

Item 1. Cover Page

**New Mountain Credit CLO Advisers, L.L.C.
Part 2A of Form ADV
The Brochure**

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This brochure provides information about the qualifications and business practices of New Mountain Credit CLO Advisers, L.L.C. (“NMCLO”). 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 NMCLO is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Item 2. Material Changes

This brochure contains no material changes from NMCLO's last annual update to the Form ADV dated March 30, 2023. However, this brochure is being updated to reflect updates to fund disclosure documents and global risk factors.

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Item 4. Advisory Business

The primary business of New Mountain Credit CLO Advisers, L.L.C. (“NMCLO” or “New Mountain”) is to act as the collateral manager to issuers of collateralized loan obligations backed by debt obligations and similar assets (including short-term and long-term warehouse credit or repurchase agreement facilities entered into to finance the preliminary accumulation and “ramp-up” of assets comprising the initial pool of collateral securing any such issuer, as well as other warehouse, repurchase or other credit facilities and/or special purpose vehicles, all of which are collectively referred to herein as “CLOs”). NMCLO was organized in 2019 and is registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser under the Investment Advisers Act of 1940, as amended (“Advisers Act”).

Each CLO is described and governed by a variety of documents, including: offering circular; collateral management agreement; indenture; account agreement; note purchase or placement agreement; subscription agreements; and other transaction documents (collectively, the “Governing Documents”), that describe the roles of various persons involved in the CLO, establish NMCLO’s authority to manage the CLO and the limits on that authority and set forth detailed eligibility criteria, specifications and requirements regarding the types of investments and describes the overall composition of the CLO’s portfolio (including by imposing, diversification, ratings and concentration tests). While, in many cases, certain prospective investors in the CLO Securities (as defined in Item 7, below) will influence the investment criteria, guidelines, and other terms set forth in the final Governing Documents for the CLO, it is generally the case that NMCLO’s investment advice will be limited to managing loans. Investment management services are provided directly to CLOs and not individually to investors in CLOs.

NMCLO, a Delaware Series Limited Liability Company, has established multiple separate series (each a “Series”) through which it conducts the following activities: (i) collateral management services for CLOs (the “Management Series”); (ii) EU risk retention “origination” activities including, but not limited to, holding loans on its own account as an “originator” for purposes of the EU Securitization Laws (as defined in Item 11, below) (an “Originator Series”); and (iii) owning investments in the CLOs of which NMCLO is collateral manager including but not limited to EU Retention Interests and the Preferred Return Notes and Performance Notes (each as defined in Item 11, below) issued by each CLO in respect of which NMCLO holds an EU Retention Interest (an “Investment Series”). Some or all of the interests in each Series will be held by NMCLO or an affiliate but third parties could be direct or indirect investors in any Series. Except as otherwise stated, the activities of NMCLO as described herein are activities of the Management Series. NMCLO’s principal owner and managing member is New Mountain Capital Group, L.P. (“NMC Group” and, together with its affiliates, including NMCLO “New Mountain” or the “Firm”), whose ultimate owners include Steven B. Klinsky, a minority investor, all of New Mountain’s Managing Directors (currently, forty-three individuals) and related and other vehicles. Despite Mr. Klinsky’s controlling and ownership positions, all of New Mountain’s team members broadly share in the economics of the Firm through the receipt of “carry” or “phantom carry” in every New Mountain transaction. Mr. Klinsky founded the Firm in 1999. Collectively, New Mountain manages or advises various types of investment advisory clients including public and private equity funds, private credit funds, and publicly traded and private business development companies (“Clients”).

NMCLO commenced operations in 2020 and as of the date of this brochure provides discretionary management services to New Mountain CLO 1 Ltd, New Mountain CLO 2 Ltd, New Mountain CLO 3 Ltd, and New Mountain CLO 4 Ltd, each a “CLO” as defined above.

As of December 31, 2023, NMCLO had \$1,855,497,084 of client regulatory assets under management, on a discretionary basis.

Item 5. Fees and Compensation

Management and Incentive Fees

NMCLO’s fees for collateral management services to a CLO are negotiated on a case-by-case basis but generally will include senior and subordinated management fees, which typically begin to accrue at closing and are paid quarterly in arrears, and performance-based fees and other fees and expenses. For each CLO these are paid as set forth in the Governing Documents.

The CLOs pay, and investors in the CLOs bear, the fees charged by NMCLO as collateral manager, including senior and subordinated asset-based collateral management fees as well as performance-based fees, which are described in more detail below in Item 6. Senior collateral management fees are paid in accordance with the priority of payments after the payment of certain CLO expenses, but prior to principal and interest payments and distributions on the notes (other than notes representing equity in the CLO) issued by the CLO. Subordinated collateral management fees are paid in accordance with the priority of payments set forth in each CLO’s respective indenture, after the payment of certain CLO expenses and payments on the secured notes issued by the CLO, but prior to any payments on the CLO’s equity.

Transaction-Related Fees

In connection with investments made by certain clients and as part of our advisory compensation, NMCLO and/or its affiliates will receive and/or retain origination, commitment, documentation, structuring, facility, monitoring, amendment, administrative agent and/or other transaction fees (“Investment Related Fees”) in connection with investments held or proposed to be held by one or more clients or by third parties. The potential for NMCLO and its affiliates to receive these economic benefits creates a conflict of interest, as NMCLO and its affiliates have an incentive to originate or invest in investments that provide such benefits and to allocate such investments to clients or third parties that pay advisory compensation that includes our retention of Investment Related Fees.

In the event these benefits are only partially offset against management fees payable to us, NMCLO and its affiliates could receive higher total compensation or other additional benefits than NMCLO and its affiliates would receive in a compensation structure that does not contain transaction-related compensation or for which such compensation is fully offset. As such, NMCLO has a financial incentive to originate investments other than the incentive associated with a management fee and a performance payment. To partially mitigate this, our allocation policy prevents us from allocating investments based on whether a particular client allows us or our affiliates to retain transaction fees earned in connection with the client’s investments without offsetting such transaction fees against management fees.

Other Fees

NMCLO also, from time to time, receives fees from its affiliates, in the affiliate's discretion, relating to certain warehouse facilities. These fees are paid as a percentage of net realized gains but only if such affiliates were the sole investors in the equity of the warehouse facility. These fees are generally paid at closing of the CLO, using funds generated by the offering of the CLO securities.

Expenses

In addition to fees paid to the Management Series of NMCLO for collateral management services and, as set forth in each CLO's Governing Documents, CLOs pay and investors in the CLO bear a variety of other expenses relating to the CLO's operations. These can vary by CLO, but typically will include, among other things: (i) all fees and out of pocket costs and expenses incurred by NMCLO or its affiliates in connection with the formation of the CLO and the consummation of its closing, including, without limitation, legal and other expenses (excluding travel) incurred in connection with the offer and sale of interests in the CLO; (ii) the charges and expenses of maintaining the CLO's bank accounts or of any banks, custodians or depositories appointed for safekeeping of investments and property of the CLO, including the costs of third party bookkeeping and accounting services; and (iii) all direct costs, fees and expenses incurred by NMCLO or its affiliates that are related to the CLO's management and operations, including but not limited to: (a) travel costs, spreads or other transaction costs, transfer taxes and other expenses directly related to the investigation of investment opportunities (whether or not consummated) or the acquisition, ownership, management, financing, retention, sale or other disposition of any investment or other asset of the CLO; (b) fees and expenses of third party bookkeeping, accounting services, pricing and valuation services, shadow accounting services and reconciliation services; costs of any in-person special meetings of the CLO's investors that are requested by an investor; federal, state and local taxes and filing fees, as well as costs and expenses related to preparation of tax filings and tax reporting; (c) fees and expenses of third party consultants, accountants, auditors and counsel; (d) an allocable portion of the compensation and overhead expenses of employees of NMCLO or its affiliates who provide legal services for the CLO; (e) expenses related to compliance with applicable regulatory and/or reporting requirements with respect to the CLO that are or could in the future be imposed by the SEC, the U.S. Commodity Futures Trading Commission ("CFTC"), any state securities commission or any other regulatory body (including Section 13 and Section 16 filings under the Securities Exchange Act of 1934 ("Exchange Act") and Form PF filings); (f) expenses related to NMCLO's or its affiliates' compliance with applicable regulatory and/or reporting requirements with respect to the management and/or sponsorship of the CLO that are or could in the future be imposed by the SEC, the CFTC, any state securities commission or any other regulatory body; (g) insurance premiums; (h) litigation expenses; (i) expenses associated with the preparation and distribution of reports (including financial statements) to the CLO's investors; (j) costs for forming any subsidiaries of the CLO; (k) any extraordinary expenses; and (l) costs of any third parties and any affiliates of NMCLO retained to provide services relating to the assets held by the CLO; and (iv) all other expenses not specifically provided for above that are incurred by NMCLO or its affiliates in connection with the management or operation of the CLO, or performing the duties of NMCLO under any applicable agreement. Additionally, as noted above, certain clients' advisory arrangements include in compensation Investment Related Fees retained by NMCLO or an affiliate.

To the extent any such expenses or costs are incurred for the benefit of more than one of the CLOs or for one or more CLOs and other entities affiliated with or advised by New Mountain, New Mountain will make a good faith allocation of such expenses or costs among relevant entities. Where Investment Related Fees are paid in connection with an investment in which Investment Related Fees are included in advisory compensation for certain clients and another client's advisory fee does not include retention of Investment Related Fees, we retain only the portion of such Investment Related Fees attributable to the former clients' investments.

If and as permitted by Governing Document(s) of a CLO, the CLO may retain an affiliate of New Mountain to provide administrative services for a CLO and charge related expenses to such CLO, in which case such CLO will bear the cost of various services (e.g. administrative services, including clerical, bookkeeping and record keeping services, the filing of tax returns and the establishment of bank accounts), in-house transactional legal and tax services (including, for example, with respect to the negotiation of and ongoing compliance with and reviews of transactional legal documents related to the investments made by the CLOs and NDAs, and coordinating with portfolio investments regarding ongoing annual tax reporting and filings), reporting services and accounting services (including the preparation and distribution of capital call, distribution and other notices, the preparation of cash reconciliations and the review of funds flows and the preparation and finalization of wirings)) provided by New Mountain personnel in connection with such CLO's activities and engagements with investors therein, administrative and accounting services (including the provision of valuation, shadow accounting, investor reporting, meeting preparation, corporate and tax structuring and related services), treasury, leveraged purchasing, IT system support, system implementation, anti-money laundering and know-your-customer services and monitoring and compliance, all other compliance services provided by New Mountain's compliance personnel with respect to a CLO, its portfolio investments and their activities (including, without limitation, services related to legal and regulatory compliance obligations (e.g., reporting and filing obligations) under U.S. federal, state, local, non-U.S. or other laws and regulations related to a CLO's activities and the making, holding or disposing of portfolio investments by a CLO), local and state filing services, asset management and operations, hedging, fund finance, fund borrowing and currency management and compliance, environmental, social and governance services and services related to transfers of interests, and to respond to requests from investors, for a CLO or its portfolio investments (that could otherwise be performed by third parties), and New Mountain may separately charge such amounts to the applicable CLO for such services so long as NMCLO or its applicable affiliates determines in good faith that the amounts charged for such services represent the fully allocated costs of New Mountain of providing such services (inclusive of the costs of employee compensation and related taxes, health insurance and other benefits, and such employees' allocable portion of overhead, rent and utilities), which amounts would not be included in the management fee, and which are expected to be significant. For the avoidance of doubt, these services include services provided in lieu of or alongside (and/or to supplement or monitor) third-party service providers, such as third-party legal, compliance, accounting and administrative service providers. These services encompass many of the services provided by New Mountain to the CLOs in connection with day-to-day operations (and in some cases may comprise a majority or substantially all of the business time spent by personnel on such CLO's activities) and the related costs borne by such CLO will be in addition to other fees paid to New Mountain. Moreover, the use of New Mountain services is not uniform across the CLOs and certain costs may be incurred by (or allocated to) a CLO through the use of New Mountain services that are not incurred by (or allocated to) some or all other CLOs. New Mountain will determine from time to time such costs (which may be based on New Mountain's estimate of the market rates

available for such services) and how to allocate such costs to such CLO, and such determinations may include one or more of the following methodologies: (i) the use of time-keeping records, or the review of historical time spent by personnel on such CLO and the predecessor funds in order to approximate the portion of time such personnel spent on such CLO, (ii) the determination by New Mountain of a fixed amount that New Mountain believes in good faith represents the costs of such administrative services allocable to such CLO (e.g. a determination of such CLO's proportionate share based on NMCLO's assets under management) or (iii) any other methodology determined by New Mountain to be appropriate under the circumstances. Any methodology and the choice thereof involves inherent conflicts and may, in certain circumstances, result in incurrence of greater expenses by such CLO than would be the case if such services were provided by third parties.

Investors in certain CLOs will generally also bear expenses relating to formation and the organization of, and sale of interests in the CLO pursuant to terms of the Governing Document(s) of such CLO, including all placement fees and all out-of-pocket legal, tax, accounting, printing, data room, consultation, administrative, marketing material preparation expenses (including third-party marketing material compliance reviews), costs and expenses of online subscription documents, and U.S. and non-U.S. filing fees and expenses of the CLO (including with respect to any registration or licensing of the CLO for marketing under any national private placement, marketing passport or similar regimes outside of the United States including those in member states of the European Union (the "EU")) and payments to any locally licensed intermediary or distributor required to market the CLO in particular jurisdictions.

The applicable CLO shall endeavor where appropriate to cause each potential co-investor that is considering an investment alongside a CLO prior to the signing of the CLO'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 and will be borne entirely by the CLO 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 breakup fees shall be allocated to any co-investor that is not bearing broken deal expenses. In addition, broken deal expenses may include all or a portion of such amounts related to proposed but unconsummated portfolio investments that have also been considered for investment (either alone or in conjunction with the CLO) by other Clients or accounts and not ultimately consummated by such vehicles or accounts. These expenses would be incurred regardless of whether another New Mountain affiliate considers or consummates an investment in the same issuer. Therefore, a CLO may bear broken deal expenses associated with unconsummated transactions in excess of the amount of the CLO's share of such investment had such investment been consummated (e.g., to cover the portion thereof attributable to any co-investors or other parties that may have invested in an unconsummated investment had it been consummated that do not bear such broken deal expenses), and in such circumstances the amount of expenses borne by a CLO (and allocated pro rata to all investors, without taking into account any applicable excuse or exclusion of any investor) would increase. There may and have been circumstances when New Mountain has considered a potential investment in a portfolio company on behalf of a CLO, has determined not to make such investment and another New Mountain client subsequently considers the same or a related investment opportunity therein. In these circumstances, other New Mountain Clients will be provided with and benefit from research, due diligence, analyses and other information prepared or acquired by NMCLO's investment team, but will not be required to (and are not expected to) reimburse the CLO for expenses incurred in connection therewith, whether such

other New Mountain client(s) ultimately consummate an investment or not. For example, New Mountain may consider a potential investment for a CLO and incur expenses researching the potential investment but ultimately the investment is not made by such CLO and, thereafter, another New Mountain client focused on providing acquisition financing may benefit from the research done by New Mountain on behalf of the CLO and such other New Mountain client will not be required to (and is not expected to) reimburse the CLO for any expenses incurred in connection with such research. Historically, in most cases, New Mountain's credit and net lease platforms frequently benefit from New Mountain's private equity platform's dead deals, and we expect this will be the case going forward. However, there have been and we expect will be a smaller number of opportunities in which New Mountain's private equity funds benefit from research or past investments effectuated by the New Mountain's credit and net lease funds. In such cases, New Mountain's credit and net lease funds will bear costs associated with their own dead deals or historical investments and New Mountain's private equity funds will not bear such expenses. We note that many forms of research conducted to evaluate private equity transactions would not typically be conducted when evaluating a potential credit or net lease transaction on a standalone basis. The foregoing reflects current practices and are subject to change, and a CLO may in the future bear some or all of such expenses currently borne by New Mountain's private equity platform, whether the CLO consummates an investment or not, and/or the CLO may begin more frequently sharing its own research with New Mountain's private equity platform, or other New Mountain platforms, and such platforms may similarly not bear expenses associated the Client's dead deals, even if benefitting from such research. Investments may be structured in a manner such that a CLO invests in one or more investments through one or more "master" vehicles that are formed for co-investors to participate in such investments through, and in such cases the CLO bears expenses related to such vehicles, including organizational and audit expenses.

