

New Mountain Capital, L.L.C.

Part 2A of Form ADV

The Brochure

787 7th Avenue, 49th Floor
New York, NY 10019
<http://www.newmountaincapital.com>

Updated: March 28, 2019

This brochure provides information about the qualifications and business practices of New Mountain Capital, L.L.C. (“NMC”). If you have any questions about the contents of this brochure, please contact us at 212-720-0300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. An investment adviser’s registration with the SEC does not imply any level of skill or training.

Additional information about NMC is also available on the SEC’s website at:
www.adviserinfo.sec.gov.

2. Material Changes

This brochure is being updated to reflect the formation of a fund focused on minority and non-control investments.

3. Table of Contents

Material Changes	2
Table of Contents	2
Advisory Business	2
Fees and Compensation	3
Performance Based Fees and Side-by-Side Management	7
Types of Clients	7
Methods of Analysis, Investment Strategies and Risk of Loss	7
Disciplinary Information	16
Other Financial Industry Activities and Affiliations	17
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	17
Brokerage Practices	20
Review of Accounts	21
Client Referrals and Other Compensation	21
Custody	22
Investment Discretion	22
Voting Client Securities	22
Financial Information	23

4. Advisory Business

New Mountain Capital, L.L.C. (“NMC”), a Delaware limited liability company, provides investment advisory services on a discretionary basis to several private equity funds that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”) (each a “Fund,” and collectively, the “Funds”). Affiliates of NMC serve as the general partners of the Funds (each a “PE GP” and collectively, the “PE GPs”).

The sole member of NMC is New Mountain Capital Group, L.P. (together with its affiliates, “New Mountain” or the “Firm”), whose ultimate owners include Steven B. Klinsky and related and other vehicles. The PE GPs are controlled by Steven B. Klinsky and are ultimately owned by Steven B. Klinsky, other current and former New Mountain professionals and related vehicles and a minority investor. Mr. Klinsky founded the Firm in 1999.

In providing advisory services to the Funds, NMC manages the portfolio of companies and other investments belonging to the Funds, including the purchase and disposition thereof, in accordance with each Fund’s investment objective and policies as stated in the Fund’s offering documents and the investment and other restrictions set forth in the Fund’s governing documents (“Governing Documents”).

Each Fund’s portfolios include predominately direct private equity and equity-related investments, including investments in publicly traded companies, leveraged acquisitions, build-ups,

recapitalizations, control restructurings, management buyouts, pre-public offering opportunities and growth equity transactions. In addition, certain Funds focus on minority and other non-control investments.

As of December 31, 2018, NMC managed \$15,906,089,778 of client regulatory assets under management on a discretionary basis.

5. Fees and Compensation

Compensation received by New Mountain from the Funds is comprised of management fees, carried interest and other fees.

Management Fees

As compensation for investment advisory services rendered to the Funds, NMC receives from each such Fund a management fee that is typically calculated based on capital commitments or actively invested capital during the applicable Fund's investment period or actively invested capital following the termination of such Fund's investment period. NMC's management fee during the investment period has ranged from 1.5% to 2.0% of capital commitments or actively invested capital and NMC's management fee following the termination of the investment period has ranged from 1.0% to 1.5% of actively invested capital. Management fees for each Fund are generally charged semi-annually in advance from drawdowns of the limited partners' unfunded capital commitments or out of proceeds from the Funds' investments that would otherwise be distributable to such partners. The management fee for a Fund is reduced by the amount of excess organizational expenses paid by investors in the Fund, as well as by a specified percentage of other fees received by NMC as described in "Other Fees and Expenses" below. As our investors are aware, the precise amount of, and the manner and calculation of, the management fees for each Fund are established by NMC through negotiations with investors in the applicable Fund, and are set forth in such Fund's Governing Documents. The management fees are generally subject to modification, waiver or reduction by NMC in its sole discretion, both voluntarily and on a negotiated basis with selected investors. Management fees will often differ among Funds, as well as among investors in the same Fund. The fee structures described above will be modified from time to time.

In accordance with the applicable Governing Documents, NMC may choose to waive a portion of the management fees in exchange for a profits interest in the applicable Fund. Amounts waived are used to satisfy a portion of the applicable PE GP's capital contributions for portfolio investments at the time of the drawdown. Amounts waived reduce the respective Fund limited partner's management fees otherwise due in the next semi-annual period. Profits in excess of amounts contributed by limited partners to fund portfolio investments (excluding amounts waived) will first be allocated to the applicable PE GP in an amount equal to the amount waived at the time of the drawdown and then to all partners.

Carried Interest

As general partner of a Fund, the applicable PE GP is entitled to performance-based allocations and distributions in the form of carried interest. A detailed description of the carried interest calculation methodology applicable to a Fund can be found in the Fund's Governing Documents. Generally, carried interest is calculated based on a percentage of the profits generated from the Fund's investments and is subject to the satisfaction of a preferred return, the recoupment of allocated losses

and fees, if any, and expenses and other criteria set forth in the Governing Documents. The applicable PE GP may waive all or a portion of the carried interest. No carried interest was charged with respect to co-investment vehicles. The existence of a PE GP's carried interest may create an incentive for the PE GP to make riskier or more speculative investments on behalf of the relevant Fund than would be the case in the absence of this arrangement.

