teams and other private equity sponsors. We believe this will differentiate us from many of our competitors.

***Significant Sourcing Capabilities and Relationships***

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

***Risk Management through Various Cycles***

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

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

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

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

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

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

**Market Opportunity**

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

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

Table of Contents

*Middle market companies continue to face difficulties in accessing the capital markets.* We believe opportunities to serve the middle market will continue to exist. While many middle market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult in recent years as institutional investors have sought to invest in larger, more liquid offerings. In addition, many private finance companies and hedge funds have reduced their middle market lending activities due to decreased availability of financing.

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

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

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

*Large pool of uninvested private equity capital available for new buyouts.* We expect that private equity firms will continue to pursue acquisitions and will seek to leverage their equity investments with mezzanine loans and/or senior loans provided by companies such as ours.

Table of Contents

## Our History and Structure

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

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

In connection with this offering, a series of formation transactions will be undertaken such that, prior to the completion of this offering, the Operating Company will own all of the operations of the Predecessor Entities existing immediately prior to the formation transactions, including all of the assets and liabilities related to such operations. As a result of these transactions, Guardian AIV will indirectly own through its wholly-owned subsidiary, AIV Holdings, common membership units of the Operating Company. New Mountain Finance will enter into a joinder agreement with respect to the amended and restated limited liability company agreement of the Operating Company, pursuant to which New Mountain Finance will be admitted as a member of the Operating Company and will

Table of Contents

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

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

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

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

Table of Contents

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

---

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

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

**Operating and Regulatory Structure**

After the completion of this offering, New Mountain Finance will be a closed-end, non-diversified management investment company that has elected to be treated as a business development company under the 1940 Act and will use leverage but will be required to maintain an asset coverage ratio, as defined in the 1940 Act, of at least 200%. New Mountain Finance will have no material long-term liabilities itself and its only business and sole asset will be its ownership of common membership units of the Operating Company. As a result, New Mountain Finance will look to the Operating Company's assets for purposes of satisfying the requirements under the 1940 Act

Table of Contents

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

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

## Risk Factors

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

- We have a limited operating history;
- We do not expect to replicate the Predecessor Entities' historical performance or the historical performance of other entities managed or supported by New Mountain;
- There will be uncertainty as to the value of our portfolio investments because most of our investments are, and will continue to be in private companies and recorded at fair value. In addition, because New Mountain Finance will be a holding company, the fair value of our investments will be initially determined by the Operating Company's board of directors in accordance with our valuation policy;
- Our ability to achieve our investment objective depends on key investment personnel of the Investment Adviser. If the Investment Adviser were to lose any of its key investment personnel, our ability to achieve our investment objective could be significantly harmed;
- The Investment Adviser does not have any prior experience managing a business development company or a RIC, which could adversely affect our business;
- We operate in a highly competitive market for investment opportunities and may not be able to compete effectively;
- The Operating Company will borrow money, which could magnify the potential for gain or loss on amounts invested in us and increase the risk of investing in us;

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

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

Company's ability to issue senior securities or borrow for investment purposes, any or all of which could have a negative effect on our investment objectives and strategies;

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

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

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

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

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

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

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

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

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

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

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

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

Investors in this offering may incur immediate dilution; and

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

**Company Information**

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

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

***Historical Financial Information***

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

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

***Market Data***

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

Table of Contents

**THE OFFERING**

Common Stock Offered by New Mountain Finance