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 (including social and entertainment events with Portfolio Company management, customers, clients, borrowers, brokers and service providers, to the extent that such expenses are not reimbursed by Portfolio Companies). 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 their 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, are charged directly to the Fund or borne by both NMC and one or more portfolio companies. These programs benefit NMC, its affiliates, or New Mountain. Expenses related to these programs are charged directly to Funds, clients, affiliated clients, New Mountain, or affiliated portfolio companies. Portfolio companies continue to participate in and benefit from these group procurement programs even after they have been sold.

From time to time, NMCLO 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 CLOs which will not be subject to the management fee offset or otherwise shared with the CLOs or their investors. 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 CLOs, their investors and/or their portfolio companies) even though the cost of the underlying service is borne by the CLOs.

The Executive Advisory Council is a network of various consultants that provide advisory services to NMCLO, certain Clients and their portfolio companies on a non-exclusive basis. The Executive Advisory Council consists of experienced consultants or operating executives who serve as key resources for, inter alia: (i) serving as CEOs, executives, chairs, or board members or individuals who are ready to serve in such roles; (ii) full-time senior operators at portfolio companies who are helping to support strategic portfolio company initiatives; (iii) providing diligence, research, fundraising or other services and support to NMCLO and/or Clients; (iv) individuals who are helping to source and underwrite potential transactions within industries they know well; and (v) other strategic consultants, including, for example, with respect to operational support or group procurement, with respect to one or more particular portfolio companies, or for portfolio companies across Clients generally. For work performed with respect to portfolio companies, these individuals are generally paid by the portfolio companies, although the Client that owns the relevant portfolio company(ies) will also bear such expenses from time to time. For work performed on unconsummated potential transactions, these individuals may be paid consulting fees by a Client, which would be broken deal expenses. To the extent services of members of the Executive Advisory Council relate to multiple Clients and/or portfolio companies, NMCLO shall determine in good faith in accordance with its policies and procedures the appropriate allocation of fees and expenses of the Executive Advisory Council among such Clients and/or portfolio companies. Executive Advisory Council members may share office space with New Mountain employees and may have other indicia of a New Mountain employee (including, in certain cases, use of New Mountain email addresses, laptops and business cards, participation in New Mountain health plans and/or other similar benefits typically associated with employment). In addition, Executive Advisory Council members may share in carried interest otherwise payable to New Mountain. Over time, certain existing and future employees of New Mountain (including senior New Mountain personnel) may transition to a role on the Executive Advisory Council. Such a transition would have the effect of shifting the burden of the compensation of such employees from New Mountain to Clients and/or portfolio companies.

New Mountain will make determinations of market rates (i.e., rates that fall within a range that New Mountain has determined is reflective of rates in the applicable market and certain similar markets, though not necessarily equal to or lower than the median rate of comparable firms) based on its consideration of a number of factors, which are generally expected to include New Mountain's experience with non-affiliated service providers, whether services are being provided at cost, as well as benchmarking data and other methodologies determined by New Mountain to be appropriate under the circumstances.

Neither NMCLO nor any of its supervised persons accept compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

See also Item 12: "Brokerage Practices" for more information as to expenses incurred in connection with a CLO's transactions.

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

As discussed above, CLOs generally are assessed a performance-based fee that is paid to NMCLO as collateral manager. The performance-based fee is assessed periodically (generally, quarterly), as provided in each CLO's Governing Documents. The performance-based fee is payable only after the CLO has achieved a certain return target, typically in the form of an internal rate of return hurdle, which is based on payments received by the equity holders thereunder in relation to their initial investment in the CLO. Additionally, as discussed in Item 11, it is anticipated that certain of the CLOs will issue a Performance Note to a NMCLO Investment Series.

Pursuant to a shared services agreement between NMC Group and NMCLO (the "Shared Services Agreement"), investment advisory personnel of NMCLO are shared with one or more of NMCLO's affiliated investment advisers (each an "Affiliated Adviser"), which manage accounts that pay performance-based fees. When New Mountain or its investment advisory personnel manage accounts that charge only management fees as well as accounts that charge both management fees and performance-based fees, or manage accounts with different performance-based fees, or in which there are otherwise differing pecuniary interests, a variety of conflicts of interest arise. In these cases, there is an incentive to favor those accounts that are expected to offer the potential for higher profitability or in which the pecuniary interests are relatively greater in the devotion of time and resources and the allocation of investment opportunities. Performance fee arrangements also create an incentive to recommend or select investments that are riskier or more speculative than those that might be recommended under a different fee arrangement. New Mountain seeks to mitigate these risks and conflicts of interest by, among other things, allocating investments among clients with similar investment programs but different incentive structures in a manner consistent with the New Mountain allocation policy ("Allocation Policy").

Item 7. Types of Clients

NMCLO expects that each current and future CLO will be an exempted company incorporated with limited liability under the laws of the Cayman Islands, Jersey, or Bermuda. In general, a CLO is a pooled investment vehicle that has a tiered capital structure, issuing senior and mezzanine notes that are rated by one or more rating agencies (the "Rated Notes") and unrated subordinated notes (the "Equity" and, together with the Rated Notes, the "CLO Securities"). The CLOs are, and are expected to be, excepted from the definition of an "investment company" pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "1940 Act") and the CLO Securities are expected to be exempt from registration under the Securities Act of 1933, as amended (the "Securities Act") pursuant to Regulation D and/or Regulation S thereunder.

To the extent that the CLOs will not be investment companies subject to the 1940 Act and the CLO Securities will not be required to be registered under the Securities Act, CLO Securities are offered and sold in private placement transactions only to investors that are either (i) non-U.S. Persons in offshore transactions in reliance on Regulation S or (ii) both "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and "qualified purchasers" (as defined in Section 2(a)(51) of the 1940 Act), provided that certain notes can be issued to persons or entities that are both "accredited investors" as defined in Section 501(a) of Regulation D under the Securities Act and either qualified purchasers or "knowledgeable employees" within the meaning of Rule 3c-5 under the 1940 Act.

Additional details concerning applicable investor suitability criteria are provided in each CLO's Governing Documents. In most cases, CLO Securities must be purchased in minimum denominations of \$250,000, but these minimums can be waived in certain circumstances.

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

This Item 8 describes certain material risks that are generally applicable to the CLOs. However, investors should also review each CLO's offering documents to understand the risks and potential conflicts of interest associated with the CLO.

Once fully invested, and until liquidated, it is expected that substantially all of the collateral supporting each CLO's Notes will consist of loans held directly or to which the CLO is exposed through a participation. Like all investments, the CLOs' investments in loans, and an investor's investments in CLO Securities, involves material risks. Loans can be "senior" loans, which can include term loans, revolving credit facilities, delayed draw credit facilities and unitranche loans or loans that are more junior. Senior loans hold a senior position in the capital structure of the borrower, are typically secured by collateral and have a claim on the assets and/or stock of the borrower that is senior to that held by subordinated debt- and equity-holders of the borrower.

Certain senior loans, such as unitranche loans, include inter-creditor arrangements whereby one group of lenders contractually agrees to subordinate its right to receive payments with respect to its interests in such unitranche loan to the rights of one or more other groups of lenders under certain circumstances such as after an event of default under such loan. While the protection offered to a senior loan by virtue of being in a senior position to others with claims on the assets of the borrower can reduce risk, senior loans still present significant credit risk, particularly if they arise in connection with highly leveraged transactions such as leveraged buyouts, leveraged recapitalization loans and certain other types of acquisition financing. Loan obligations associated with these types of transactions are subject to greater credit risk (including default and bankruptcy) than many other investments. Junior, or subordinated loans, are potentially subject to greater risks with fewer protections for the lender.

Each CLO's mandate is expected to be substantially limited to investing in loans and include various other requirements and restrictions such that the CLOs are not expected to be diversified across a variety of asset classes. CLOs do not represent a complete investment program for investors and NMCLO expects that an investor's interests in a CLO that NMCLO manages will not represent all of the investor's assets. NMCLO's investment approach involves a substantial degree of risk that investors must be prepared to bear; NMCLO's advisory services are not suitable for every investor rather, they are intended only for sophisticated investors who can understand and accept the risks associated with investments in CLOs, including the partial or total loss of such investment. NMCLO advises only the CLO and not any investor therein, including about how an investor can or should structure their overall investment program. Each investor is responsible for appropriately diversifying its own assets to guard against the risk of loss of their investment in a CLO.

CLOs involve a variety of material risk, including the risk of loss of an investor's entire investment. Below are descriptions of certain of the risks associated with the investment strategies of the CLOs

that NMCLO manages, and the asset classes in which they invest. Prospective investors should review and carefully consider the risks associated with NMCLO's investment approach and investments in loans including, but not limited to, those discussed below, as well as the offering documents and the Governing Documents for the relevant CLO to better understand the risks associated with a possible investment in CLO Securities as well as the conflicts that NMCLO faces in managing CLOs. Prospective investors should also consider consulting their own legal, tax and financial advisors as to all of these risks.

No Assurance of Investment Return

Investment in a CLO entails a high degree of risk. There can be no assurance that any CLO 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 CLO participates. Partial or complete sales, transfers or other dispositions of investments which could 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 CLO 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 CLO will be achieved. Furthermore, a CLO's use of a subscription line or other credit facility affects its returns. **Past performance of investment entities associated with NMCLO and/or its affiliates is not necessarily indicative of future results. There can be no assurance that any CLO will achieve comparable results or that performance objectives of any will be achieved.**

General Economic and Market Conditions

The success of a CLO'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 CLO's investments. A CLO's financial condition and profitability may be adversely affected by a significant general economic downturn.

Limited Operating History

NMCLO has a limited operating history upon which prospective investors can evaluate performance of a CLO advised by NMCLO. The investment professionals of NMCLO have been using investment strategies similar to the investment strategies described herein for several years. However, there can be no assurance that a CLO will be able to implement its investment strategy and investment approach or achieve its investment objective or that an investor will receive a return of its capital. Moreover, a CLO is subject to all of the business risks and uncertainties associated with any new fund, including the risk that it will not achieve its investment objective. The past performance of New Mountain is not a reliable indicator of the future performance of the CLOs. Accordingly, clients should draw no conclusions from the performance of any other New Mountain products and should not expect to achieve similar results.

Effect of Substantial Losses on the Operations of NMCLO

If, due to extraordinary market conditions or other reasons, a CLO or its affiliates were to incur substantial losses, the revenues of NMCLO and its affiliates may decline substantially. Such losses may hamper NMCLO's and its affiliates' ability to (i) retain employees and (ii) provide the same level of service to the CLOs as it has in the past.

Uncertainty of Financial Projections

NMCLO generally establishes the pricing of transactions and the capital structure of a portfolio investment on the basis of financial projections for such portfolio investment 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.

Risks Relating to Market Conditions Generally

General Economic and Market Conditions

CLOs are affected by general economic and market conditions and the financial health of corporate borrowers. Negative trends or volatility in economic conditions generally or in particular financial and credit markets are likely to increase the number of non-performing debt investments and decrease the value and collectability of the thereof. It is difficult to predict which markets, products, businesses and assets will be affected by particular economic or business conditions (or to what degree the health of particular markets or industries are dependent on monetary policies by central banks, particularly the Federal Reserve). There is no assurance that conditions in the credit and other financial markets will remain stable and will not deteriorate at any time and there is a material possibility that economic activity will be volatile or will slow over the moderate to long term. Negative economic trends would also increase the likelihood that major financial institutions or other entities having a significant impact on the financial and credit markets could suffer a bankruptcy or insolvency, similar to events that occurred during the recession in the U.S. economy several years ago. Concerns of economic slowdown in China create uncertainty that could lead to further disruptions and instability. A debt default by a sovereign nation or other potential consequences of these economic problems could trigger additional crises in the global credit markets and overall economy which could have a significant adverse effect on CLOs. In addition, some borrowers are organized or have a substantial percentage of their revenues or assets in certain of such countries currently suffering from economic distress, or other countries that begin to suffer economic distress, and the uncertainty and market instability in any such country would increase the likelihood of default by such borrower. In the event of its insolvency, any such borrower, by virtue of being organized in such a jurisdiction or having a substantial percentage of its revenues or assets in such a jurisdiction, would be more likely to be subject to bankruptcy or insolvency proceedings in such jurisdiction at the same time as such jurisdiction is itself potentially unstable.

These events could create difficulties in accessing debt and equity capital, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels, European sovereign debt, Chinese economic slowdown or other global economic conditions could have a material adverse effect on the CLOs.

Coronavirus and Public Health Emergencies

The outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization previously declared to constitute a global pandemic, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity, debt, derivatives and commodities markets. The global ramifications of the outbreak rapidly evolved over the course of the pandemic, and at different points in time many countries have reacted by instituting (or strongly encouraging) quarantines, prohibitions on travel, the closure of offices, businesses, factories, schools, retail stores, restaurants, hotels, courts and other public venues, and other restrictive measures designed to help slow the spread of COVID-19. Many businesses have also implemented similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, have created significant disruption in the global public and private markets, supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. The extent to which the continued spread of COVID-19 (or the threat thereof) in the future will have an ongoing and/or exacerbated impact on economies and markets (and in turn, the CLOs’ investments) is uncertain and difficult to anticipate. It is likewise difficult to predict the extent to which the ripple effects of the COVID-19 pandemic will continue to be felt and adversely affect the CLOs’ investments once COVID-19 has become less prevalent in the public.

Any public health emergency, including any outbreak of COVID-19, SARS, Monkeypox, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could negatively impact a CLO and could meaningfully affect a CLO’s ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on a CLO operational and financial performance will depend on many factors, including but not limited to the duration and scope of such public health emergency, the extent of any related travel advisories and voluntary or mandatory government restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and spending levels, the extent of government support and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. For this reason, valuations in this environment are subject to heightened uncertainty and subject to numerous subjective judgments, any or all of which could turn out to be incorrect with the benefit of hindsight. Furthermore, traditional valuation approaches that have been used historically may need to be modified in order to effectively capture fair value in the midst of significant volatility or market dislocation. The effects of a public health emergency may negatively impact the value and performance of a CLO, a CLO’s ability to source, manage and divest investments (including but not limited to circumstances where potential transactions are already signed but not closed) and a CLO’s ability to achieve its investment objectives, all of which could result in significant losses to a CLO. Any such disruptions may continue for an extended period of

time. The full impacts of the pandemic on markets, business activity and the U.S. and global economy, as well as the effects of changes in economic, monetary and fiscal policies of the U.S. and/or other countries that have been adopted and may in the future be adopted to address the pandemic, price shocks and related externalities, are not yet fully identified or understood. In implementing a CLO's investment strategy, NMCLO will make a number of assumptions, including as to the severity of the consequences of COVID-19 to the U.S. and global economies as well as prospective portfolio investments. There can be no assurances that such assumptions will be correct and unexpected events and developments, including the severity of the pandemic on economies and specific portfolio investments, may be detrimental to a CLO and its investments. In addition, the operations of a CLO, its portfolio investments, and NMCLO may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity, including possibly the key executives and key professionals, or the personnel of any such entity's key service providers. The impact to businesses in such circumstances has been and is expected to continue to be substantial.

In connection with the impacts of the current pandemic and any future such public health crisis, the CLOs are expected to incur heightened legal expenses which could similarly have an adverse impact to a CLO's returns. For example, but not by limitation, a CLO or portfolio investments may be subject to heightened litigation and its resulting costs, which costs may be significant and are expected to be borne by a CLO. There is also a heightened risk of cyber and other security vulnerabilities during the current public health emergency and any future one, which could result in adverse effects to a CLO or the portfolio investments in the form of economic harm, data loss or other negative outcomes.