Other Fees and Expenses

In addition to the foregoing, as set forth in the Governing Documents of the applicable Fund, investors in the Funds generally bear expenses relating to the Funds' operations. These vary by Fund, but typically will include, among other things: out-of-pocket fees and expenses relating to consummated portfolio investments, proposed but unconsummated portfolio investments (such fees and expenses, "Broken Deal Expenses") and temporary investments, including the sourcing, bidding, evaluating, purchasing, trading, settling, maintaining custody, monitoring, acquisition, holding and sale of thereof, to the extent that such fees and expenses are not reimbursed by a portfolio company or other third person, including fees and expenses related to the organization or maintenance of any intermediate entity used to acquire, hold or dispose of any portfolio investment or otherwise facilitating the Fund's investment activities, including without limitation any overhead expenses related to such entity; *provided* that (i) expenses (including travel, meal and lodging expenses) incurred in connection with the preliminary investigation of potential investment opportunities to the extent not reimbursed by portfolio companies or other third Persons or capitalized as part of the acquisition price of a portfolio investment shall be borne by the PE GPs, NMC or its affiliates but not the Fund or any limited partner and (ii) travel, meal, lodging and other ordinary course of business expenses of monitoring of portfolio investments to the extent not reimbursed by portfolio companies or other third persons, shall be borne by the PE GPs, NMC or its affiliates, or, in some cases, the Fund; (c) an amount equal to 100% of all premiums for insurance protecting the Fund and any covered persons from liabilities to third persons in connection with Fund affairs to the extent such premiums cover liabilities with respect to actions or omissions of the Fund or of any covered person that would otherwise be subject to indemnification by the Fund; (d) out-of-pocket legal, Fund-related, public relations, custodial and accounting expenses of third-party service providers, including fees, costs and expenses associated with the preparation, printing and distribution of the Fund's financial statements, tax returns and Schedule K-1s, and any "Fund-Related Compliance Obligation Expenses" (it being understood that, where such Fund-Related Compliance Obligation Expenses relate to the Fund and other clients of New Mountain, such costs and expenses shall mean the Fund's allocable share thereof as determined in good faith by NMC), and out-of-pocket expenses related to data rooms, investor portals or other websites and accounting systems; (e) interest on and fees and expenses arising out of all Fund indebtedness, including, but not limited to, the arranging thereof and the costs and expenses of any lenders, investment banks and other financing sources; (f) out-of-pocket auditing, accounting, banking, consulting and valuation expenses of third-party service providers (including accounting, technology and environmental, social and governance consultants); (g) out-of-pocket appraisal expenses of third-party service providers; (h) out-of-pocket fees, costs and expenses of any third-party administrators and deal finders; (i) expenses of the Advisory Committee (as defined below) of the Fund (including the reasonable costs of legal counsel, accountants, financial advisors and/or such other advisors and consultants engaged by the Advisory Committee of the Fund, if the applicable PE GP agrees to permit such engagement); (j) costs and expenses that are classified as extraordinary expenses under generally accepted accounting principles; (k) subject to the Governing Agreement, taxes and other governmental charges, fees and duties payable by the Fund, and costs and expenses associated with third party tax advisors, tax return preparation or tax audits; (l) damages (including the costs of any

indemnity or contribution right granted to any placement agent or third-party finder for interests engaged by the Fund or its affiliates); (m) costs of reporting to the partners and of the annual meeting of the Fund; (n) costs associated with any third-party examinations or audits (including other similar services) of the Fund or NMC that are attributable to the operation of the Fund or requested by limited partners; (o) costs of winding up and liquidating a Fund; (p) expenses incurred in connection with complying with provisions in side letter agreements entered into with limited partners, including “most favored nations” provisions; (q) cost of operational and accounting software and related expenses; (r) the fees, costs and expenses of third-party software developers, software, including as related to risk, research and market data, operations, accounting and the tracking and monitoring of investments (*i.e.*, portfolio management software and general ledger software); and (s) fees and expenses of a Fund’s “Executive Advisory Council” (if any). If and as permitted by Fund Governing Documents, a PE GP may retain NMC to provide administrative services for a Fund and charge related expenses to the Fund.

“Fund-Related Compliance Obligation Expenses” generally include costs and expenses of all legal and regulatory compliance obligations under U.S. federal, state, local, non-U.S. or other laws and regulations directly related to the making, holding or disposing of portfolio investments by the Fund (whether such compliance obligations are imposed on NMC, the PE GPs, their affiliates or the Funds), including, without limitation, the preparation and filing of (a) Form PF pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”), (b) Form 13F, Form 13H, Section 16 filings, Schedule 13D filings, Schedule 13G filings and other filings, (c) TIC Form SLT filings, (d) materials required under FATCA and FinCEN reporting requirements applicable to the Fund, (e) CFTC Form 4.13(a)(3), CPO-PQR, CTA PR and NFA Form PQR filings, (f) filings under the Hart-Scott-Rodino Antitrust Improvements Act and other antitrust laws and regulations and (g) any other forms, schedules or other filings with governmental and self-regulatory agencies directly related to the making, holding or disposing of Portfolio Investments by the Fund, and the costs and expenses of any custodian and/or depositary appointed by the applicable PE GP or its affiliates in relation to the safeguarding, administering and/or holding (or similar) of Portfolio Investments and/or the performance of any functions of a custodian and/or depositary contemplated by Directive 2011/61/EU of the European Parliament and of the European Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the “AIFM Directive”) or any national private placement regime in any jurisdiction and incurred in connection with the applicable PE GP’s or any of its affiliates’ compliance with disclosure, reporting and other similar obligations pursuant to Governing Documents or under the AIFM Directive or any national private placement regime in any jurisdiction (including, for the avoidance of doubt any reporting required in connection with Annex IV of the AIFM Directive).

Investors in a Fund generally also bear expenses relating to formation and the organization of, and sale of interests in, the Fund, parallel funds and affiliated feeder funds, and the organization of the general partner, as determined by the general partner, including all placement fees and all out-of-pocket legal, tax, accounting, printing, data room, consultation, administrative, travel, meal, accommodation and U.S. and non-U.S. filing fees and expenses of the Fund, the applicable PE GP or NMC (including with respect to any registration or licensing of the Fund for marketing under any national private placement or similar regime outside of the United States including those in member states of the European Union).

All organizational expenses and all Fund expenses shall be paid by the applicable Fund. To the extent that the PE GP, NMC or any of their respective affiliates pays any organizational expenses or Fund expenses on behalf of a Fund, the Fund shall reimburse the PE GP, NMC or such affiliate, as the case may be, upon request. All NMC expenses shall be paid by NMC or the PE GPs. The PE GPs may allocate any expenses that benefit a Fund and one or more feeder funds, alternative investment vehicles, parallel funds, intermediate entities, other New Mountain funds or co-investors among the Fund and the applicable persons in a manner that the PE GPs determine is fair and equitable. The applicable PE GP shall endeavor to cause each potential co-investor that is considering an investment alongside a Fund prior to the closing of the Fund's portfolio investment to bear its proportionate share of Broken Deal Expenses related to such potential portfolio investment, but to the extent not reimbursed by co-investors or other parties that may have invested in an unconsummated portfolio investment had it been consummated, Broken Deal Expenses may be borne entirely by the Fund and no share of such expense shall be required to be allocated to any such co-investors or other party; provided that no share of any break-up fees shall be allocated to any co-investor that is not bearing Broken Deal Expenses. There may be circumstances when NMC has considered a potential private equity investment in a portfolio company on behalf of a Fund, has determined not to make such private equity investment and an investment is eventually made in such portfolio company by other investment vehicles or accounts sponsored by New Mountain. In these circumstances, such vehicles or accounts may benefit from research by NMC's investment team and/or from costs borne by the Fund related to this research or otherwise occurred in pursuing the potential portfolio investment, but will not be required to reimburse the Fund for expenses incurred in connection with such investment. Travel and related expenses described herein include, without limitation, airfare not to exceed first class and/or business class rates, lodging, ground transportation, travel and meals. Travel and related expenses in connection with a trip taken by employees of NMC and/or the PE GPs for purposes of multiple matters will be allocated by the PE GPs in its discretion (or as otherwise indicated in a Fund's Governing Documents). NMC will cause the Funds' portfolio companies to enter into agreements regarding group procurement, benefits management, insurance policies (which will from time to time be pooled across portfolio companies and discounted due to scale) and other operational, administrative or management related matters from a third party or an NMC affiliate. Fund expenses, including certain consultant expenses, may be charged directly to the Fund or may be borne by both NMC and one or more portfolio companies. These programs may benefit NMC, its affiliates, or New Mountain. Expenses related to these programs may be charged directly to Funds, clients, affiliated clients, New Mountain, or affiliated portfolio companies. Portfolio companies may continue to participate in and benefit from these group procurement programs even after they have been sold.