While the U.S. Food and Drug Administration and other similar regulators globally have approved COVID-19 vaccines and these vaccines are currently available to the general public in the United States and in many non-U.S. jurisdictions, a substantial proportion of the population in the U.S. and in other jurisdictions has, despite the availability of vaccines, not been vaccinated, which is believed to have prolonged the global effects of COVID-19. In addition, the vaccines have been found to be less than 100 percent effective and to have waning effectiveness within an extended period of time following inoculation, which means a portion of the population that receives such vaccinations is less than fully protected against the disease and may still experience symptoms, hospitalization, or death (and be contagious to others even if asymptomatic). Furthermore, such vaccines (even among individuals who have received one or more "booster" vaccinations) have shown reduced efficacy against certain existing or emerging variants of COVID-19, and emerging variants may continue to be more transmissible or deadly than existing variants of COVID-19, including the "delta" and "omicron" variants. There can be no assurance on the continuing effects of COVID-19 on the economy generally or its effect on the CLOs and their ability to achieve the investment objectives.

Weather and Climatological Risks

As consensus builds that global warming is a significant threat, initiatives seeking to address climate change through regulation of greenhouse gas emissions have been adopted by, are pending or have been proposed before international, federal, state, and regional regulatory authorities. Climate change may cause more extreme weather conditions and increased volatility in seasonal

temperatures, which can interfere with operations and increase operating costs, and damage resulting from extreme weather may not be fully insured. Many industries (e.g., electrical power, mining, manufacturing, transportation, and insurance) face various climate change risks, many of which could conceivably materially impact them. Such risks include (i) regulatory/litigation risk (e.g., changing legal requirements that could result in increased permitting and compliance costs, changes in business operations, the discontinuance of certain operations, and related litigation), (ii) market risk (e.g., declining market for products and services seen as greenhouse gas intensive); and (iii) physical risk (e.g., risks to plants or property owned, operated or insured by a company posed by rising sea levels, increased frequency or severity of storms, drought, and other physical occurrences attributable to climate change). These risks could result in unanticipated delays or expenses and, under certain circumstances, could prevent completion of investment activities once undertaken, any of which could have an adverse effect on a CLO.

Political Activities

A CLO's portfolio investment may, in the ordinary course of its business, make political contributions to elected officials, candidates for elected office or political organizations, hire lobbyists or engage in other permissible political activities in the U.S. and/or non-U.S. jurisdictions with the intent of furthering its business interests or otherwise. A CLO's investments are generally not considered affiliates of NMCLO (and in some cases are not controlled by NMCLO), and therefore such activities are not subject to relevant policies of NMCLO and may be undertaken by a portfolio company without the knowledge or direction of NMCLO. In other circumstances, there may be initiatives where such activities are coordinated by NMCLO for the benefit of certain portfolio investments. The interests advanced by a portfolio company through such activities may, in certain circumstances, not align with or be adverse to the interests of other portfolio investments, a CLO and/or investors. The costs of such activities may be allocated among those portfolio investments (and borne indirectly by the investors). While the costs of such activities will typically be borne by the portfolio investments undertaking such activities, such activities may also directly or indirectly benefit other portfolio investments, other CLOs and/or NMCLO. There can be no assurance that any such activities will be successful in advancing the interests of a portfolio company or otherwise benefit such portfolio company or a CLO.

Trade Policy

Some political leaders around the world (including in the U.S. and certain European nations) have been elected on protectionist platforms, fueling doubts about the future of global free trade. The U.S. government has indicated its intent to alter its approach to international trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements and treaties with foreign countries. In addition, the U.S. government has recently imposed tariffs on certain foreign goods, including steel and aluminum and has indicated a willingness to impose tariffs on imports of other products. Some foreign governments, including China, have instituted retaliatory tariffs on certain U.S. goods and have indicated a willingness to impose additional tariffs on U.S. products. Other countries, including Mexico, have threatened retaliatory tariffs on certain U.S. products. Global trade disruption, significant introductions of trade barriers and bilateral trade frictions, together with any future downturns in the global economy resulting therefrom, could adversely affect the financial performance of the CLOs and their investments.

Recent Developments in the Banking Sector

Recent bank closures in the United States have caused uncertainty for financial services companies and fear of instability in the global financial system generally. In addition, certain financial institutions – in particular smaller and/or regional banks – have experienced volatile stock prices and significant losses in their equity value, and there is concern that depositors at these institutions have withdrawn, or may withdraw in the future, significant sums from their accounts at these institutions. Notwithstanding intervention by U.S. governmental agencies to protect the uninsured depositors of banks that have recently closed, there is no guarantee that the uninsured depositors of a financial institution that closes (which depositors could include a CLO and/or its portfolio investments) will be made whole or, even if made whole, that such deposits will become available for withdrawal in short order. There is a risk that other banks, or other financial institutions, may be similarly impacted, and it is uncertain what steps (if any) regulators may take in such circumstances. As a consequence, for example, a CLO may be delayed or prevented from accessing money, making any required payments under its own debt or other contractual obligations or pursuing key strategic initiatives, and investors may be impacted in their ability to honor capital calls and/or receive distributions. In addition, such bank failures or instability could affect, in certain circumstances, the ability of both affiliated and unaffiliated joint venture partners, co-lenders, syndicate lenders or other parties to undertake and/or execute transactions with a CLO, which in turn may result in fewer investment opportunities being made available to a CLO, result in shortfalls or defaults under existing investments, or impact a CLO's ability to provide additional follow-on support to portfolio investments. In addition, in the event that a financial institution that provides credit facilities and/or other financing to a CLO closes or experiences distress, there can be no assurance that such bank will honor its obligations or that a CLO will be able to secure replacement financing or capabilities at all or on similar terms. There can be no assurances that a CLO will establish banking relationships with multiple financial institutions, and a CLO is expected to be subject to contractual obligations to maintain all or a portion of their respective assets with a particular bank (including, without limitation, in connection with a credit facility or other financing transaction). Uncertainty caused by recent bank failures – and general concern regarding the financial health and outlook for other financial institutions – could have an overall negative effect on banking systems and financial markets generally. These recent developments may also have other implications for broader economic and monetary policy, including interest rate policy. For the foregoing reasons, there can be no assurances that conditions in the banking sector and in global financial markets will not worsen and/or adversely affect a CLO or its financial performance.

China National Security Law

The Chinese government has continued to increase its control over the historically autonomous administrative region of Hong Kong. In June 2019, protests began in connection with an amendment to Hong Kong's extradition law and continued with increased size and intensity through the end of 2019 and into 2020. These protests resulted in disruptions to businesses in major business and tourist areas of Hong Kong and pushed Hong Kong's economy into a recession for the first time since the Global Financial Crisis. On June 30, 2020, the National People's Congress of China passed a national security law (the "National Security Law"), which criminalizes certain offenses including secession, subversion of the Chinese government, terrorism and collusion with foreign entities. The National Security Law also applies to non-permanent

residents. There is a risk that the application of the National Security Law to conduct outside Hong Kong by non-permanent residents of Hong Kong could limit the activities of or negatively affect NMCLO, a CLO or a CLO's portfolio investments.

The National Security Law has been condemned by the United States, the United Kingdom and several EU countries. On July 14, 2020, the United States signed into law the Hong Kong Autonomy Act ("HKAA"), which introduces sanctions on foreign persons who have "materially contributed" to the Chinese government's recent actions in Hong Kong as well as on certain foreign financial institutions. Simultaneously, the United States issued an executive order declaring a national emergency with respect to the threat posed by the Chinese government's actions in Hong Kong, formally suspending or eliminating any differential treatment of Hong Kong under U.S. law, including export control law, and authorizing sanctions on persons determined to be engaged in a broad array of anti-democratic or repressive activity. The United States has also imposed sanctions on senior Chinese officials and certain employees of Chinese technology companies that it believes have contributed to the Chinese government's activities in Hong Kong, including on July 20, 2020, adding 11 new Chinese companies to the Department of Commerce's Entity List. In mid-July the United Kingdom also suspended its extradition treaty with Hong Kong and extended its arms embargo on China to Hong Kong. Escalation of tensions resulting from the National Security Law and the response of the international community, including conflict between China and other countries like the United States and United Kingdom, protests and other government measures, as well as other economic, social or political unrest in the future, could adversely impact the security and stability of the region and may have a material adverse effect on countries in which NMCLO, a CLO, a CLO's investments or any of their respective personnel or assets are located. In addition, any downturn in Hong Kong's economy could adversely affect the financial performance of the CLOs and their portfolio investments, or could have a significant impact on the industries in which the CLOs participate, and adversely affect the operations of NMCLO, the CLOs and the CLOs' investments, including the retention of investment professionals located in Hong Kong.

Ukraine

On February 24, 2022, Russian troops began a full-scale invasion of Ukraine and, as of the date hereof, the countries remain in active armed conflict. Around the same time, the United States, the United Kingdom, the European Union, and several other nations announced a broad array of new or expanded sanctions, export controls, and other measures against Russia, Russia-backed separatist regions in Ukraine, and certain banks, companies, government officials, and other individuals in Russia and Belarus, as well as a number of Russian Oligarchs. The ongoing conflict and the rapidly evolving measures in response could be expected to have a negative impact on the economy and business activity globally (including in the countries in which the CLOs invest), and therefore could adversely affect the performance of a CLO's investments. The severity and duration of the conflict and its impact on global economic and market conditions are impossible to predict, and as a result, present material uncertainty and risk with respect to a CLO and the performance of its investments and operations, and the ability of a CLO to achieve its investment objectives. Similar risks will exist to the extent that any investments, service providers, vendors or certain other parties have material operations or assets in Russia, Ukraine, Belarus, or the immediate surrounding areas.

October 7th Attacks; Aftermath

On October 7th, 2023, Hamas (an organization which governs Gaza, and which has been designated as a terrorist organization by the United States, the United Kingdom, the European Union, Australia and other nations), committed a terrorist attack within Israel (the “October 7th Attacks”). As of the date hereof, Israel and Hamas remain in active armed conflict. The ongoing conflict and rapidly evolving measures in response could have a negative impact on the economy and business activity globally (including in countries in which the CLOs invest), and therefore could adversely affect the performance of the investments. The severity and duration of the conflict and its future impact on global economic and market conditions (including, for example, oil prices) are impossible to predict, and as a result, present material uncertainty and risk with respect to the CLOs and the performance of their investments and operations, and the ability of a CLO to achieve its investment objectives. For example, the armed conflict may expand and may ultimately more actively involve the United States, Lebanon (and/or Hezbollah), Syria, Iran and/or other countries or terrorist organizations, any of which may exacerbate the risks described above. Similar risks exist to the extent that any service providers, vendor or certain other parties have material operations or assets in the Middle East, or the immediate surrounding areas. The United States has announced sanctions and other measures against Hamas-related persons and organizations in response to the October 7th Attacks, and the United States (and/or other countries) may announce further sanctions related to the ongoing conflict in the future.

Terrorism Risk

The continued threat of global terrorism and the impact of military and other action will likely continue to cause volatility in the economies of certain countries and various aspects thereof, including the prices of commodities, and could affect the CLOs’ financial results. A CLO’s investments may involve significant strategic assets having a national or regional profile. The nature of these assets could expose them to a greater risk of being the subject of a terrorist attack than other assets or businesses. Any terrorist attacks that occur at or near such assets would likely cause significant harm to employees, property and, potentially, the surrounding community, and may result in losses far in excess of available insurance coverage. As a result of global events and continued terrorism concerns, insurers significantly reduced the amount of insurance coverage available for liability to persons other than employees for claims resulting from acts of terrorism, war or similar events. As a result of a terrorist attack or terrorist activities in general, the CLOs may not be able to obtain insurance coverage and other endorsements at commercially reasonable prices or at all.

Governmental Interventions

Extreme volatility and illiquidity in markets has in the past led to, and can in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be

imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the CLOs' strategies.

Availability of Insurance Against Certain Catastrophic Losses

With respect to investments made by the CLOs, New Mountain may seek to require the underlying portfolio investments and/or project to obtain liability, fire, flood, extended coverage and rental loss insurance with insured limits and policy specifications that they believe are customary for similar investments. However, certain losses of a catastrophic nature, such as wars, natural disasters, terrorist attacks, or other similar events, may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums which can greatly increase the total costs of casualty insurance for investments made by the CLOs. As a result, not all investments may be insured against terrorism. If a major uninsured loss occurs, the CLOs could lose both invested capital in and anticipated profits from the affected investments.

Force Majeure Risk

Portfolio investments owned by the CLOs may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, civil unrest, acts of God, fire, flood, earthquakes, hurricanes and other natural disasters, including extreme weather events from possible future climate change, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes). Some force majeure events may adversely affect the ability of a party (including a CLO's portfolio investments or a counterparty to a CLO or its portfolio investments) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to a CLO or its portfolio investments of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the CLOs may invest specifically.

Pay-To-Play Laws, Regulations and Policies

In light of controversies and highly publicized incidents involving money managers, a number of states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including investments by public retirement funds. The SEC also has adopted rules that, among other things, prohibit an investment advisor from providing advisory services for compensation with respect to a government plan investor for two years after the advisor or certain of its executives or employees make a contribution to certain elected officials or candidates. If New Mountain or its employees or affiliates fail to comply with such pay-to-play laws, regulations or policies, such non-compliance could have an adverse effect on the CLOs by, for example, providing the basis for the withdrawal of the affected government plan investor.

SEC Regulation of Private Funds

In August 2023, the SEC voted to adopt previously proposed rules and amendments to existing rules under the Advisers Act (collectively, the “Private Funds Rules”) specifically related to investment advisers and their activities with respect to the private funds they advise. In particular, the Private Funds Rules will, among other changes, (i) impose quarterly reporting by private funds to investors that is required to contain detailed information on performance, investments, adviser-compensation, fees and expenses, capital inflows and capital outflows; (ii) require registered investment advisers to obtain an annual audit for all private funds that meets the requirements of the existing Advisers Act custody rule; (iii) require registered investment advisers to obtain a fairness or valuation opinion and make certain disclosures, in connection with adviser-led secondary transactions (also known as GP-led secondaries); (iv) restrict advisers from engaging in certain practices unless they satisfy certain disclosure requirements and, in some cases, consent requirements, including, without limitation, (a) charging regulatory or compliance fees or expenses, or fees or expenses associated with an examination, of New Mountain or its related persons to private fund clients, (b) seeking reimbursement for certain investigation-related expenses, (c) reducing the amount of the general partner’s clawback by actual, potential or hypothetical taxes applicable to the general partner or its employees, (d) borrowing from a private fund, or (e) making non-pro rata fee or expense allocations; (v) restrict advisers from engaging in certain forms of preferential treatment to private fund investors related to liquidity and information rights if they would be reasonably expected to have a material negative effect on other investors and otherwise require advisers to make certain disclosures regarding preferential treatment of investors; and (vi) prohibit an adviser from having a private fund bear the costs of any fees or expenses related to an investigation resulting in a court or governmental authority imposing a sanction for violating the Advisers Act. The Private Funds Rules exempt CLOs that qualify as “securitized asset funds” (as defined therein) from these requirements. The Private Funds Rules also impose additional requirements on advisers to document their annual compliance reviews in writing and retain additional required books and records relating to private funds they advise. Although the legality of the Private Funds Rules is currently being challenged in federal court, it is uncertain whether this legal challenge will succeed.

While the full impact of the Private Funds Rules cannot yet be determined, it is generally anticipated that these rules will have a significant effect on private fund advisers, New Mountain’s clients and their operations, including by increasing regulatory and compliance costs and burdens and heightening the risk of regulatory inquiries and actions (including public regulatory sanctions). Further, we note that in connection with the Private Funds Rules, the cost of insurance could significantly increase, specifically D&O and E&O insurance, or they may even make such insurance coverage unavailable. The Private Funds Rules may result in material alterations to how NMCLO operates its business and/or the CLOs, as well as NMCLO’s implementation of a CLO’s investment strategy, and there can be no assurance that such alterations will not have a material adverse effect on NMCLO, the CLOs, and their investments. To the extent permitted under the Governing Document(s), the incremental costs of compliance by NMCLO and/or the CLOs with any new SEC rules may be borne by the CLOs, which may be significant.

CFIUS; Non-U.S. National Security Regimes

The actions of the Committee on Foreign Investment in the United States (“CFIUS”), an inter-agency committee authorized to review transactions that could result in control of a U.S. business by a foreign person, may adversely impact the prospects of a Portfolio Company in the context of mergers with, or acquisitions by, a foreign person. CFIUS may recommend that the President block transactions, or CFIUS may impose conditions on transactions, certain of which may materially and adversely affect a CLO’s ability to execute its investment strategy. In addition, the CFIUS process will continue to evolve. In particular, a set of reform measures known as the Foreign Investment Risk Review Modernization Act (“FIRRMA”) was enacted into law, which broadens the jurisdiction of CFIUS with respect to certain investments. Such legislation could impact the ability of non-U.S. investors to participate in a CLO’s investments, which may impair a CLO’s ability to execute its investment strategy. FIRRMA could expand the ability of CFIUS to review a CLO’s acquisition or disposition of certain investments. The reforms enacted by FIRRMA will include (i) a requirement of mandatory disclosures to CFIUS of all transactions in which a foreign government owned or controlled entity proposes to acquire a substantial interest in a U.S. business active in critical infrastructure, critical technologies, or that has access to sensitive personal data of U.S. citizens, and (ii) jurisdiction for CFIUS to review any investment (other than truly passive investment) by a foreign person in the same types of companies regardless of the percentage ownership interest of the foreign person. While the precise contours of CFIUS’s expanded jurisdiction will be defined by the formal regulatory rule-making process, FIRRMA will increase the number of transactions involving a CLO that would be subject to CFIUS review and investigation and the timing and substantive risks described above. The outcome of CFIUS’s process may be difficult to predict, and there is no guarantee that, if applicable to an investment, the decisions of CFIUS would not adversely impact a CLO’s investment in such entity. A CLO’s governing agreements contains certain provisions that may require certain investors to be excluded from participating in an investment, for example where their participation is at risk of jeopardizing such CLO’s ability to successfully acquire, hold, operate, sell, transfer, exchange, pledge or dispose of a prospective investment in light of legal, regulatory or other similar considerations.

A CLO’s investments outside of the United States may also face delays, limitations, or restrictions as a result of notifications made under and/or compliance with similar legal regimes outside of the United States and related rapidly-changing agency practices. Other countries continue to establish and/or strengthen their own national security investment clearance regimes, including in response to U.S. encouragement of other countries to impose CFIUS-like regulations on foreign investment in certain sectors and assets on national security grounds, which could have a corresponding effect of limiting a CLO’s ability to make investments in such countries. In particular, as of April 2019, the European Union has adopted and implemented an EU-wide mechanism to screen foreign investment on national security grounds, which could impede, restrict, and/or delay a CLO’s investments with a nexus to the European Union. As a result of such regimes, a CLO may incur significant delays and costs or be altogether prohibited from making a particular investment, all of which could adversely affect a CLO’s ability to meet its investment objectives. Heightened scrutiny of foreign direct investment worldwide may also make it more difficult for a CLO to identify suitable buyers for investments upon exit and may constrain the universe of exit opportunities for an investment in a portfolio company. As a result, the above laws may prevent, delay, impede or restrict syndication or sale of CLO assets to certain buyers.

Further, in response to mounting national security concerns regarding foreign ownership of U.S. land, several U.S. states have recently enacted or proposed foreign ownership laws in an effort to

limit foreign ownership of real property. These foreign ownership laws may impact a CLO's ability to make a particular investment or impede or restrict syndication or sale of certain assets to certain buyers, all of which could adversely affect the performance of such CLO and in turn, materially reduce such CLO's revenues and cash flow. Across the United States, additional proposals to limit foreign ownership of real property are currently working their way through the legislative process, and it is expected that many such proposals will become law in the near future.

In addition, the U.S. President signed an Executive Order in August 2023 which establishes an outbound investment screening regime that is intended to regulate investment by U.S. persons into a "country of concern" relating to certain advanced technology sectors (the "Outbound Investment Screening Regime"). The Outbound Investment Screening Regime is currently undergoing a rulemaking process by the U.S. Department of the Treasury and is not expected to be implemented until final rules are promulgated. As initially proposed, the Outbound Investment Screening Regime would restrict or impose notification requirements with respect to certain investments in certain companies that are engaged in certain advanced technology sectors (initial proposals include semiconductors and microelectronics; quantum information technologies; and certain artificial intelligence systems). As a result of the Outbound Investment Screening Regime, a CLO may incur significant delays and costs, be altogether prohibited from making a particular investment, or impede or restrict syndication or sale of certain assets to certain buyers, all of which could adversely affect such Fund's ability to meet its investment objectives.

On April 17, 2020, the India Ministry of Commerce & Industry issued Press Note 3 ("PN3") and on April 22, 2020, the India Ministry of Finance enacted an amendment to the Non-Debt Instrument ("NDI") Rules, 2020 in line with PN3, which effectively states that any foreign investment by or from an entity of any country which shares its land border with India (being the "Relevant Jurisdictions") or where the beneficial owner of an investment into India is situated in, or is a citizen of, a Relevant Jurisdiction, requires approval by the Government of India. The Relevant Jurisdictions are China (which appears to include, for these purposes, Hong Kong and Taiwan), Bangladesh, Bhutan, Afghanistan, Myanmar, Nepal and Pakistan. Further clarity is awaited from the Government of India on what would constitute beneficial owner (including clarity on what precise ownership percentages would constitute beneficial ownership).

Australia's foreign regulatory investment regime, which requires prior approval for certain inbound foreign investments, is likely to apply to any investments in Australia resulting in an increased risk that a CLO's investments in Australian assets will require Australian regulatory review and approval prior to any such investment. If such review and approval are required for a investment, a CLO may be required to disclose to the Australian regulatory authorities as part of the approval process the identities of investors whose capital commitments to such CLO exceeds a certain percentage of such CLO's aggregate capital commitments as well as the identities of some or all non-Australian governmental investors. The requirements for, and scope of, disclosure are subject to change and the Australian regulatory agencies may require the disclosure of the identities of all investors depending on government policy at that time and the nature of the investment, and may require the disclosure of further information about some or all investors than is currently expected.

As a result of such regimes, a CLO may incur significant delays and costs or be altogether prohibited from making a particular investment, all of which could adversely affect a CLO's ability

to meet its investment objectives. Heightened scrutiny of foreign direct investment worldwide may also make it more difficult for a CLO to identify suitable buyers for investments upon exit and may constrain the universe of exit opportunities for an investment in a portfolio company. As a result, the above laws may prevent, delay, impede or restrict syndication or sale of a CLO's assets to certain buyers. In addition, given the lack of clarity in many of these regimes, it is possible that a CLO incurs fines or fees in connection with its acquisition (or proposed acquisition) of a portfolio company in certain jurisdictions. Any such fines or fees may be considered CLO expenses or capitalized as part of the acquisition price of a given investment, and in either case, such fines or fees will be borne by the applicable CLO.

Economic Sanctions and Anti-Corruption Considerations

Economic sanction laws in the United States and other jurisdictions may prohibit NMCLO, NMCLO's professionals and the CLOs from transacting with or in certain countries and with certain individuals and companies. For example, in the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These entities and individuals include specially designated nationals, sanctions evaders and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at <<http://www.treas.gov/ofac>.> In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions may significantly restrict the CLOs' investment activities in certain emerging market countries. Other jurisdictions maintain different and/or additional economic and trade sanctions.

In some countries, there is a greater acceptance than in the United States of government involvement in commercial activities, and of corruption. NMCLO and the CLOs are committed to complying with the FCPA and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, the CLOs may be adversely affected because of their unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for the CLOs to act successfully on investment opportunities and for investments to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom has continued to broadly enforce the UK Bribery Act of 2010 (the "UK Bribery Act"), which in some ways is broader in scope than the FCPA and applies to private and public sector corruption and holds companies liable for failure to prevent bribery unless they have adequate procedures in place to prevent bribery. While NMCLO has developed and implemented a stringent compliance program designed to ensure strict compliance by NMCLO, its personnel and senior advisors with the FCPA and the UK Bribery Act, even reasonable compliance programs may not prevent all instances of violations. In addition, in spite of NMCLO's policies and procedures, affiliates of portfolio investments, particularly in cases where the CLOs does not control such portfolio company, and third-party consultants, managers

and advisors may engage in activities that could result in FCPA or UK Bribery Act violations. Any determination that NMCLO has violated the FCPA, the UK Bribery Act, or other potentially applicable anti-corruption laws or anti-bribery laws could subject NMCLO to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect NMCLO's business prospects and/or financial position, as well as a CLO's ability to achieve its investment objective and/or conduct its operations. The CLOs may incur costs and expenses associated with engaging external counsel or other third-party consultants or professionals in connection with inquiries or investigations relating to FCPA or other applicable anti-corruption laws or anti-bribery laws.

Financial Services Industry Regulatory Factors

There continues to be significant discussion regarding enhancing governmental scrutiny and/or increasing the regulation of the private investment fund industry. On July 21, 2010, then-President Obama signed into law the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). A key feature of the Dodd-Frank Act is the potential extension of prudential regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve") to nonbank financial companies that are not currently subject to such regulation but that are determined to pose risk to the U.S. financial system. The Dodd-Frank Act defines a "nonbank financial company" as a company that is predominantly engaged in activities that are financial in nature. The Financial Stability Oversight Council (the "FSOC"), an interagency body created to monitor and address systemic risk, has the authority to subject such a company to supervision and regulation by the Federal Reserve (including capital, leverage and liquidity requirements) if it determines that such company is systemically important, in that it poses a risk to the U.S. financial system. The Dodd-Frank Act does not contain any minimum size requirements for such a determination by the FSOC, and it is possible that it could be applied to private funds, particularly large, highly leveraged funds, although no such funds have been designated as systemically important by the FSOC to date.

The Dodd-Frank Act also imposes a number of restrictions on the relationship and activities of banking organizations with private equity funds and hedge funds and other provisions that affect the private equity industry, either directly or indirectly. Included in the Dodd-Frank Act is the so-called "Volcker Rule," which takes the form of Section 13 of the U.S. Bank Holding Company Act of 1956. Among other things, the Volcker Rule (as amended by the Reform Act) prohibits any "banking entity" (generally defined as any insured depository institution, subject to certain exceptions including for depository institutions that do not have, and are not controlled by a company that has, more than \$10 billion in total consolidated assets or significant trading assets and liabilities, any company that controls such an institution, a non-U.S. bank that is treated as a bank holding company for purposes of U.S. banking law, and any affiliate or subsidiary of the foregoing entities), as principal, from sponsoring or acquiring or retaining an ownership interest in a private equity fund or hedge fund that is not subject to the provisions of the Company Act in reliance upon either Section 3(c)(1) or Section 3(c)(7) of the Company Act, to avoid being treated as "investment companies" under the Company Act. The Volcker Rule also requires certain nonbank financial companies that have been designated as systemically important by the FSOC and subject to supervision by the Federal Reserve (as discussed above) to comply with additional capital requirements and comply with certain other quantitative limits on such activities, although

such entities are not expressly prohibited from engaging in proprietary trading or sponsoring or investing in such funds. Potential investors that are “banking entities” should consult their bank regulatory counsel prior to making an investment. The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private equity industry generally and/or on NMCLO or the CLOs, specifically. Therefore, there can be no assurance that any continued regulatory scrutiny or initiatives will not have an adverse impact on NMCLO or otherwise impede the CLOs’ activities.

The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private equity industry generally and/or on NMCLO or the CLOs, specifically. For example, on May 24, 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the “Reform Act”) was signed into law. Among other regulatory changes, the Reform Act amends various sections of the Dodd-Frank Act, including by modifying the so-called “Volcker Rule” to exempt depository institutions that do not have, and are not controlled by a company that has, more than \$10 billion in total consolidated assets and significant trading assets and liabilities. In July 2019, U.S. federal regulatory agencies adopted amendments to the Volcker Rule regulations to implement the Volcker Rule amendments included in the Reform Act, and also in 2019 such U.S. federal regulatory agencies adopted certain targeted amendments to the Volcker Rule regulations to simplify and tailor certain compliance requirements relating to the Volcker Rule. In June 2020, U.S. federal regulatory agencies adopted additional revisions to the Volcker Rule’s current restrictions on banking entities sponsoring and investing in certain covered hedge funds and private equity funds, including by adopting new exemptions allowing banking entities to sponsor and invest without limit in credit funds, venture capital funds, customer facilitation vehicles and family wealth management vehicles (the “Covered Fund Amendments”). The Covered Fund Amendments also loosen certain other restrictions on extraterritorial fund activities and direct parallel or co-investments made alongside covered funds. The Covered Fund Amendments are expected therefore to expand the ability of banking entities to invest in and sponsor private funds. The ultimate consequences of the Reform Act and these regulatory developments on the CLOs and their activities remain uncertain. Therefore, there can be no assurance that any continued regulatory scrutiny or initiatives will not have an adverse impact on NMCLO, or otherwise impede, the CLOs’ activities.

Financial Market Fluctuations

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

Market Volatility

The public markets are currently experiencing significant volatility and many observers believe a global economic downturn or recession is possible. The extent and duration of such environment, to the private equity industry and global markets as a whole, is currently unknown. For this reason, valuations in this environment are subject to heightened uncertainty and subject to numerous subjective judgments, any or all of which could turn out to be incorrect with the benefit of hindsight. Furthermore, traditional valuation approaches that have been used historically may

need to be modified in order to effectively capture fair value of private investments in the midst of significant volatility or market dislocation.

Inflation

The U.S. and other developed economies have recently begun to experience higher-than-normal inflation rates. It remains uncertain whether substantial inflation in the U.S. and other developed economies will be sustained over an extended period of time or have a significant effect on the U.S. or other economies. Inflation may affect a CLO's investments adversely in a number of ways. During periods of rising inflation, interest and dividend rates of any instruments a CLO or entities related to investments may have issued could increase, which would tend to reduce returns to investors in a CLO. Inflationary expectations or periods of rising inflation could also be accompanied by the rising prices of commodities which are critical to the operation of portfolio investments. Portfolio investments may have fixed income streams and, therefore, be unable to pay higher dividends. The market value of such investments may decline in value in times of higher inflation rates. Some of a CLO's investments may have income linked to inflation through contractual rights or other means. However, as inflation may affect both income and expenses, any increase in income may not be sufficient to cover increases in expenses. Governmental efforts to curb inflation often have negative effects on the level of economic activity. In an attempt to stabilize inflation, certain countries have imposed wage and price controls at times. Past governmental efforts to curb inflation have also involved more drastic economic measures that have had a materially adverse effect on the level of economic activity in the countries where such measures were employed. Certain countries, including the U.S., have recently seen increased levels of inflation and there can be no assurance that continued and more wide-spread inflation will not become a serious problem in the future and have an adverse impact on a CLO's returns. There can be no assurance that continued and more wide-spread inflation in the U.S. and/or other economies will not become a serious problem in the future and have a material adverse impact on a CLO's returns.

Regional Risk; Interdependence of Markets

Economic problems in a single country are increasingly affecting other markets and economies. A continuation of this trend could lead to local economic problems increasingly having an adverse effect on regional and even global economic conditions and markets. The market and the economy of a particular country in which a CLO invests is influenced by economic and market conditions in other countries in the same region or elsewhere in the world. Similarly, concerns about the fiscal stability and growth prospects of certain European countries in the last economic downturn had a negative impact on most economies of the Eurozone and global markets. A repeat of either of these crises or the occurrence of similar crises in the future could cause increased volatility in the economies and financial markets of countries throughout a region, or even globally.

Cayman Islands Regulatory Oversight

Certain investment vehicles which may be related to the CLOs and established in the Cayman Islands and most alternative vehicles and intermediate entities of the CLOs established in the Cayman Islands, are or will be required to register and be regulated as a private fund under the Private Funds Law, 2020 (the "Private Funds Law") of the Cayman Islands. Once registered, the

Cayman Islands Monetary Authority (the "Authority") will have supervisory and enforcement powers to ensure any such vehicle's compliance with the Private Funds Law. The Authority may take certain actions if it is satisfied that a regulated private fund is or is likely to become unable to meet its obligations as they become due, or is carrying on business fraudulently or otherwise in a manner detrimental to the public interest or to the interests of its investors or creditors, or is carrying on or is attempting to carry on business or is winding up of its business voluntarily in a manner that is prejudicial to its investors or creditors. The powers of the Authority include the power to require the substitution of the general partner of such vehicle, to appoint a person to advise such vehicle on the proper conduct of its affairs or to appoint a person to assume control of the affairs of such vehicle. There are other remedies available to the Authority including the ability to apply to court for approval of other actions.