Pursuant to the Governing Documents of a Fund, New Mountain may receive directors' fees, transaction fees, investment banking fees, break-up fees, advisory fees, monitoring fees, credit guarantor fees¹ or other similar fees. A limited partner's share (based on capital commitments) of a specified percentage of these fees, (varying from 50% to 100% depending on the Fund and the type of fee), net of related expenses, is applied to reduce the management fees payable by the applicable Fund. Management fees will not be reduced for any salary, benefits, directors' fees, stock options and other compensation granted or paid by portfolio companies to Senior Advisors

¹ New Mountain Partners IV, L.P. ("NMP IV") receives income from one of its portfolio investments relating to the interest rate differential from the credit facility that NMP IV has guaranteed the portfolio company in comparison to the interest rate that would be obtained in the open-market. The fee income reduces NMP IV management fees.

for serving in portfolio company roles or any salary, benefits, directors' fees, stock options and other compensation granted or paid by portfolio companies to other personnel of the PE GPs or NMC who serve in a bona fide management capacity at any such portfolio company. New Mountain may reduce the compensation paid by NMC to Senior Advisors who serve in portfolio company roles or to other personnel who serve in a bona fide management capacity at a portfolio company. Moreover, NMC and its personnel can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds which will not be subject to the management fee offset or otherwise shared with the Funds, their investors and/or their portfolio companies. For example, airline travel or hotel stays incurred as fund expenses typically result in "miles" or "points" or credit in loyalty / status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to New Mountain and/or such personnel (and not the Funds, their investors and/or their portfolio companies) even though the cost of the underlying service is borne by the Funds and/or their portfolio companies.

NMC will enter into placement agent agreements from time to time in connection with the offer and sale of interests in a Fund to certain potential investors. The management fees paid by a Fund will generally be reduced by the amount of fees paid by such Fund to persons acting as a placement agent. The manner of any such reduction, if any, is set forth in the Governing Documents of the applicable Fund.

6. Performance Based Fees and Side-by-Side Management

As discussed under Item 5 – "Fees and Compensation" – above, the PE GPs are entitled to performance-based allocations and distributions in the form of carried interest from the applicable Funds.

7. Types of Clients

The only investment advisory service provided by NMC is in the capacity of acting as the investment adviser to the Funds. Investment advice is provided directly to the Funds and not individually to each Fund's investors. Each Fund's investors are "accredited investors," as that term is defined by Rule 501 of Regulation D under the Securities Act, and in the case of Fund vehicles that rely on Section 3(c)(7), "qualified purchasers" under Section 2(a)(51)(A) of the 1940 Act. Certain Fund vehicles rely on Section 3(c)(1) of the 1940 Act and do not require their investors to be "qualified purchasers" but limit the number of beneficial owners of their securities to 100 or less.

Details concerning applicable investor suitability criteria are set forth in the applicable Fund's offering documents and subscription materials. The offering documents of each Fund generally provide for a minimum investment amount (typically \$10 million), although such minimums may be waived.

8. Methods of Analysis, Investment Strategies and Risk of Loss

The Funds advised by NMC have the objective of seeking long-term capital appreciation through acquiring, holding and disposing of direct private equity and equity-related investments. Certain Funds focus on control and control-oriented investments whereas others focus on minority and other non-control investments. The Funds invest (or have invested) primarily in North American companies, but may invest outside of North America, if appropriate.

NMC's targeted investment strategy is based on four investment principles generally employed by the Firm since its inception:

- (i) A generalist approach, combined with proactive pursuit of what NMC believes are the highest quality opportunities within carefully selected "defensive growth" industries;
- (ii) An intense focus on investor "value-added" and a proven ability to build businesses after an investment is made;
- (iii) Emphasis on strong downside protection, control of risk and active company governance; and
- (iv) Continued pursuit of superior risk -adjusted returns, combined with timely, intelligent exits and strong return performance.

Notwithstanding the above, NMC may pursue a wide variety of private equity investment strategies and may modify or depart from the investment strategy and investment process described above if it identifies private equity investment opportunities that it believes are sufficiently attractive for the Funds.

Investing in the Funds involves material risks, including the risk of loss. The following is a list of certain material risks that are generally applicable to investments in the Funds. However, investors should also review the offering documents of the applicable Fund to understand the risks and potential conflicts of interest associated with an investment in such Fund.

No Assurance of Investment Return

Investment in the Funds entails a high degree of risk. There can be no assurance that any Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of investments in which such Fund participates. Partial or complete sales, transfers or other dispositions of investments which may result in a return of capital or the realization of gains, if any, are generally not expected to occur for a number of years after an investment is made. Accordingly, an investment in a Fund should only be considered by persons for whom a speculative, illiquid and long-term investment is an appropriate component of a larger investment program and who can afford a loss of their entire investment. There can be no assurance that projected or targeted returns for any Fund will be achieved. Furthermore, a Fund's use of a subscription line or other credit facility may affect its returns. **Past performance of investment entities associated with NMC and/or its affiliates is not necessarily indicative of future results. There can be no assurance that any Fund will achieve comparable results or that performance objectives of any be achieved.**

General Economic and Market Conditions

The success of a Fund's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, industry conditions, competition, technological developments, domestic and international economic uncertainty, changes in laws, trade barriers, currency exchange controls, and national and international political circumstances. These factors may affect the level and volatility of financial instruments' prices and the liquidity of such Fund's investments. A Fund's financial condition and profitability may be adversely affected by a significant general economic downturn.