Risks Associated with the European Union

Following the credit crisis of 2007, the economies of certain Eurozone countries have suffered high unemployment, low or stagnant economic growth, a decline in the real value of living wages, large current account deficits, lack of competitiveness, high government borrowing relative to GDP, and higher interest rates on government bonds - reflecting a perceived risk of being unable to meet future financial obligations. While the devaluation of a nation's currency would be expected to stimulate competitiveness, reduce unemployment, increase GDP and ultimately raise taxes to reduce a budget deficit, it is not within the control of individual Eurozone countries to devalue the Euro. Without reasonable prospects for growth, and the inability to devalue their national currency, some Eurozone countries have, or have been forced to, reduce public spending on the one hand, which has resulted in lower growth, higher unemployment and lower tax revenues, while at the same time attempting to introduce structural reforms to improve competitiveness over the longer term. Without the means to stimulate economic growth through currency devaluation, critics of the single currency question the suitability of the Euro to function in the diverse economies of the Eurozone and, if a single currency is unsuitable, the risk of the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the Euro entirely.

A particularly high level of government debt may be unsustainable for a country that has, and continues to endure, weak economic growth, high unemployment and has yet to implement or benefit from long-term economic reforms. A default on sovereign debt, although now a more remote risk than after the crisis, could have a material impact on economic conditions and market activity in the Eurozone and elsewhere in the European Union ("EU"). For example, default by a participating member state could result in, or contribute to, the defaulting member state ceasing to use the Euro as its national currency, or even provide a stimulus for one or more member states to withdraw from EU membership—any of which would likely have an adverse impact on a CLO. Moreover, any structural instability of the Eurozone would likely have negative implications for the global economy. A potential effect would be an immediate reduction of liquidity for particular investments in economically connected countries, thereby impairing the value of such investments. Volatility in the global credit markets may make it more difficult for issuers and borrowers to obtain favorable financing or refinancing arrangements that may be needed to execute a CLO's investment strategy. Uncertainty in the Eurozone could have an adverse effect on a CLO by affecting the performance of its investments and its ability to fulfill its investment objectives.

United Kingdom (the “UK”) Exit from the European Union

The UK left the EU on January 31, 2020 (commonly referred to as “Brexit”). As part of the process of the UK leaving the EU, the EU and the UK agreed to an EU-UK Trade and Cooperation Agreement (“TCA”) that governs the trading relationship between the UK and the member states of the EU and came into effect on January 1, 2021. Broadly, the TCA provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin, but is subject to both parties maintaining a level playing field in areas such as environmental protection, social and labor rights, investment, competition, state aid, and tax transparency. The TCA does not provide for continued access by UK firms to the EU single market and, in particular, does not include an agreement on financial services. Accordingly, Brexit and the TCA may adversely affect firms providing cross-border goods/services into or from the UK, and adjusting to these arrangements may result in increased operational and compliance burdens for businesses (and by extension, the CLOs).

As a consequence of Brexit from January 1, 2021, EU laws ceased to apply in the UK. At that time many EU laws were transposed into English law, and these transposed laws continue to apply until such time that they are repealed, replaced or amended. At this stage, it is difficult to predict the impact of such changes as the extent to which the UK government has put in place formal proposals to make changes to UK domestic law varies across industries, sectors and government policy generally.

It will take some time to observe the many and varied effects on UK and European Economic Area (“EEA”) businesses as a consequence of Brexit. The present uncertainty could therefore adversely affect the CLOs, the performance of their investments and their ability to fulfil their investment objectives (especially if investments include, or expose the CLOs to, businesses that have historically relied on access to the single market for their custom or that have historically relied on sourcing goods, materials or labor from the single market). The withdrawal of the UK from the EU may also increase the compliance and regulatory burden of the CLOs, in particular if material divergences in law arise between the UK and the EEA.

Systems and Operational Risks Generally

The CLOs depend on NMCLO to develop and implement appropriate systems for the CLOs’ activities. The CLOs rely heavily and on a daily basis on financial, accounting and other data processing systems to evaluate certain investments, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the CLOs’ activities. In addition, the CLOs rely on information systems to store sensitive information about the CLOs, NMCLO, their affiliates and the investors. Certain of the CLO’s and NMCLO’s activities will be dependent upon systems operated by third parties, market counterparties and other service providers, and NMCLO might not be in a position to verify the risks or reliability of such third-party systems. Disruptions in a CLO’s operations could cause the CLOs to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the CLOs and the investors’ interests therein.

Litigation

In connection with ordinary course investing activities, NMCLO and/or a CLO, as well as investments of a CLO, may become involved in litigation, including as a party or non-party or in a governmental and/or regulatory inquiries, investigations and/or proceedings either as a plaintiff or defendant. There can be no assurance that any such litigation, once begun, would be resolved in favor of NMCLO, and/or a CLO and/or such portfolio company (as applicable). Any such litigation could be prolonged and expensive. In addition, it is by no means unusual for participants in reorganizations, take-privates or other transactions to use the threat of, as well as actual, litigation as a negotiating technique. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments generally would be borne by such CLO and would reduce net assets or could require investors to return to such CLO distributed capital and earnings. In addition, from time to time past or current partners, members, employees and managers of NMCLO may disagree with NMCLO and/or its management over terms related to separation or other issues. If not resolved, such disputes could lead to litigation or arbitration, which could be costly, distracting and/or time consuming for NMCLO.

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 CLO. Misconduct by employees or by third-party service providers could cause significant losses to a CLO. Employee misconduct may include binding a CLO to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or concealing unsuccessful trading 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, including, without limitation, failing to recognize trades, misappropriating assets or a failure of a custodian that holds securities of a CLO. 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 CLO's business prospects or future marketing activities. It is not always possible to deter misconduct by employees or service providers, and the precautions NMCLO takes to detect and prevent this activity may not be effective in all cases. No assurances can be given that the due diligence performed by NMCLO will identify or prevent any such misconduct.

Expedited Transactions

Investment analyses and decisions by NMCLO may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to NMCLO at the time of making an investment decision may be limited, and NMCLO may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, NMCLO may rely upon independent consultants or attorneys in connection with their evaluation of proposed investments. There can be no assurance that these consultants will accurately evaluate such investments. Therefore, no assurance can be given that NMCLO will have knowledge of all circumstances that may adversely affect an investment at the time the investment decision is made, and a CLO may make investments which it would not have made if more extensive due diligence had been undertaken.

Material, Non-Public Information

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

Information is expected to be shared between the CLOs to enhance synergies and enable the CLOs to capitalize on attractive investment opportunities (including opportunities relating to investments in portfolio companies in which other CLOs have or may acquire an interest), subject to compliance with applicable law and regulation regarding the sharing of information and New Mountain's policies and procedures related thereto. Further, policies and procedures implemented by New Mountain from time to time (including as may be implemented in the future) to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions may reduce the synergies across New Mountain's areas of operation or expertise that a CLO expects to draw on for purposes of pursuing attractive investment opportunities. However, in the event any unlawful trading were to occur, the CLOs could be exposed to liability.

Data

NMCLO receives or obtains various kinds of data and information from the CLOs, their portfolio investments, and, at their election, certain investors in the CLOs and service providers, including but not limited to data and information relating to or created in connection with business operations, financial results, trends, budgets, plans, suppliers, customers, employees, contractors, environmental, social, and governance ("ESG"), carbon emissions and other metrics, some of which is sometimes referred to as alternative data or "big data." NMCLO can be expected to be better able to anticipate macroeconomic and other trends, and otherwise develop investment themes or identify specific investment, trading, or business opportunities, as a result of its access to (and rights regarding) this data and information from the CLOs, their portfolio investments, and, at their election, certain investors. NMCLO has entered and will continue to enter into information sharing and use, measurement and other arrangements, which will give NMCLO access to (and rights regarding, including ownership and distribution rights over) data that it would not otherwise obtain in the ordinary course, with the CLOs, their portfolio investments, and, at their election, certain investors, related parties and service providers. Although NMCLO believes that these activities improve NMCLO's investment management and other business activities on behalf of the CLOs, information obtained from a CLO and its investments, and, at their election, certain investors, also provides material benefits to NMCLO, other CLOs or portfolio investments of such other CLOs, typically without compensation or other benefit accruing to such CLO, or portfolio investments of such CLO. For example, information from a portfolio company owned by a CLO can be expected to enable NMCLO to better understand a particular industry and execute trading and investment strategies in reliance on that understanding for NMCLO and other CLOs that do not own an interest in the portfolio company, typically without compensation or benefit to the CLO or its portfolio investments. Further, data is expected to be aggregated across the CLOs and their

respective portfolio investments. NMCLO is expected to serve as the repository for data described in this paragraph, including with ownership and distribution rights therein.

Furthermore, except for contractual obligations to third parties to maintain confidentiality of certain information, and regulatory limitations on the use of material nonpublic information, NMCLO is generally free to use and distribute data from the CLOs' activities to assist in the pursuit of NMCLO's various other activities, including but not limited to trading activities for the benefit of NMCLO or another New Mountain client. For example, NMCLO's ability to trade in securities of an issuer relating to a specific industry may, subject to applicable law, be enhanced by information of a portfolio company in the same or related industry. Such trading or other business activities can be expected to provide a material benefit to NMCLO without compensation or other benefit to a CLO or its investors.

AI Technology

Recent technological advances in artificial intelligence and machine learning technology (collectively, "AI Technology"), including, for example, the OpenAI ChatGPT application, may create opportunities for NMCLO and the CLOs, as well as risks.

Further, AI Technology is highly reliant on the collection and analysis of large amounts of data and complex algorithms, but it is not possible or practicable to incorporate all relevant data into models that AI Technology utilize to operate. Therefore, it is expected that data in such models will contain a degree of inaccuracy and error, and potentially materially so, and that such data as well as the algorithms in use could otherwise be inadequate or flawed, which would be likely to degrade the effectiveness of AI Technology and could adversely impact NMCLO, the CLOs and portfolio investments to the extent they rely on the work product of such AI Technology. The volume and reliance on data and algorithms also make AI Technology, and in turn, NMCLO, the CLOs and portfolio investments more susceptible to cybersecurity threats. In addition, NMCLO, the CLOs and portfolio investments could be exposed to risks to the extent third-party service providers or any counterparties use AI Technology in their business activities. NMCLO will not be in a position to control the manner in which third-party products are developed or maintained or the manner in which third-party services utilizing AI Technology are provided. In addition, AI Technology may be competitive with the business of the CLOs' portfolio investments or increase the potential for obsolescence of a portfolio investment's products or services (particularly as the capabilities of AI Technology improve), and accordingly the increased adoption and use of AI Technology may have an adverse effect on portfolio investments or their respective businesses.

Moreover, the use of AI Technology by any of the parties described in the previous paragraphs could include the input of confidential NMCLO information (including material non-public information and personal information) by third parties in contravention of non-disclosure agreements, or by NMCLO personnel or other related parties in contravention of NMCLO's policies and procedures (or by any such parties in accordance with of NMCLO's policies, procedures and/or non-disclosure agreements), which could result in such confidential information becoming part of a dataset that is accessible by AI Technology applications and users. The use of AI Technology, including potential inadvertent disclosure of confidential NMCLO information, could also lead to legal and regulatory investigations and enforcement actions.

AI Technology and its current and potential future applications including in the private investment and financial sectors, as well as the legal and regulatory frameworks within which it operates, continue to rapidly evolve, and it is impossible to predict the full extent of current or future risks related thereto.

Cybersecurity Breaches and Identity Theft

The CLOs depend on NMCLO to develop or procure and utilize appropriate systems for the CLOs' activities, and NMCLO and the CLOs depend heavily upon computer systems to perform necessary business functions. NMCLO's information and technology systems and those of companies on which the CLOs rely and in which the CLOs invest are, just as with other companies, vulnerable to potential damage or interruption from cyber-attacks (such as computer viruses, malicious software, infiltration or tampering by unauthorized persons, ransomware demands and denial of service attacks), security breaches (such as physical and electronic break-ins), network failures, computer and telecommunication failures, ransomware demands, denial of service attacks, usage errors by their respective professionals, power outages, and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. Although NMCLO has implemented, and portfolio investments (where applicable) likely will have implemented, various measures to manage risks relating to these types of events, if important systems are compromised, become inoperable for extended periods of time or cease to function properly, it likely would be necessary for NMCLO, the affected CLOs and/or a portfolio company to make a significant investment to fix or replace them. Portfolio investments may be invested in or otherwise involved with involve companies that have experienced cybersecurity events and that, given the rise of cybersecurity incidents, may become involved in future cybersecurity events. Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future (including as a consequence of the COVID-19 pandemic and the increased frequency of virtual working arrangements). The failure or inadequacy of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in NMCLO's, a CLO's and/or a portfolio company's operations and result in a failure to maintain capabilities essential to a CLO's operations and / or the security, confidentiality, and privacy of proprietary or sensitive data, and information (including personal information of investors and their personnel and beneficial owners) that is processed and stored in, and transmitted through, the computer systems and networks of NMCLO, such CLO, any third parties on which such CLO relies or their downstream vendors. Such a failure could harm NMCLO's, the affected CLO's and/or a portfolio company's reputation, subject any such entity and their respective affiliates to legal claims, and otherwise affect their business and financial performance. If a significant number of NMCLO's personnel were to be unavailable in the event of a disaster, NMCLO's ability to effectively conduct a CLO's business could be severely compromised. In addition, there are increased risks relating to NMCLO's reliance on its computer programs and systems if NMCLO's personnel are required to work remotely for extended periods of time as a result of events such as an outbreak of infectious disease or other adverse public health developments (such as have persisted during the COVID-19 pandemic) or natural disasters, including an increased risk of cyber-attacks and unauthorized access to NMCLO's computer systems.

NMCLO's service providers are subject to the same electronic information security threats as NMCLO. If a service provider fails to adopt or adhere to adequate data security policies, or in the

event of a breach of its networks, information relating to a CLO, including information normally made available to investors, may become inaccessible and personally identifiable information of the investors may be lost or improperly accessed, used or disclosed. Notwithstanding the diligence that NMCLO performs on its service providers, NMCLO often is not in a position to verify the risks or reliability of their respective information technology systems.

The loss or improper access, use or disclosure of NMCLO's or a CLO's proprietary information may cause NMCLO or such CLO to suffer, among other things, financial loss, the disruption of their business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a negative effect on a CLO.

Risks Relating to Loans

Investing in Loans

The CLOs can originate loans or purchase loans through the secondary markets. As secondary-market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which could improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to other markets.

The CLOs invest in loans, either directly (by way of assignment from the selling institution) or indirectly (by purchasing a participation interest in such loan from the selling institution). As described in more detail below, (see “—*Participations and Other Indirect Economic Interests*”) and other participations like other indirect economic interests, involve additional risks not present when holding a direct interest in a loan.

Participations and Other Indirect Economic Interests

The CLOs can hold participation interests or other indirect economic interests in loans or other debt obligations. In such circumstances, the CLOs will not directly own the debt obligations underlying such participation or other economic interests and/or have custody thereof. As a result, the CLOs will be exposed to the risk that the assets of the holder/custodian of any such underlying debt obligation could become subject to the claims of third-party creditors or other parties. In addition, as an owner of participation interests or other indirect economic interests (including as a member of a loan syndicate), the CLOs often will not be able to assert any rights against borrowers of the underlying indebtedness, and in these cases would need to rely on the holder/custodian (or other financial institution) issuing the participation interests or such other entity charged with the responsibility for asserting such rights, if any. Such holders/custodians and financial institutions or other entities could determine not to assert their rights, for such reasons as having to a limited financial interest in the outcome, other relationships with the underlying defaulting borrowers, the concern of potential counterclaims or other reasons, that cause their interests to differ from the interests of the CLOs. The failure of such holders/custodians and financial institutions or other

entities to assert their rights (on behalf of the CLOs) or the insolvency of such entities could materially adversely affect the value of the assets of the CLOs.

A participation in a selling institution's portion of a loan typically results in a contractual relationship only with such selling institution, not with the borrower. In the case of a participation interest, a CLO will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such selling institution of such payments from the borrower. By holding a participation interest in a loan, the CLO generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower, and the CLO generally would not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, the CLO will assume the credit risk of both the borrower and the institution selling the participation, which will remain the legal owner of record of the applicable loan. In the event of the insolvency of the selling institution, the CLO, by owning a participation interest, will likely be treated as a general unsecured creditor of the selling institution, and might not benefit from any set off between the selling institution and the borrower. In addition, a CLO could purchase a participation from a selling institution that does not itself retain any portion of the applicable loan and, therefore, would have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower. When a CLO holds a participation interest in a loan, it will not have the right to vote under the applicable loan agreement with respect to every matter that arises thereunder, and it is expected that each selling institution will reserve the right to administer the loan sold by it as it sees fit and to amend the documentation evidencing such loan in all respects. Selling institutions voting in connection with such matters can have interests different from those of the CLO and might fail to consider the interests of such CLO in connection with their votes.

Priority of Debt Instruments and Loans

The CLOs can also invest in secured debt issued by companies that have or could thereafter incur additional debt that is senior to the secured debt owned by the CLOs. In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of any such company, the owners of senior secured debt (*i.e.*, the owners of first priority liens) generally will be entitled to receive proceeds from any realization of the secured collateral until they have been reimbursed. At such time, the owners of junior secured debt (including, in certain circumstances, the CLOs) will be entitled to receive proceeds from the realization of the collateral securing such debt. There can be no assurances that the proceeds, if any, from the sale of such collateral would be sufficient to satisfy the loan obligations secured by subordinate debt instruments. To the extent that the CLOs own secured debt that is junior to other secured debt, the CLOs would lose the value of its entire investment in such secured debt.

Loan Investments

A CLO's success in the area of loan investing will depend, in part, on its ability to obtain loans on advantageous terms. In purchasing loans, the CLOs will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

Below investment-grade assets

NMCLO intends to invest on behalf of each CLO primarily in non-investment grade loans or interests in non-investment grade loans, all of which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. These types of assets generally are subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that a CLO's portfolio is concentrated in one or more particular types of collateral obligations.

Prices of a CLO's assets can be volatile and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors on the CLO's assets. The current uncertainty affecting the United States economy and the economies of other countries in which obligors on loans are domiciled and the possibility of increased volatility in financial markets could adversely affect the value and performance of such loans. Additionally, loans and interests in loans have significant liquidity and market value risks (including the use of third party appraisals to value the underlying collateral of asset-based loans) since they are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded securities. In addition, historically the trading volume in the loan market has been small relative to the debt securities market.

Below investment grade investments, including leveraged loans, have historically experienced greater default rates than has been the case for investment grade securities. A non-investment grade loan, or other obligation or an interest in a non-investment grade loan, or other obligation is generally considered speculative in nature and could experience default for a variety of reasons. Upon any such default, the related loan could become subject to either substantial workout negotiations or restructuring, which can entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such loan. In addition, such negotiations or restructuring can be quite extensive and protracted over time, and therefore result in substantial uncertainty with respect to the ultimate recovery on such loan. The liquidity for defaulted loans can be limited, and to the extent that defaulted loans are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. Furthermore, there can be no assurance that the ultimate recovery on any defaulted loan will be at least equal to either the minimum recovery rate assumed by the applicable rating agency, or any recovery rate used in connection with any analysis of the CLO Securities. Non-investment grade leveraged loans have historically experienced greater default rates than investment grade loans.

Second-Lien Loans

Each CLO is likely to invest a portion of its assets in second lien loans, each of which will be secured by a pledge of collateral, but subordinated to other secured obligations of the obligors secured by all or a portion of the collateral securing such secured loan. Second lien loans are typically subject to intercreditor arrangements, the provisions of which can often prohibit or

restrict the ability of the holder of a second lien loan to (i) exercise remedies against the collateral with respect to their second liens; (ii) challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens; (iii) challenge the enforceability or priority of the first liens on the collateral; and (iv) exercise certain other secured creditor rights, both before and during a bankruptcy of the borrower. In addition, during a bankruptcy of the obligor, such agreements could require the holder of a second lien loan to give advance consent to (i) any use of cash collateral approved by the first lien creditors; (ii) sales of collateral approved by the first lien lenders and the bankruptcy court, so long as the second liens continue to attach to the sale proceeds; and (iii) debtor-in-possession financings.

Unsecured Loans

Each CLO can invest a portion of its assets in unsecured loans. Unsecured Loans are unsecured obligations of an obligor, can be subordinated to other obligations of such obligor and generally have greater credit, insolvency and liquidity risk than is typically associated with investment grade obligations and secured obligations. Unsecured obligations will generally have lower rates of recovery than secured obligations following a default. Also, in the event of the insolvency of an obligor of any unsecured obligation, the holders of such unsecured obligation will be considered general, unsecured creditors of the obligor and will have fewer rights than secured creditors of the obligor.

Fraud Associated with Loans

Of paramount concern in loan investments is the possibility of material misrepresentation or omission on the part of the borrower or loan seller. Such inaccuracy or incompleteness could adversely affect the valuation of the collateral underlying the loans or the ability of the CLOs to perfect or effectuate a lien on the collateral securing the loan. In making investment decisions, NMCLO will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the CLOs could be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Additionally, the CLOs can invest in debt that is guaranteed by a subsidiary of the issuer. In some circumstances, guarantees of secured debt issued by subsidiaries of a portfolio company and held by the CLOs could be subject to fraudulent conveyance or similar avoidance claims made by other creditors of such subsidiaries under applicable insolvency laws. As a result, such creditors often take priority over the claims of the CLOs under such guarantees. Under Federal or state fraudulent transfer law, a court can declare void, or otherwise decline to enforce, such secured debt and the CLOs would no longer have any claim against such portfolio company or the applicable guarantor. In addition, the court might direct the CLOs to disgorge any amounts already received from the portfolio company or a guarantor. In some cases, significant subsidiaries of a portfolio company will not guarantee the obligations of the portfolio company; in other cases, a portfolio company will have the ability to release subsidiaries as guarantors of the portfolio company's obligations. The repayment of such investments also could depend on cash flow from subsidiaries of a portfolio company that are not themselves guarantors of the portfolio company's obligations.

Dealer Market Making

The value of a CLO's fixed-income investments will be affected by general fixed income market conditions, such as the volatility and liquidity of the fixed income market, which are affected by the ability of dealers to "make a market" in fixed-income investments. In recent years, the market for bonds has significantly increased while dealer inventories have significantly decreased, relative to market size. This reduction in dealer inventories could be a result of regulatory changes, such as capital requirements, and is expected to continue. As dealers' inventories decrease, so does their ability to make a market (and, therefore, create liquidity) in the fixed income market. Especially during periods of rising interest rates, this could result in greater volatility and illiquidity in the fixed income market, which could impair the CLO's profitability or result in losses.

Interest Rate Risk

A majority of the collateral obligations held by any CLO will bear interest at floating interest rates. To the extent interest rates increase, periodic interest obligations owed by the related obligors will also increase. As prevailing interest rates increase, some obligors might not be able to make the increased interest payments on their loans or refinance their balloon and bullet loans, resulting in defaults. Conversely if interest rates decline, obligors could determine to refinance their loans at lower interest rates, resulting in prepayments and the risks related thereto, as discussed below under "*Prepayment Risk*".

Prepayment Risk

Loans are generally prepayable in whole or in part at any time at the option of the obligor thereof at par *plus* accrued unpaid interest thereon. Prepayments on loans are caused by a variety of factors making it often difficult to predict whether a particular loan will be prepaid. Consequently, there exists a risk that loans purchased at a price greater than par will experience a capital loss as a result of such a prepayment. In addition, principal proceeds received upon such a prepayment are subject to reinvestment risk. There is no assurance that NMCLO will be able to reinvest proceeds in assets with comparable interest rates at favorable prices that comply with the eligibility criteria with respect to a CLO, or (if it is able to make such reinvestments) as to the length of any delays before such investments are made. The rate of prepayments, amortization and defaults are influenced by various factors including, among other things: (i) changes in obligor performance and requirements for capital; (ii) the level of interest rates; (iii) lack of credit being extended and/or the tightening of credit underwriting standards in the commercial lending industry; and (iv) the overall economic environment, including any fluctuations in the recovery from the current economic conditions.

Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, "premium" securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster-than-anticipated prepayments, and "discount" securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower-than-anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments can be adversely affected by changes in prepayments in any interest rate environment.

LIBOR, EURIBOR and Other Reference Rates

A CLO may have investments (whether made, acquired or otherwise) that are subject to a variable interest rate based on (or calculated with reference to) the London Interbank Offered Rate (“LIBOR”), the Euro Interbank Offered Rate (“EURIBOR”), the Canadian Dollar Offered Rate (“CDOR”) or any other reference rate, benchmark or index (collectively, together with any permutations thereof and any credit spread adjustments thereto, “Benchmark Rates”). A major global effort to reform the use of Benchmark Rates is now largely completed but the transition to the replacement Benchmark Rates may pose certain material risks to a CLO, some of which are described below.

Replacement Benchmark Rate(s) (including any adjustment and/or permutation thereof) in respect of various LIBOR tenors after the discontinuation thereof are now widely accepted in the market. The replacement for USD-LIBOR is the Secured Overnight Financing Rate (“SOFR”) and the replacement for GBP-LIBOR is Sterling Overnight Interbank Average (“SONIA”). Replacement Benchmark Rates for other currencies have also come into force. The International Swaps and Derivatives Association has also published updated interest rate definitions to facilitate the entry into interest rate swaps referencing SOFR and SONIA (as well as other replacement Benchmark Rates).

Solutions have also evolved for the transition from LIBOR to replacement Benchmark Rates. Markets have developed to address questions around liquidity in these rates and how to appropriately adjust these rates to mitigate any economic value transfer at the time of transition. There is a consensus on any credit spread adjustments that may be applied to investments or other instruments using a replacement Benchmark Rate. Nonetheless, any transition away from LIBOR to one or more alternative Benchmark Rates is complex and could have a material adverse effect on a CLO’s investments, and/or a CLO’s business, financial condition and results of operations.

While it is common for recently issued instruments to contemplate a scenario where LIBOR is no longer available by providing fallback language describing an alternative rate setting methodology and mechanisms to change the applicable Benchmark Rate (whether automatically or by amendment) to replace LIBOR, not all instruments have such provisions and there are significant uncertainties regarding the effectiveness of any such alternative methodologies. The CLOs and/or one or more of its portfolio investments may need to renegotiate the terms of credit agreements with certain issuers of investments that utilize LIBOR in order to replace it with the new standard convention that is established, which could result in increased costs for the CLOs and the portfolio investments. Similarly, even though the terms of the CLOs’ own credit facilities may provide for mechanics to amend the credit facilities in order to reflect a replacement Benchmark Rate in place of LIBOR, the determination of such replacement Benchmark Rate may require further negotiation, including between NMCLO and the applicable lender. There can be no certainty that a favorable agreement between the parties will be reached and this may lead to additional costs to the CLOs.

To the extent swaps and similar instruments that reference LIBOR or other similar reference rates, including swaps used to manage long-term interest rate risk related to assets and/or liabilities, are entered into, in addition to the potential need to renegotiate some of those instruments to address a transition away from LIBOR, there also may be different conventions that arise in different but

related market segments, which could result in mismatches between different assets and liabilities and, in turn, in possible unexpected gains and/or losses.

In addition and as further described above, some of the standard conventions, including SOFR, are conceptually different than LIBOR, in that they are overnight, secured rates instead of unsecured, term rates, which could behave differently from LIBOR in ways that cause greater payments or less payments under the relevant instrument, at least during certain market cycles. Some of these replacement rates may also be subject to compounding or similar adjustments that cause the amount of any payment referencing a replacement rate not to be determined until the end of the relevant calculation period, rather than at the beginning, which could lead to administrative challenges for the CLOs and the portfolio investments.

Finally, a Benchmark Rate may have historically been, may presently be, and/or may in the future become, the subject of manipulation, regulatory scrutiny and/or reform, phase-out, permanent discontinuation, replacement, tremendous volatility, and other change(s) which may have resulted and/or may result in: (i) any such Benchmark Rate being artificially lower (or higher) than it otherwise would have been; (ii) changes to the applicable calculation methodology; and/or (iii) market uncertainty as to the current and/or future status of any such Benchmark Rate. To the extent any CLO investment bears interest based on (or calculated with reference to) a Benchmark Rate, any such investment may not appropriately embed a return that is commensurate with its risk exposure.

Contingent Liabilities

A CLO will from time to time incur funding obligations or other contingent liabilities that could arise in the future in connection with an investment such as a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the CLO would be obligated to fund the amounts due. If a CLO is unable to pay its obligations when due, it could face significant penalties that could materially adversely affect its returns. CLOs sometimes enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party, or on the other hand, enter into agreements through which third parties offer default protection to the CLO.

Corporate Debt

Bonds, notes and debentures issued by corporations could pay fixed, variable or floating rates of interest, or include zero-coupon obligations. Corporate debt instruments are subject to the possibility of credit ratings downgrades. Some instruments have the lowest quality ratings or are unrated. Some of the investments that NMCLO could select for the CLOs are PIK instruments, which will pay interest in kind (*i.e.*, the principal owed to the CLOs in connection with a debt investment would be increased by the amount of interest due on such debt investment). PIK instruments often experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the CLOs could experience substantial losses.

Limited Control of Administration and Amendment of Collateral Obligations

NMCLO expects that each CLO will invest a substantial proportion of its assets in syndicated loans, which offer limited consent and control rights. Subject to each CLO's Governing Documents, NMCLO has discretion to exercise or enforce, or refrain from exercising or enforcing, any or all of its clients' rights in connection with collateral obligations or any related documents. Additionally, due to the size of the CLOs' position in certain collateral obligations, NMCLO expects that it will have limited, if any, influence over amendments, waivers or modifications of the collateral obligations. NMCLO has discretion subject to the applicable terms of the Governing Documents, whether to determine to accept any offer by the issuer of a security or by any other person made to all of the holders of such security to purchase or otherwise acquire such security or to convert or exchange such security into or for cash, securities or any other type of consideration, or accept a solicitation by the issuer of a collateral obligation to extend or defer the maturity, or to adjust the outstanding balance of, such collateral obligation, or otherwise amend, modify or waive the terms of any related loan agreement, including the payment terms thereunder. The acceptance of any such offer or solicitation will not be considered an acquisition or purchase of a collateral obligation by the CLOs that must comply with the CLOs' investment criteria.

Cov-Lite Loans

Each CLO is expected to hold significant interests in "Cov-Lite Loans" (*i.e.*, loans which contain limited, if any, financial covenants). Generally, Cov-Lite Loans do not require the borrower to maintain debt service or other financial ratios and do not contain restrictions common on more traditional loans, such as restrictions on the ability of the borrower to incur additional debt, make certain restricted payments, change significantly its operations or to enter into other significant transactions that could affect its ability to repay such loans. Ownership of Cov-Lite Loans can expose a CLO to additional risks, including diminished liquidity, increased price volatility and limited ability to restructure loans than is the case with loans that have such requirements and restrictions. Whether a loan that has no maintenance or incurrence covenant, but contains either a cross-default provision to, or is *pari passu* with, another loan of the underlying obligor forming part of the same loan facility that requires the obligor to comply with one or more financial covenants or maintenance covenants is considered to be a Cov-Lite Loan for a particular CLO varies depending on the CLO's Governing Documents.

Balloon Loans and Bullet Loans

Each CLO will primarily hold balloon loans and/or bullet loans. Balloon and bullet loans involve a greater degree of risk because they are structured to allow for either small (balloon) or no (bullet) principal payments over the term of the loan, requiring the obligor to make a large final payment upon the maturity of the loan. The ability of an obligor to make this final payment upon the maturity of the loan typically depends upon its ability either to refinance the loan prior to maturity or to generate sufficient cash flow to repay the loan at maturity, which, in turn, will be affected by many factors, including the availability of financing at acceptable rates to such obligor, the financial condition of such obligor, the marketability of the collateral (if any) securing such loan, the operating history of the related business, tax laws and the prevailing general economic conditions. Consequently, an obligor might not have the ability to repay the loan at maturity, and the CLO could lose all or most of the principal of the loan. Given their often smaller size, more limited resources and lesser access to capital, it is to be expected that some obligors will have difficulty in repaying or refinancing their balloon and bullet loans on a timely basis or at all.