Portfolio Company Management

Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although New Mountain will be responsible for monitoring the performance of each portfolio investment there can be no assurance that the existing management team, or any successor, will be able to successfully operate the portfolio company in accordance with the Fund's plans. The success of each portfolio company depends in substantial part upon the skill and expertise of each portfolio company's management team. Additionally, portfolio companies will need to attract, retain and develop executives and members of their management teams. The market for executive talent is, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, the Funds may be adversely affected thereby.

Influence over Management

A Fund may make investments that allow the Fund to exercise influence over management and the strategic direction of a portfolio company. The exercise of influence over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability characteristic of business operations may be ignored. The exercise of influence over an investment could expose the assets of a Fund to claims by such portfolio companies, its shareholders and its creditors. While the general partners of the Funds intend to manage the Funds in a manner that will minimize the exposure of these risks, the possibility of successful claims cannot be precluded.

Non-Controlling Investments; Investments with Third Parties

Some Funds are expected to invest primarily in minority positions of companies and in non-controlling interests in companies for which the Fund may have no right to appoint a director or otherwise exert significant influence or protect its position, and therefore may have a limited ability to protect its position in such companies, even where the general partner of the Fund believes it has structured appropriate rights. These Funds will typically be significantly reliant on the existing management, board of directors and other shareholders of such companies, which may include representation of other financial investors with whom a Fund is not affiliated and whose interests may conflict with the interests of a Fund. Although the general partner of the Fund will seek to align the interests of the control persons and the Fund, these portfolio investments involve risks not present in control investments, including the possibility that control persons may have financial, legal or regulatory difficulties, resulting in a negative impact on such portfolio investment, may have economic or business interests or goals which are inconsistent with those of a Fund, or may be in a position to take (or block) action in a manner contrary to a Fund's investment objectives (including with respect to a proposed exit of a portfolio investment), or the increased possibility of default by, diminished liquidity or insolvency of, the third party, due to a sustained or general economic downturn.

A Fund may also co-invest with financial, strategic or other third parties through partnerships, consortiums of private equity investors, joint ventures or other similar arrangements, thereby acquiring non-controlling interests in conjunction with participation by one or more third parties in such investment, giving rise to similar considerations with respect to its third-party partners or co-venturers. In addition, a Fund may in certain circumstances be liable for the actions of its third-

party partners or co-venturers (including co-investment vehicles and/or other New Mountain Funds). Portfolio investments made with third parties in joint ventures or other entities may involve incentive compensation and fees payable to such third-party partners or co-investors. In certain circumstances involving a third-party management group, such third parties may receive compensation arrangements relating to such portfolio investments, including incentive compensation arrangements. In addition, NMC's investment strategies in certain investments may depend on its ability to enter into satisfactory relationships with joint venture or operating partners. There can be no assurance that New Mountain's current relationship with any such partner will continue (whether on currently applicable terms or otherwise) with respect to a Fund or that any relationship with other such persons will be able to be established in the future as desired with respect to any sector or geographic market and on terms favorable to a Fund.

Operating and Financial Risks of Portfolio Companies

Companies in which a Fund invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn. As a result, companies which a Fund expects to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress. In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of a Fund to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Fund will be able to successfully identify and implement such restructuring programs and improvements.

Although NMC's investment strategy includes a focus on tight control of risk, there can be no assurance that the various risks of an investment will be successfully controlled or that losses can be avoided.

Use of Leverage

While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. A Fund's portfolio investments may involve varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Moreover, any rise in interest rates may significantly increase portfolio company interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, a Fund may suffer a partial or total loss of capital invested in the portfolio company. Although there is currently ample availability of financing for leveraged transactions by historical standards, a decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders) would impair a Fund's ability to consummate these transactions.

Unspecified Investments

A Fund may begin operations following closing, and may not have identified any particular portfolio investment. An investor must rely upon the ability of NMC to identify, structure and implement portfolio investments consistent with a Fund's investment objectives and policies. A Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. The

success of a Fund will depend on the ability of NMC to identify suitable portfolio investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of portfolio investments.

Risk of Limited Number of Investments; Dependence on Performance of Certain Investments

A Fund may participate in a limited number of portfolio investments and, as a consequence, the aggregate return of a Fund may be substantially adversely affected by the unfavorable performance of even a single portfolio investment. Moreover, there are no assurances that all of a Fund's portfolio investments will perform well or even return capital. Therefore, if certain portfolio investments perform unfavorably, for a Fund to achieve above-average returns, that one or a few of its portfolio investments must perform well. There can be no assurance that this will be the case. In addition, other than as set forth in a Fund's Governing Documents, investors have no assurance as to the degree of diversification of a Fund's portfolio investments, either by geographic region, industry or transaction type. To the extent a Fund concentrates portfolio investments in a particular issuer, industry, subsector, security or geographic region, its portfolio investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto.

Financial Market Fluctuations

General fluctuations in the market prices of securities may affect the value of the portfolio investments held by a Fund. Instability in the securities markets may also increase the risks inherent in a Fund's portfolio investments. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise.

Illiquid and Long-Term Investments

Investments in a Fund require a long-term commitment with no certainty of return. Many of a Fund's portfolio investments will be highly illiquid, and a Fund may not be able to realize on such portfolio investments in a timely manner. It is likely that no significant return from the disposition of a Fund's portfolio investments will occur until three and possibly ten or more years from the date of closing of such Fund. Often, there will be no readily available market for portfolio investments made by a Fund. In most cases, there will be no public market for the securities held by a Fund at the time of their acquisition. A Fund will generally not be able to sell the securities of portfolio companies publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. To the extent that there is no trading market for a portfolio investment, a Fund may be unable to liquidate that portfolio investment or may be unable to do so at a profit. Moreover, there can be no assurances that private purchasers of a Fund's portfolio investments will be found.

Hedging Policies/Risks

In connection with certain portfolio investments, a Fund may employ hedging techniques designed to reduce the risk of adverse movements in interest rates, securities prices and currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while a Fund may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, currency exchange rates and other factors may result in a poorer overall performance for a Fund than if it had not entered into such hedging transactions. The PE GPs may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because

it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills that are separate from the skills used in selecting and monitoring investments.

Risks Relating to Due Diligence of and Conduct at Portfolio Companies

Before making portfolio investments, the PE GPs will typically conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each portfolio investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third party advisers or consultants may present a number of risks primarily relating to a PE GP's reduced control of the functions that are outsourced. In addition, if a PE GP is unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, a PE GP will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that a PE GP carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the portfolio investment being successful. There can be no assurance that attempts to provide downside protection with respect to portfolio investments will achieve their desired effect.

There can be no assurance that a Fund will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor the portfolio investment on an ongoing basis. In the event of fraud by any portfolio company or any of its affiliates, a Fund may suffer a partial or total loss of capital invested in that portfolio company. An additional concern is the possibility of material misrepresentation or omission on the part of the portfolio company or the seller. Such inaccuracy or incompleteness may adversely affect the value of the Fund's securities and/or instruments in such portfolio company. A Fund will rely upon the accuracy and completeness of representations made by portfolio companies and/or their former owners in the due diligence process to the extent reasonable when it makes its investments, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Currency and Exchange Rate Risks

A portion of a Fund's investments, and the income received by a Fund with respect to such investments, may be denominated in currencies other than U.S. dollars. However, the books of the Fund will be maintained, and capital contributions to and distributions from the Fund generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments, interest and dividends received by a Fund, gains and losses realized on the sale of investments and the amount of distributions, if any, to be made by a Fund. In addition, a Fund will incur costs in converting investment proceeds from one currency to another. A PE GP may enter into hedging transactions designed to reduce such currency risks.

Misconduct of Employees and of Third-Party Service Providers

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and there is a risk that employee misconduct could occur with respect to a Fund. Misconduct by employees or by third-party service providers could cause significant losses to a Fund. Employee misconduct may include binding a Fund to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or concealing unsuccessful investments (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by third-party service providers. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting a Fund's business prospects or future activities. Although, New Mountain believes it has implemented reasonable policies, procedures and controls relating to these activities, it is not always possible to deter misconduct by employees or service providers, and the precautions the PE GPs take to detect and prevent this activity may not be effective in all cases.

Role of Private Equity Professionals

The success of a Fund depends in large part upon the skill and expertise of NMC private equity and other professionals. The interests of these professionals in the PE GPs should tend to discourage them from withdrawing from participation in a Fund's investment activities. However, there can be no assurance that any such professional will continue to be associated with the applicable PE GP throughout the life of such Fund. The loss of services by any Category 1 or 2 Key Individual (as described in the Funds Offering Documents), including Mr. Klinsky, may adversely affect the ability of a Fund to pursue successfully its investment program.

Uncertainty of Financial Projections

The applicable PE GP generally establishes the pricing of transactions and the capital structure of portfolio companies on the basis of financial projections for such portfolio companies and is normally based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

Material, Non-Public Information

By reason of their responsibilities in connection with their other activities, certain NMC personnel or Senior Advisors (or employees and affiliates thereof) may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. In those instances, the Funds are not free to act upon any such information. Due to these restrictions, a Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell a portfolio investment that it otherwise might have sold. Conversely, a Fund may not have access to material non-public information in the possession of NMC which might be relevant to an investment decision to be made by a Fund, and a Fund may initiate a transaction or sell a portfolio investment which, if such information had been known to it, may not have been undertaken.

Public Company Holdings

A Fund's investment portfolio may contain securities issued by publicly held companies in privately negotiated transactions. Such portfolio investments may subject a Fund to risks that differ in type or degree from those involved with portfolio investments in privately held companies, including without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such investments and companies, limitations on the ability of a Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members and controlling parties and increased costs associated with each of the aforementioned risks.

Potential Conflicts of Interest

Investors should be aware that there will be occasions when NMC (including its affiliates, employees and Senior Advisors) and its affiliates may encounter potential conflicts of interest in connection with the Funds, including (as described in more detail below and elsewhere herein) with respect to other investment vehicles and relationships and allocations of investment opportunities, allocation of personnel, diverse investor group, conflicts of interest related to carried interest and being in possession of material non-public information which may restrict the ability of NMC to enter into certain transactions. Investors should review the offering documents of the applicable Fund, as well as the disclosures contained herein, to understand the potential conflicts of interest associated with an investment in such Fund.

The existence of a PE GP's carried interest may create an incentive for the PE GP to make riskier or more speculative investments on behalf of the relevant Fund than would be the case in the absence of this arrangement. As noted above, NMC and its affiliates may receive certain fees in connection with the purchase, monitoring or disposition of portfolio investments or in connection with unconsummated transactions (e.g., directors' fees, transaction fees, investment banking fees, break-up fees, advisory fees, monitoring fees or other similar fees). A limited partner's share (based on capital commitments) of a specified percentage of these fees, (varying from 50% to 100% depending on the Fund and the type of fee), net of related expenses, is applied to reduce the management fees payable by the applicable Fund.

In the event of a conflict of interest not provided for in a Governing Agreement, NMC will take actions as in its good faith judgment are necessary or appropriate to ameliorate such conflicts of interest. These actions may, but are not required to, include (i) disposing of the security giving rise to the conflict of interest, (ii) appointing an independent fiduciary to act or provide consent with respect to the matter giving rise to the conflict of interest, (iii) in connection with a matter giving rise to a conflict of interest with respect to an investment, consulting with the advisory committee comprised of representatives of limited partners of the applicable Fund ("Advisory Committee") regarding the conflict of interest and either obtaining a waiver from the Advisory Committee of the conflict of interest (where required) or acting in a manner, or pursuant to standards or procedures, approved by the Advisory Committee with respect to such conflict of interest, (iv) disclosing the conflict to the limited partners (including, without limitation, in drawdown notices, quarterly letters or other communications) or (v) implementing certain policies and procedures designed to ameliorate such conflicts of interest. NMC intends to consult with the applicable Advisory Committee with respect to any matter as to which it determines in good faith that a material conflict of interest exists.

In addition, there are three advisory affiliates of NMC. One advisory affiliate manages public equity funds that generally invest in public securities, another advisory affiliate advises New Mountain Finance Corporation (“NMFC”) as well as private credit funds. NMFC itself is a publicly traded business development company that invests primarily in debt, but may also acquire equity investments in middle-market companies, and is the third advisory affiliate which manages NMFC’s senior loan program. This third advisory affiliate may also invest in debt and acquire equity investments in middle-market companies. Subject to restrictions in the applicable Fund Governing Documents, the Firm may raise other public and private funds and other investment vehicles in the future and such funds may from time-to-time make investments that would be suitable for the Funds. In particular, certain debt investments that the Funds would otherwise be able to make may be allocated to NMFC. In addition, there may be circumstances when NMC has considered a potential private equity investment in a portfolio company on behalf of a Fund, has determined not to make such private equity investment and an investment is eventually made in such portfolio company by the existing public equity funds, NMFC or other investment vehicles sponsored by the Firm. In these circumstances, the existing public equity funds, NMFC or such vehicles may benefit from research by NMC’s investment team and/or from costs borne by the applicable Fund in pursuing the potential portfolio investment, but will not be required to reimburse the Funds for expenses incurred in connection with such investment as described above.