Illiquidity of Collateral Obligations

The CLOs will invest in assets that have no, or only a limited, trading market, and any such trading market could be even further limited as a result of a market disruption or distress. Investments in illiquid assets can hinder a CLO in disposing of investments in a timely fashion and for a fair price taking advantage of market opportunities. Illiquid assets generally trade at a discount to ones that are comparable, but more liquid. In addition, the CLOs invest in private placements some but not all of which are not freely transferable by law or due to contractual restrictions. Even if transferable, the prices realized from sale of a private placement could be less than what the CLO originally paid or what could be considered the fair value.

A liquidity crisis in the global credit markets would adversely affect NMCLO's flexibility in managing a CLO's portfolio. Adverse developments in the primary market for leveraged loans could reduce opportunities for the CLOs to purchase new issuances of collateral obligations. More particularly, the ability of private equity sponsors and leveraged loan arrangers to effectuate new leveraged buy-outs and the ability of the CLOs to purchase loans referred to leveraged buy-outs could be partially or significantly limited.

Credit Ratings of Debt Obligations

Credit ratings of debt obligations represent the rating agencies' opinions regarding their credit quality but are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, will not always reflect the true risks of an investment in a rated instrument or issuer. Also, a rating agency could fail to make timely changes in credit ratings in response to subsequent events, so an issuer's current financial condition could be better or worse than a rating indicates. Investments in non-investment grade and comparable unrated obligations will be more dependent on NMCLO's credit analysis than would be the case with investments in investment-grade debt obligations. A failure of the collateral quality tests applicable to a CLO could prevent the CLO from reinvesting in new collateral obligations, and any failure of the coverage tests or the interest diversion tests applicable to a CLO could result in the redemption of certain classes of securities of the CLO. A change in rating methodology by a rating agency could have a material adverse effect on the ability of CLO to reinvest in new collateral obligations.

Concentration Risk

It is expected that a limited amount of concentration in the initial portfolio of each CLO with respect to any particular obligor, region (other than the United States) or industry is expected to exist. However, redemptions of collateral obligations and reinvestment could result in a greater concentration in any one obligor, region or industry and such concentration would subject the applicable CLO portfolio to a greater degree of risk with respect to collateral defaults by such obligor, and the concentration of such portfolio in any one industry or region would subject the portfolio to a greater degree of risk with respect to economic downturns relating to such industry or regions.

Likewise, although the Governing Documents with respect to each CLO will generally require that certain levels of diversification are satisfied, maintained or improved in connection with

reinvestments therein, there is no such restriction on non-investment grade loans and, in fact, the assets comprising each CLO are expected to consist primarily of below investment-grade debt obligations. To the extent that below investment grade debt obligations as an asset class generally underperform or experience increased levels of credit losses, liquidity or market volatility, the CLOs will likely experience credit and trading losses even with significant obligor and industry diversification.

Weak Economy Could Trigger Defaults

Any substantial economic slowdown could increase delinquencies, defaults and foreclosures, and adversely affect a CLOs' portfolio of loans and/or the ability to originate loans. Periods of economic slowdown or recession are often accompanied by decreased demand for consumer credit, decreased asset values (including real estate values) and an increased rate of delinquencies, defaults and foreclosures. Any material decline in asset values would increase the loan-to-value ratios on loans that the CLOs hold, weaken the CLOs' collateral coverage and increase the possibility and severity of a loss if a borrower defaults. A lack of equity in a property reduces the incentive a borrower has to meet its payment obligations during periods of financial hardship, which might result in higher delinquencies, defaults and foreclosures. These factors reduce the CLOs' ability to originate loans and increase its losses on loans.

International Investing

Investing outside the United States can involve greater risks than investing in the United States. The CLOs will generally be permitted, to a limited extent, to invest in obligations of obligors located in non-U.S. jurisdictions, including certain tax advantaged jurisdictions. As a result, certain of the loans or participation interests therein could be governed by non-U.S. law, which can create difficulties in enforcing legal rights and uncertainties as to the status, interpretation and application of laws in the obligor's jurisdiction.

Obligations of non-U.S. issuers are subject to any laws enacted in their home countries for the protection of debtors or creditors, which could adversely affect a CLO's ability to recover amounts owed. Limited, if any, information, is or will be provided generally informing the risks associated with purchasing a loan or a participation interest under an agreement governed by non-U.S. laws including consequences of holding such a participation interest or sub-participation interest in the event of the insolvency of the institution from whom a CLO intends to purchase such participation interest or sub-participation interest or the insolvency of the institution from whom the grantor of the sub-participation interest purchased its participation interest.

There is often less publicly available information about non-U.S. obligors. Foreign companies often are not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies. Additionally, foreign jurisdictions have varying levels of governmental regulation and supervision; and the economies of individual non-U.S. countries could differ from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position.

Foreign markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when a CLO will hold assets uninvested, reducing or eliminating returns. The inability of a CLO to make intended asset purchases due to settlement problems or the risk of intermediary counterparty failures could cause such CLO to miss investment opportunities. The inability to dispose of a collateral obligation due to settlement problems could result in losses to the CLO due to subsequent declines in the value of such collateral obligation or, if the CLO has entered into a contract to sell the collateral obligation, liability to the purchaser. Transaction costs for foreign transactions, including brokerage, tax and custody costs, also are generally higher than for domestic transactions. Furthermore, foreign financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many foreign companies are less liquid and their prices more volatile than those of comparable domestic companies.

Insolvency Considerations

Various laws enacted for the protection of creditors in the U.S. will apply to obligations of U.S. obligors held by a CLO. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an obligor, such as a trustee in bankruptcy, were to find that the obligor did not receive fair consideration or reasonably equivalent value for incurring the related indebtedness and, after giving effect to such indebtedness, the obligor (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such obligor constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the obligor or to recover amounts previously paid by the obligor in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an obligor would be considered insolvent at a particular time if the sum of its debts were then greater than the fair value of all of its assets or if the present fair salable value of its assets were then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. However, there can be no assurance as to what standard a court would apply in order to determine whether the obligor was “insolvent” after giving effect to the incurrence of the indebtedness constituting the Collateral Obligations or that, regardless of the method of valuation, a court would not determine that the obligor was “insolvent” upon giving effect to such incurrence. In addition, in the event of the insolvency of an obligor of a collateral obligation, payments made on such collateral obligations could be subject to avoidance as a “preference” if made within a certain period of time (which can be as long as one year under federal bankruptcy law or even longer under state laws) before insolvency.

In general, if payments on obligations owned by the CLO are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured, either from the initial recipient (such as the CLO) or from subsequent transferees of such payments (such as the holders of CLO Securities). To the extent that any such payments are recaptured from a CLO, the resulting loss will have a material adverse effect on the ability of the CLO to fulfill its debt obligations on its CLO Securities.

Insolvency considerations for obligations of non-U.S. obligors will differ from the foregoing.

Bankruptcy

There is a significant risk that an obligor on one or more loans held by a CLO will enter bankruptcy proceedings. Such proceedings could result in, among other things, a substantial reduction in the interest rate and a substantial write down of the principal of the related loans. There are a number of significant risks inherent in the bankruptcy process for creditors.

First, rulings in a bankruptcy case are the product of adversarial proceedings determined by a court with both legal and equitable powers, so the outcome is beyond the control of specific creditors.

Second, a bankruptcy filing can adversely and permanently affect the obligor making such filing. The obligor could lose its market position, key employees, relationships with important suppliers, access to the capital markets or other sources of liquidity and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason, a reorganization is converted to or becomes a liquidation, the liquidation value of the obligor might not equal the liquidation value that was believed to exist at the time of acquisition of the loan.

Third, the duration of a bankruptcy case is difficult to predict. A creditor's return on investment can be adversely affected by delays while a plan of reorganization is being negotiated, approved by parties in interest and ultimately confirmed by the bankruptcy court before it can become effective. For example, in general, unsecured creditors' claims for interest accrued between the bankruptcy filing and a reorganization plan's consummation are not allowed. *Fourth*, the administrative costs of the debtor and any official committees appointed in connection with the bankruptcy case (for example, the fees and expenses of the debtor's and committee's legal, financial and other advisors) are frequently high and will be paid out of the debtor's estate prior to any return to general unsecured creditors. If a CLO or NMCLO on its behalf were to participate in such committees (including creditors' committees), the CLO could be deemed to have duties to other creditors represented by the committees, which might thereby expose the CLO to liability to any other creditors who disagree with NMCLO's or the CLO's actions. Additionally, participation on a committee often exposes members to material non-public information about a company which could hinder NMCLO's ability to invest a CLO in, or divest a CLO of, securities of the company. Participation on such committees also creates a risk of litigation and liability that could cause the CLO to incur significant legal fees and potential losses. Further, if the bankruptcy case involves protracted or difficult litigation, or turns into a liquidation, substantial assets could be devoted to such administrative costs; and the CLO's costs in monitoring and enforcing its investment also could substantially increase. Certain claims that have priority by law (for example, claims for taxes) also could significantly reduce or eliminate any partial recovery.

Finally, under certain circumstances, creditors' claims against bankrupt or insolvent entities are subject to equitable subordination or recharacterization as equity, and transfers made to creditors could be subject to avoidance and disgorgement as preferences or fraudulent transfers.

Lender Liability

A CLO could incur liability as a result of its lending activities or the lending activities of the sellers that have originated the loans. A number of judicial decisions have upheld the right of borrowers

to sue on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower, its other creditors or shareholders, or third parties harmed by the borrower. Even if the CLO purchases its loans in the ordinary course of its investment activities, the CLO could be subject to allegations of lender liability by reason of the actions of the sellers that originated those loans. NMCLO cannot be certain that these claims against a CLO will not arise, or that the CLO will not be subject to significant liability from such a claim.

Litigation and Collection Costs

Should a CLO be unable to otherwise collect on a defaulted loan, litigation could result. There is a high cost associated with any litigation and the results of litigation are always uncertain. Even before litigation is commenced, the CLO could experience substantial costs in trying to collect on defaulted investments, such as legal fees, collection agency fees, or discounts related to the assignment of a defaulted loan to a third party.

Information Technology Risks

NMCLO is heavily reliant on its information technology infrastructure, processes and procedures and those of its service providers, and it has devoted significant resources to achieving competitive informational technology systems. Information technology changes rapidly, however, and NMCLO might not be able to stay ahead of such advances. Moreover, NMCLO or its service providers could find themselves a target of cybersecurity attacks. While steps have been taken to mitigate the risk of such attacks, no system is fully attack-proof, and a cybersecurity attack could have an impact on NMCLO and the CLOs.

Valuation

Loans are not publicly traded. The fair value of loans therefore is often not easy to determine. Valuations of illiquid loans require judgment, are inherently uncertain, can fluctuate and are generally based on estimates. It is possible that NMCLO’s determinations of fair value will differ materially from the values that would have been used if an active market for these loans existed. If NMCLO’s determinations regarding the fair value of such loans are materially higher than the values that are ultimately realized upon the sale of such loans, returns would be adversely affected.

NMCLO has adopted valuation policies and procedures (the “Valuation Procedures”) for use in the valuation of loans and other assets held by the CLOs. NMCLO has also established a Valuation Committee to oversee the Valuation Procedures. NMCLO values such loans at fair value generally in accordance with U.S. generally accepted accounting principles (“GAAP”) and as more fully described below. Where NMCLO believes a reliable market price is readily ascertainable for an asset, NMCLO will value such asset at such current market price. Assets for which NMCLO believes reliable market prices are not readily ascertainable are fair valued by NMCLO in good faith and in accordance with the policies and procedures set forth below.

NMCLO’s fair value methodology generally is consistent with the fair value principles established by FASB Accounting Standards Codification (ASC) Topic 820-10, *Fair Value Measurements and*

Disclosures (“ASC Topic 820-10”). ASC Topic 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. ASC Topic 820-10 also provides guidance regarding a fair value hierarchy, which prioritizes information used to measure fair value and the effect of fair value measurements on earnings and provides for enhanced disclosures determined by the level within the hierarchy of information used in the valuation.

Generally, it is expected that assets held by CLOs will consist principally of loans, which will be valued by NMCLO quarterly (or more frequently, as deemed necessary or appropriate) using both observable and unobservable inputs. NMCLO will determine the fair value of a loan by taking into consideration the following information and inputs, to the extent reasonably available to NMCLO: (i) current pricing data, which includes: the price at which the loan or similar loans are trading in the secondary market within a sufficiently recent period, such that the price is meaningful in the view of NMCLO; the most recent price for the loan, as published by a third-party pricing service deemed reputable by NMCLO within a sufficiently recent period, such that the price is meaningful in the view of NMCLO, taking into account, among other factors, the number and identity of the market participants whose bid and ask prices have contributed to that price; any relevant third-party information (*e.g.*, indicative broker quotes or any other third-party pricing or valuation information) on such asset to the extent available and deemed reliable by NMCLO; and the price at which the loan was sold to third party investors in the loan’s primary syndication if such primary syndication has occurred in a sufficiently recent period, such that the price is meaningful in the view of NMCLO; (ii) the fair value of such loan based on a valuation model; and (iii) in any such valuation, in addition to the foregoing, such other information and considerations that NMCLO deems material to such determination. NMCLO can also, at its discretion, solicit a fair market valuation from an independent third-party valuation firm selected by NMCLO.

Limited Access to Information

Investors’ rights to information regarding a CLO will be specified, and strictly limited, in the Governing Documents. In particular, it is anticipated that NMCLO will obtain certain types of material information regarding investments that will not be disclosed to investors because such disclosure is prohibited for contractual, legal, or similar obligations outside of the NMCLO’s control or for other reasons. Decisions by NMCLO to withhold information can have adverse consequences for investors in a variety of circumstances. For example, an investor that seeks to transfer its interests could have difficulty in determining an appropriate price for such interests. Decisions to withhold information also can make it difficult for an investor to monitor NMCLO and its performance.

Possibility of Different Information Rights

Certain investors could request information from NMCLO relating to a CLO and its investments and NMCLO can provide such investors with the information requested (subject to availability, confidentiality obligations and other similar considerations). Any such investors that request and receive such information will consequently possess information regarding the business and affairs of a CLO that is not generally known to other investors. As a result, these investors would be in a position to take actions on the basis of such information which, in the absence of such information, other investors are not in a position to take.

Inability to Deploy Capital

A CLO could experience delays in investing its capital, which can cause the CLO's performance to be worse than the performance of other investment vehicles with investment programs that are similar to the investment objectives of the CLO. NMCLO could be unable to identify a sufficient number of potential investments that meet the CLO's investment objectives or ensure that any investment that the CLO makes will produce a positive return. NMCLO could be unable to invest all of the capital of the CLOs on acceptable terms within the investment period, which would reduce the returns to the CLOs.

Investments with Third Parties

Members of the New Mountain group, including NMCLO, from time to time incur expenses jointly on behalf of a CLO or another investment and one or more other entities established or advised by New Mountain (any such entity, including any CLO, an "Other Account"). New Mountain will seek to fairly allocate such expenses among the applicable Other Accounts and any co-investors. Generally, Other Accounts and co-investors that own a common investment will share in expenses related to such investment, including expenses originally charged solely to any Other Account. However, it is not always possible or reasonable to allocate or re-allocate expenses to a co-investor, depending upon the circumstances surrounding the applicable investment (including the timing of the investment) and the financial and other terms governing the relationship of the co-investor to the Other Accounts with respect to the investment, and, as a result, there could be occasions where co-investors do not bear a proportionate share of such expenses. In addition, where a potential investment is contemplated but ultimately not consummated, potential co-investors generally will not share in any expenses related to such potential investment, including expenses borne by any Other Account with respect to such potential investment. Similarly, there could be circumstances when one or more New Mountain members have considered a potential equity investment in a portfolio company on behalf of an Other Account, but have determined not to make such investment, and subsequently make an investment in such portfolio company on behalf of a different Other Account. In these circumstances, such Other Account would benefit from research conducted by the applicable New Mountain member's investment team and/or from costs borne by the applicable Other Account in pursuing the potential investment, but will not be required to reimburse such Other Account for expenses incurred in connection with such investments. New Mountain offers co-investment opportunities in its discretion and is not obligated to offer such opportunities to any, or any particular, investor.