The portfolio companies managed by NMC may transact business with (or otherwise provide services and/or products to) one another. Those same portfolio companies may also transact business with NMC’s affiliated advisers, funds, employees and/or Senior Advisors. Such arrangements will generally be negotiated and executed at arm’s length, but certain factors may lead a portfolio company to pay higher fees in connection with the services and/or products provided as compared to other similar providers. Those factors include, without limitation, the complexity of the services and/or products being provided, the reputation of the portfolio company in providing such services and/or products, and the ability of the portfolio to meet specified time, budget or other constraints. Furthermore, NMC and/or the portfolio companies managed by NMC may enter into agreements collectively with vendors which provide products and services to NMC and/or the portfolio companies, generally in an effort to reduce costs and expenses. NMC may act as a host for the negotiation process associated with such agreements. Notwithstanding the foregoing, NMC acts solely as a liaison in connection with the evaluation of, and has no control over the entering into, definitive agreements by such portfolio companies. Any definitive agreements shall be executed solely by and between the applicable portfolio company and applicable counterparty, and such portfolio company (and not NMC, except where NMC is acting in its own capacity) shall be solely responsible for its obligations thereunder.

While NMC and its advisory affiliates are generally prohibited from investing in different parts of the capital structure of an issuer at the same time, there have been instances where New Mountain has invested in an issuer where the debt and/or public equity was previously held by a fund of an affiliated adviser of New Mountain.

NMC personnel may work on projects unrelated to the Funds, and conflicts in the allocation of management resources may arise as a result of such other activities. Additionally, from time to time, NMC employees and Senior Advisors may make personal investments in entities owned or controlled by other employees or Senior Advisors of NMC (and/or its related funds or affiliated advisers). All such investments are subject to the NMC Code of Ethics, which requires, among other things, pre-clearance by Compliance as well as vetting for any perceived or actual conflicts of interests.

The investors in a Fund may have conflicting investment, tax and other interests with respect to their investments in the Fund. As a consequence, conflicts of interest may arise in connection with the decisions made by the relevant PE GP and NMC, including with respect to the nature or structuring of portfolio investments that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring portfolio investments appropriate for a Fund, the PE GP and NMC will generally consider the investment and tax objectives of the Fund as a whole, and not the investment, tax or other objectives of any investor individually.

A Fund or its PE GP may enter into a side letter or other similar agreement with a particular investor with respect to the Fund without the approval or vote of any other investors, which would have the effect of establishing rights under, altering or supplementing the terms of the Fund's Governing Documents with respect to such investor in a manner more favorable to such Limited Partner than those applicable to other investors. Any rights established, or any terms of the Fund's Governing Documents altered or supplemented in a side letter or other similar agreement with an investor will govern solely with respect to such investor notwithstanding any other provision of the Fund's Governing Documents. Such rights or terms in any such side letter or other similar agreement may include, without limitation: (i) excuse rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments); (ii) the PE GP's agreement to extend certain information rights or additional reporting to such investor, including, without limitation, to accommodate special regulatory or other circumstances of such investor; (iii) waiver or modification of certain confidentiality obligations and/or documentation that may be requested by the PE GP for the benefit of lenders or other persons extending credit to or arranging financing for the Fund; (iv) consent of the PE GP to certain transfers by such investor or other exercise by the PE GP of its discretionary authority under the Fund's Governing Documents for the benefit of such investor; (v) restrictions on, or special rights of such investor, with respect to the activities of the PE GP; (vi) withdrawal rights due to legal, regulatory or policy matters, including matters related to political contributions, gifts or other such policies; (vii) other rights or terms necessary in light of particular legal, tax, regulatory, or public policy characteristics of an investor; (viii) economic arrangements (including, for example, with respect to management fees and/or carried interest), (ix) other preferential arrangements with respect to one or more investors as part of a multi-strategy investment program that is part of an overall integrated investment arrangement with NMC, (x) matters regarding the allocation and/or terms of co-investment opportunities (including, for example, with respect to management fees and/or carried interest) and the right to participate therein or (xi) additional obligations, and restrictions of the Fund with respect to the structuring of any portfolio company (including with respect to alternative investment vehicles).

There can be no assurance that New Mountain will resolve all conflicts of interest in a manner that is favorable to its Funds.

9. Disciplinary Information

NMC and its management persons have not been involved in any legal or disciplinary events that would be material to a client's or prospective client's evaluation of NMC's advisory business or the integrity of its management.

10. Other Financial Industry Activities and Affiliations

Relying Advisers

As described in Item 4 – “Advisory Business” above, the PE GPs serve as the general partners to each of the Funds, respectively.

NMC and the PE GPs are together filing a single Form ADV in reliance on the response of the Office of Investment Adviser Regulation Division of Investment Management dated January 18, 2012 to the Subcommittee on Hedge Funds of the Federal Regulation of Securities Committee of the Business Law Section of the American Bar Association.

Affiliated Advisers

New Mountain Vantage Advisers, L.L.C., New Mountain Finance Advisers BDC, L.L.C. and New Mountain Finance Corporation (the “Affiliated Advisers”) are advisory affiliates of NMC, and serve as the respective managers to public equity funds, a publicly traded business development company (NYSE: NMFC), private credit funds and a senior loan program. Each of the Affiliated Advisers is separately registered with the U.S. Securities and Exchange Commission (“U.S. SEC”) pursuant to the Advisers Act. Although the investment strategies of the Funds managed by NMC are different from the strategies of the vehicles managed by the Affiliated Advisers, NMC expects to rely heavily on the extensive expertise and industry relationships developed by the employees and Senior Advisors of the Affiliated Advisers to identify and evaluate potential investment opportunities for the Funds. Research from New Mountain’s private equity strategy will be used to benefit other New Mountain strategies and their clients.

The activities of these advisory affiliates may give rise to certain conflicts of interest as described herein.

Other Financial Industry Activities and Affiliations

Some portfolio companies are operated by management teams that are independent of NMC. NMC believes that such portfolio companies do not create a material conflict of interest with the NMC’s clients. NMC agrees to provide a list of such portfolio companies upon request. NMC and/or its affiliates may and will utilize products and services – including discounted products and services - - provided by portfolio companies.

11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics/Personal Trading

NMC has adopted a formal code of ethics and insider trading policies and procedures (the “Code”) to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act (“Rule 204A-1”). For purposes of Rule 204A-1, all New Mountain employees are designated as “access persons” (“Access Persons”). Based on relevant risk-based assessments, NMC also

designates certain non-employee consultants, including New Mountain Senior Advisors², as Access Persons for purposes of Rule 204A-1.

Rule 204A-1 requires NMC to adopt a code of ethics that sets forth a standard of business conduct and compliance with federal securities laws by all of NMC's Access Persons. Policies and procedures have been adopted to ensure compliance with the provisions of the Code, including pre-approval of personal securities transactions and a 60-day holding requirement for all positions requiring pre-approval (other than NMFC, which is subject to a longer holding period), annual affirmations of compliance (such as disclosure of disciplinary history, conflicts of interest, etc.) and regular reviews of holdings and transactions. NMC and its Access Persons are generally not permitted to trade in securities maintained on the Firm's restricted list except in some very limited circumstances that require pre-approval by the Chief Compliance Officer (or Compliance Representative). NMC has retained Compliance Science, a third-party technology vendor, to assist Compliance in the periodic review of all Access Persons' brokerage statements and other related investment reports.

Further, the principals of NMC, its employees and New Mountain Senior Advisors may sit on boards of public companies, including those in which the Funds are invested. Board service is subject to the approval of NMC to allow Compliance to identify any actual or potential conflicts.³

By reason of their responsibilities in connection with their other New Mountain activities, NMC personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. NMC may not be free to act upon any such information. Due to these restrictions, NMC may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

A copy of NMC's Code is available upon request to: Joseph Hartswell, Chief Compliance Officer, New Mountain, 787 7th Avenue, 49th Floor, New York, NY 10019.

Participation or Interest in Client Transactions

² Generally, New Mountain Senior Advisors are similar to "Operating Partners" who provide general or specific industry expertise on particular projects or transactions. A majority of New Mountain's Senior Advisors are designated as "access persons" pursuant to Rule 204A-1 and are subject to New Mountain's Code of Ethics, which therefore allows them to be fully included in New Mountain's investment reviews. Based on a variety of factors, certain Senior Advisors are designated as "non-access persons" and are not subject to New Mountain's Code of Ethics, which results in more limited or specialized roles. There is no guarantee that New Mountain will continue to employ or engage these Senior Advisors, and New Mountain may hire or engage additional Senior Advisors in the future, who may be full time employees, or consultants. Where engaged as the latter, based on individual circumstances, these individuals may, at New Mountain's discretion, be designated as either "access" or "non-access" for purposes of Rule 204A-1. Similar to New Mountain employees, New Mountain Senior Advisors may, in connection with activities related or unrelated to New Mountain, also serve as directors of unaffiliated public companies with the notification or approval of Compliance (see footnote 3 for additional details). Senior Advisors may also hold senior management or operating positions at portfolio companies advised by one or more Funds. Management Fees will not be offset by any salary, benefits, directors' fees, stock options and other compensation granted or paid by portfolio companies to (i) non-employee Senior Advisors for serving on boards of directors, serving in executive management roles or performing the functional equivalent of such roles (and New Mountain may reduce the compensation paid by the Manager to Senior Advisors who serve in roles) or (ii) other New Mountain personnel in respect of services performed in an executive management role at a portfolio company during a period in which such other personnel was not an employee of New Mountain.

³ All employees must notify the Chief Compliance Officer of all outside corporate board memberships and pre-clear such memberships with Compliance. New Mountain Senior Advisors are required to notify the Chief Compliance Officer of all corporate board memberships upon engaging with New Mountain, and prior to accepting such membership if already engaged by New Mountain.

Principal Transactions

At times, NMC may invest Fund assets in investment vehicles in which its principals, employees or Senior Advisors may have an investment position or NMC may enter into cross trades or other transactions between Funds where the ownership interest in a Fund by NMC or its personnel could be viewed as a principal transaction. In such cases, NMC would affect such transaction only if NMC were to first determine that such trade is in the best interests of the affected Funds and then only in compliance with the requirements of Section 206(3) of the Advisers Act or similar applicable law, and the Governing Documents of the affected Funds, including obtaining any required informed consent from the Advisory Committee or a majority in interest of the investors in the applicable Fund. In addition, as a general matter, no Fund may engage in transactions with affiliates, except for those transactions provided for in the Governing Documents or approved by the Advisory Committee or a majority in interest of the investors of the applicable Fund.

Financial Interests in Fund Transactions

As described in Item 5 – “Fees and Compensation,” in addition to management fees and carried interest, NMC and its affiliates may receive directors’ fees, transaction fees, investment banking fees, break-up fees, advisory fees, monitoring fees or other similar fees with respect to advisory and related services provided in connection with investments by the Funds.

NMC may have a conflict of interest to the extent that it has an opportunity to earn a fee from an acquisition or disposition by a Fund. However, NMC believes that the management fee offset provisions described in Item 5 and the substantial equity commitment by NMC and its affiliates to the Funds substantially mitigates this incentive.

Allocation of Investments

When allocating investment opportunities across Funds, there could be differences in the financial structure of the Funds potentially participating in the opportunity that could introduce an incentive for NMC to favor one Fund over another. However, allocation of investments among parallel and successor Funds are subject to allocation procedures set forth in the Governing Documents of the applicable Funds. In addition, NMC generally does not introduce successor Funds until it is permitted to do so pursuant to the requirements set forth in the respective Governing Documents. NMC expects to be presented with investment opportunities that fall within the investment objective of multiple Funds, and in such circumstances, to the extent permitted by the Governing Agreements, NMC shall allocate such opportunities (including any related co-investment opportunities) among the Funds on a basis that the applicable PE GP determines in good faith to be fair and reasonable taking into account all factors as the applicable PE GP deems relevant, including the sourcing of the transaction, the nature of the investment objective, investment focus, mandate or policies, target return profile or projected hold period, focus of each such other investment fund and/or managed account, the relative amounts of capital available for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals for the Funds and other considerations deemed relevant by the applicable PE GP “in good faith.”

In addition to NMC’s obligation to invest in investments made by the Funds, the Governing Documents of a Fund may permit NMC to make available co-investment opportunities to strategic investors, lenders, non-employee Senior Advisors of New Mountain, limited partners and/or other investors. NMC applies its discretion when allocating such opportunities to strategic investors,

lenders, non-employee Senior Advisors of New Mountain, limited partners and/or other investors, taking into account facts and circumstances which may include the nature of the transaction, speed of execution required, tax considerations, familiarity with and history of investing in the relevant industry, ability to provide strategic insights and other factors believed relevant. NMC endeavors to keep itself informed regarding investor interest in co-investment by maintaining records of those investors who have expressed interest in co-investments.

12. Brokerage Practices

The Funds typically invest in private securities and do not ordinarily transact with financial intermediaries, such as broker-dealers, in public securities. To the extent a Fund were to transact in public securities, NMC has authority to determine, without first obtaining specific client consent, the type and amount of securities to be bought or sold, the broker or dealer used and the commission rates paid. In making its decisions regarding the allocation of brokerage transactions, NMC would seek to obtain best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer; (iv) the quality, comprehensiveness and frequency of available research services considered to be of value to NMC and its clients; (v) the value of brokerage services over and above trade execution provided to NMC and its clients; (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying NMC's other selection criteria; and (vii) any other factors NMC considers to be in the best interest of the Funds. Although NMC generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Among other reasons, transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

Additionally, NMC may receive an economic benefit by having fees waived or by not being charged for utilizing specialized services, which may include investment adviser electronic information downloads, access to specialized institutional brokerage trading and customer service teams, and/or specialized batched statements. NMC believes that by utilizing these services, NMC is able to more efficiently manage the Funds and execute its fiduciary duties in connection therewith.

Research and Other Soft Dollar Benefits

NMC has no written, third party "soft dollar" arrangement with any broker-dealer at present, but it or one or more of its related persons may utilize both third party and proprietary research and cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker dealers in return for proprietary soft dollar benefits. In so doing, NMC or its affiliates have an incentive to select or recommend the broker-dealer based on its or their interest in receiving research or other products or services and because neither NMC nor its affiliates would have to pay for such research or services directly.

NMC's and its advisory affiliates' clients may and will bear more or less of the costs of soft dollar or other research than other clients who benefit from such products or services. These research products or services may and will also benefit and be used to assist clients of NMC's investment

advisory affiliates. Research generated for NMC's private equity strategy will be used to benefit other New Mountain investment strategies.

In the event that NMC does enter into a "soft dollars" arrangement, the following policy will apply to NMC's "soft dollars" practices:

As discussed above, in selecting a broker for any transaction or series of transactions, NMC may consider a number of factors. Where best execution may be obtained from more than one broker, NMC may purchase and sell securities through brokers that provide research, statistical and other information, although not all Funds may in every instance be the direct beneficiaries of the research services provided. Research furnished by brokers may include, but is not limited to, information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts.

Broker Selection

In selecting a broker, NMC makes a good faith determination that the amount of such transaction fee charges is reasonable in comparison to the value of the research services provided and that such research benefits (either alone or together with other investment vehicles managed by NMC and its affiliates) the Fund for which securities transactions are placed. NMC accepts research from brokers in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

13. Review of Accounts

Portfolio companies under NMC's management are monitored on a regular basis by each of the portfolio management deal teams, which are led by one or more NMC Managing Directors and Directors, and are also subject to review by NMC's entire professional staff during NMC staff meetings that are generally held on a weekly basis. Additionally, certain documents and records relating to the limited partner accounts (i.e. financial, accounting, etc.) are prepared, maintained and reviewed in more detail by the Firm's Chief Financial Officer, Controller and Accounting Team, as appropriate.

NMC does not provide reports to the Funds. Rather, the Funds to which NMC provides investment advice furnish each investor in such Funds with a quarterly report and annual audited financial statements (See Item 15 – "Custody" below).

14. Client Referrals and Other Compensation

NMC does not receive any economic benefit (including commissions, equipment or non-research services) from a non-client for providing investment advice or other advisory services to the client Funds.

NMC has paid placement agent and other similar fees to third parties for soliciting or referring prospective investors to it in accordance with applicable state and local laws, and U.S. SEC rules and regulations during relevant fundraising periods for Funds. In these instances, any placement or

other similar fees paid by NMC to third parties may offset the asset-based management fee with respect to such Fund as discussed under Item 5 – “Fees and Compensation” above.

15. Custody

NMC is deemed to have custody of client funds or securities because it or its related persons serve as the investment manager or general partner of each Fund and hence have access to client funds or securities. Investors will not receive statements from the custodian. Instead, the Funds are subject to an independent annual audit. The audited financial statements are prepared by the Funds in accordance with generally accepted accounting principles and are audited by an independent auditor in accordance with generally accepted auditing standards and are generally distributed within 90 days of the applicable Fund’s fiscal year end, pursuant to such Fund’s Governing Documents.

16. Investment Discretion

The applicable PE GP has discretionary investment authority for a Fund. Generally, this discretion is subject only to the investment guidelines set forth in the Governing Documents of the applicable Fund and certain investor imposed restrictions.

17. Voting Client Securities

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, NMC is charged with identifying the proxies upon which NMC will vote, voting the proxies in the best interest of clients, and submitting the proxies promptly and properly. All proxies that NMC receives will be treated in accordance with these policies and procedures.

NMC’s policy is to vote client proxies in what it determines to be in the interest of maximizing investor value. To that end, NMC will vote in a way that it believes is consistent with its fiduciary duty, and in a way that NMC believes will cause the issue to increase the most or decline the least in value as a result of the vote. Consideration will be given to both the short-term and long-term implications of the proposal to be voted on when considering the optimal vote.

When voting proxies, NMC will take steps to detect and address conflicts of interest between the interests of its clients and the interests of NMC, its employees, and its affiliates. Investment professionals will be responsible for escalating any conflicts of interest to Compliance. Compliance will be responsible for determining the proper course of action for handling the conflict, and may resolve such conflict by relying on the recommendation of a disinterested third-party, seeking the direction of the affected client, or abstaining from voting. Any conflicts escalated to Compliance will be documented along with the course of action taken to resolve such conflicts.

Each Fund’s organizational documents include provisions for the identification and mitigation of conflicts of interest. The organizational documents for certain Funds may also provide for an Advisory Committee comprised of a small group of investors who are convened at NMC’s request to address conflicts. In these cases, conflict resolution will be addressed with the Advisory Committee as contemplated in the organizational documents.

A copy of NMC’s proxy voting policies and procedures is memorialized in writing and are available for review upon request. Information on how NMC voted proxies is also available upon request to:

Joseph Hartswell, Chief Compliance Officer, New Mountain, 787 7th Avenue, 49th Floor, New York, NY 10019.

18. Financial Information

NMC has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.