Item 9. Disciplinary Information

NMCLO 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 NMCLO's advisory business or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliates

New Mountain includes NMCLO and two other advisers, each of which is registered with the SEC as an investment adviser under the Advisers Act. NMC Group acts as shared service provider (in

such capacity, the “Shared Service Provider”) to the Affiliated Advisers and NMCLO under shared services agreements. Through the Shared Services Agreement between NMCLO and the Shared Service Provider, the Shared Service Provider provides employees and performs certain back-office, credit analysis and reporting functions, among other services, which NMCLO delegates to NMC Group.

As discussed below, the varied nature of New Mountain’s clients and their investments, and the activities of the Affiliated Advisers, New Mountain personnel and clients, creates a variety of conflicts of interests. For example, subject to restrictions in applicable Governing Documents, New Mountain could advise or manage other clients or types of clients, including additional public or private funds or investment vehicles in the future and such funds, and the existing funds, could make investments that would be suitable for the CLOs and other New Mountain clients invest in equity of public companies whose loans could be suitable for investment by the CLOs. New Mountain maintains a written Allocation Policy and with respect to other conflicts of interest associated with different clients maintaining simultaneous investments in different securities of the same issuer (the “Conflicts Policy”), each as described below, that New Mountain believes are reasonably designed to mitigate associated conflicts.

The Affiliated Advisers

NMCLO’s two affiliated advisers are New Mountain Capital, L.L.C. and New Mountain Finance Advisers BDC, L.L.C. which is the investment adviser to New Mountain Finance Corporation, a publicly traded business development company (NASDAQ: NMFC) (together, the “Affiliated Advisers”). The Affiliated Advisers’ clients include the CLOs managed by NMCLO, as well as private equity funds, private credit funds, publicly traded and private business development companies (“BDCs”) that invest primarily in debt but which can also acquire equity investments in middle market companies, and a senior loan program advised by, and executed on behalf of, NMFC.

Although the investment strategies used by NMCLO as collateral manager of the CLOs can differ substantially from the strategies used by the Affiliated Advisers in advising their clients, NMCLO expects to rely heavily on the extensive expertise and industry relationships developed by the employees of the Affiliated Advisers to identify and evaluate potential investment opportunities for the CLOs. Additionally, research from New Mountain’s private equity strategy will, and any research for another New Mountain strategy could, be used to benefit other New Mountain strategies and their clients. NMCLO and the Affiliated Advisers also share personnel and other resources. As a result, personnel of NMCLO who are shared with an Affiliated Adviser will sometimes work on projects unrelated to the CLOs which can create conflicts in the allocation of management or other resources and related costs. It is possible that the personnel of NMCLO will face, in certain circumstances, competing fiduciary duties between and among our clients and between our clients and New Mountain and its Clients.

Additionally, the Affiliated Advisers will obtain products and services from New Mountain’s private equity portfolio investments, in some cases at discounted prices. Although the Affiliated Advisers believe that the compensation (whether or not discounted) paid to New Mountain’s private equity portfolio investments for products or services will represent no more than what would be paid in an arms’ length negotiation, the Affiliated Advisers have an incentive to select

New Mountain's private equity portfolio investments to provide services, even if a better or lower cost provider is available, to increase profits of those portfolio investments and, indirectly, returns to the New Mountain private equity funds and fees for New Mountain.

Conflicts of Interest Associated with Overlapping, Competing or Conflicting Investments

As noted above, the CLOs and other New Mountain clients will invest in different, similar or the same assets and, as a result, New Mountain is presented with a variety of conflicts of interests related to investments that can arise as a result of the activities of the Affiliated Advisers, and their personnel and clients. In particular, it is likely that investments that are suitable for the CLOs will also be suitable for other New Mountain clients, including NMFC, a senior loan program and private debt funds. Opportunities that are suitable for more than one New Mountain client are allocated among eligible clients in accordance with New Mountain's Allocation Policy. While the Allocation Policy has been designed by New Mountain to reasonably assure that clients are treated fairly and equitably over time, the Allocation Policy does not guarantee that any client will participate in each or every investment that is consistent with its mandate. A CLO could be unable to invest in a particular opportunity (even if NMFC believes that it would be in the CLO's interests to invest), as the application of the Allocation Policy could result, by way of example, in a suitable and desired debt investment for a CLO instead being allocated to NMFC if that debt investment were also suitable and desired for NMFC. With respect to allocations involving NMFC, New Mountain must consider that the 1940 Act ordinarily restricts joint transactions, which can include common investments, between a registered investment company or BDC ("Regulated Funds") and other accounts advised by the Regulated Fund's investment adviser. Because New Mountain believes that common investments of the type restricted by the 1940 Act can be beneficial for NMFC and other New Mountain Clients, New Mountain has requested and on October 8, 2019, the SEC issued an exemptive order (the "Exemptive Order") permitting, subject to the conditions set forth in the Exemptive Order, Regulated Funds, including NMFC, to co-invest in portfolio investments with certain other funds or accounts managed by any New Mountain-affiliated adviser, including NMFC, in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. The Exemptive Order supersedes, and expands, prior co-investment exemptive relief granted on December 18, 2017. The conditions of the Exemptive Order seek to ensure that participation in a co-investment transaction by Regulated Funds managed by New Mountain is not on a basis different from or terms less advantageous than that of other participants. Accordingly, if a Regulated Fund managed by New Mountain participates in co-investments with other New Mountain Clients, including CLOs, the Regulated Funds will invest on equal footing, including identical terms, conditions, price, class of securities purchased, settlement date, and registration rights as other participating Clients. There is also a risk that the conditions, including the procedures and pre-approvals, required by the Exemptive Order could ultimately limit the amount of investment allocable by New Mountain to CLOs, or delay or impede execution of investments. There may be circumstances where certain accounts advised by NMFC will be unable to co-invest with one or more Regulated Funds. No Client or investor can be assured that the Exemptive Order will permit a co-investment with the BDC.

From time to time, New Mountain expects to invest in securities or other financial instruments of an issuer for one Client that are senior or junior to securities or financial instruments of the same issuer that are bought for or held by another Client or New Mountain proprietary account. For example, one Client could acquire senior debt securities of an issuer while another Client or New

Mountain proprietary account could acquire equity securities or subordinated debt of the same issuer. This can give rise to a variety of potential for conflicts of interests. New Mountain monitors for conflicts of interests in the investment and allocation process, including with respect to investments in different classes of securities of the same issuer. Conflicts of interest that can arise in such circumstances include, for example, if an issuer enters bankruptcy or undergoes a capital restructuring, Clients holding securities that are senior in preference might have the right to pursue the issuer's assets to fully satisfy the issuer's indebtedness to the Client, and as a fiduciary, New Mountain could have an obligation to pursue aggressive remedies on behalf of such Clients. Clients that hold securities of the same issuer that are more junior in the capital structure might not have the same rights as Clients holding senior securities. A Client holding junior securities also might not have access to sufficient assets of the issuer to completely satisfy its bankruptcy claim against the issuer and could suffer loss.

New Mountain will endeavor to treat all Clients fairly and equitably over time and seeks to address conflicts of interest resulting from differential investments in the capital structure of the same issuer. New Mountain has adopted and implemented policies and procedures reasonably designed to address conflicts of interests. New Mountain could take a variety of steps, as it believes appropriate, to address particular conflicts of interest based on the facts and circumstances including: (i) causing a Client to remain passive in a situation in which it is otherwise entitled to vote, which can mean that such Client defers to the decision or judgment of an independent, third party investor in the same class of equity or debt securities or other financial instruments held by another Client; (ii) referring a matter to one or more persons not affiliated with New Mountain to review or approve a course of action with respect to such matter; (iii) consulting with the Client or investors or otherwise requesting that the investors (or trustee or an advisory board) approve such matter; (iv) establishing ethical screens or information barriers to separate New Mountain investment professionals or assigning different teams of New Mountain investment professionals to act independently of each other; (v) as between two Clients, ensuring (or seeking to ensure) that the underlying investors therein own interests in the same securities or financial instruments and in the same proportions so as to preserve an alignment of interest; (vi) causing a Client to divest itself of a security or financial instrument or particular class, series or tranche of an issuer's capital structure it might otherwise have continued to hold, including causing a Client to sell a security or financial instrument to one or more other Clients (or vice versa), or investors in such other Client; or (vii) such other steps as New Mountain believes appropriate under the circumstances. Clients should understand that it is possible that the outcome for a Client will be less favorable than might otherwise have been the case if New Mountain had not had duties to other Clients.

New Mountain's Allocation Policy is intended to address conflicts of interest associated with the allocation of investment opportunities and to promote the allocation of opportunities among relevant Clients (*i.e.*, those clients that are able and eligible to invest in a potential common investment in accordance with their respective investment mandates and restrictions) in a manner that is fair and equitable over time. Pursuant to the Allocation Policy, when presented with an investment opportunity which is appropriate for more than one client, a New Mountain portfolio manager will first consider any provisions in each relevant client's Governing Documents, and for NMFC, the terms of the Exemptive Order, as they relate allocations of investment opportunities of the type presented to New Mountain. Subject to compliance with such provisions, the portfolio manager will then determine the allocation by considering and weighting, in the portfolio manager's discretion, a variety of factors including, as applicable and without limitation: (i) the investment guidelines and/or restrictions set

forth in the applicable Governing Documents; (ii) the risk and return profile of the Client; (iii) the suitability/priority of a particular investment for the Client; (iv) if applicable, the target position size of the investment for the Client; (v) the level of available cash for investment with respect to the particular Client; (vi) the total amount of funds committed to the Client; (vii) the age and remaining term of the Client's investment period, if any and (viii) such other factors as the portfolio manager considers appropriate under the circumstances to determine which accounts will participate in a common opportunity and the amount of a security each participating account will purchase or sell, if New Mountain is able to acquire or dispose of the entire amount of the opportunity available, and document these on a pre-trade allocation statement prior to execution. If New Mountain acquires or disposes of less than the entire amount of the opportunity (as represented by the sum of each account's intended participation as set forth on the pre-trade allocation statement), New Mountain will, in most cases, allocate the amount filled *pro rata* to the amounts set forth on the pre-trade allocation statement. However, there will be some cases where the portfolio manager determines, based on his or her reasonable business judgment and in accordance with the Allocation Policy, that *pro rata* allocation would be inappropriate, unfair or otherwise not in the best interest of the participating clients. In these cases, a non-*pro rata* allocation methodology, such as randomly selecting participating accounts or rotating allocations among clients, can be employed. In these cases, the portfolio manager will document a brief description of how the position was allocated and the reasoning therefor. New Mountain can also adjust allocations for other reasons such as maintaining round lot holdings or avoiding *de minimis* allocations.

New Mountain expects to allocate relatively higher amounts of investment opportunities to new CLOs during ramp-up periods, subject to its Allocation Policy and consistent with each CLO's Governing Documents in order to assure that the new CLO can expeditiously invest assets in accordance with its investment objectives. The increased allocations to ramping CLOs is likely to result in other clients receiving relatively lower amounts of the opportunity. New Mountain considers a CLO to be in a ramp-up period from the date of any initial funding until the CLO is approximately 95% fully invested.

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

NMCLO, New Mountain and their personnel will encounter a variety of conflicts of interest in connection with NMCLO's role as collateral manager to the CLOs including (without limitation) conflicts related to: managing accounts that have potentially overlapping, competing or conflicting investments, investment objectives or investment strategies; fair allocations of investment opportunities; the time and attention of personnel and the sharing of other common New Mountain resources and related expenses under shared services agreements among NMC Group and its affiliates; CLO Securities being issued in tranches with different rights and risk return profiles and being held by a diverse investor group whose interests can diverge; and being in possession of material non-public information which could restrict the ability of NMCLO to enter into certain transactions on behalf of a CLO. Any of these conflicts could adversely impact the CLOs and there can be no assurance that New Mountain will resolve all conflicts of interest in a manner that is favorable to the CLOs.

Investors should review the offering documents of the applicable CLO, as well as the disclosures contained herein, to understand certain conflicts of interest that NMCLO reasonably expects could arise in connection with that CLO and how NMCLO seeks to resolve or mitigate them. In the event of a conflict of interest not provided for in a CLO's Governing Documents, NMCLO will take actions as in its good faith judgment are necessary or appropriate to ameliorate such conflicts of interest, which can but are not required to include (i) disposing of the investment 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 board of directors ("Board") of the applicable CLO regarding the conflict of interest and either obtaining consent of the Board to the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the Board with respect to such conflict of interest; (iv) disclosing the conflict to the Board or to investors; or (v) implementing certain policies and procedures designed to ameliorate such conflicts of interest.

Code of Ethics/Personal Trading

The Firm has adopted a formal code of ethics and insider trading policies and procedures (the "Code") pursuant to Section 204A of the Advisers Act and Rule 204A-1 thereunder to address and mitigate potential conflicts of interest and to prevent the misuse of material nonpublic information by the Firm or its personnel whether on their own behalf or on behalf of a Client, to which all NMCLO personnel are subject. For purposes of the Code, all New Mountain employees are designated as "access persons" ("Access Persons"). Based on relevant risk-based assessments, New Mountain also designates certain non-employee consultants, including New Mountain Senior Advisors,¹ as Access Persons for purposes of the Code.

The Code sets forth the standard of business conduct expected of, and requires compliance with federal securities laws by all Access Persons. Among other Code requirements, Access Persons pre-approval of personal securities transactions and a 60-day holding requirement for all positions requiring pre-approval (other than interests in NMFC, which are subject to a longer holding period), annual affirmations of compliance (including disclosure of disciplinary history, conflicts of interest) and regular reviews of holdings and transactions. The Firm and its Access Persons are generally not permitted to trade in securities maintained on the Firm's restricted list except in very limited circumstances and then only with the pre-approval of the Chief Compliance Officer (or Compliance).

New Mountain, its personnel and New Mountain Senior Advisors are permitted with prior notice and/or approved to serve on boards of public companies, including those in which the Clients are invested. Prior notice and approval allows Compliance to identify any actual or potential conflicts that are likely to arise from Board membership and impose controls or restrictions to mitigate conflicts or reject service when conflict mitigation is not practicable.

¹ Generally, New Mountain Senior Advisors provide general or specific industry expertise on particular projects or transactions. Only New Mountain's Senior Advisors who are designated as "access persons" and thus subject to New Mountain's Code of Ethics, will be fully included in New Mountain's investment reviews. New Mountain employees and Senior Advisors can, 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; however no CLO's management fees will be offset by any salary, benefits, directors' fees, stock options and other compensation granted or paid by such companies in connection therewith.

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

A copy of the Code is available upon request to: Joseph Hartswell, Chief Compliance Officer, New Mountain, 1633 Broadway, 48th Floor, New York, NY 10019.

Participation or Interest in Client Transactions

Principal and Cross Transactions

Due to EU Securitization Laws (discussed below), NMCLO expects that each CLO that has elected to comply with the EU Securitization Laws will regularly engage in principal transactions, as NMCLO currently interprets the EU Securitization Laws to require, for transaction where securities are issued and sold to EU Affected Investors (as defined below), that NMCLO originate at least five percent of the nominal value of the target par amount of loans to be acquired by these CLOs by the effective date of the CLO. As discussed below, consistent with EU Securitization Laws, one or more of NMCLO's Origination Series will either originate a loan or, where NMCLO identifies a loan in the secondary market that it believes might be appropriate for the CLO and for which origination treatment could ultimately be desired, acquiring the loan through one or more of NMCLO's Originator Series, holding the loan in the Originator Series for a period of time and, if approved, then transferring the loan to the CLO through a principal transaction. CLOs could also engage in principal transactions even if not subject to EU Securitization Laws as principal transactions can be appropriate for other reasons (although principal transactions are expected to be less frequent for any CLO not intended to comply with the EU Securitization Laws). Although principal transactions can have certain advantages for a CLO, they also present significant conflicts of interest. As a result, pursuant to Section 206(3) of the Advisers Act an adviser cannot engage in a principal transaction unless it provides the client with prior written disclosure of the terms of the transaction, and conflicts associated therewith, and obtains the client's consent prior to settlement. A CLO's Governing Documents can include additional requirements related to principal transactions and will generally provide that disclosure with respect to a CLO principal transaction will be provided to the CLO's board or a designated party and their approval granted prior to settlement of the principal trade.

A principal transaction could also arise if a CLO buys a security from, or sells a security to, New Mountain or a New Mountain fund of which 25% or more of the ownership interests (by value) are held by New Mountain or its personnel and related persons (a "principal fund"). As a result, to the extent that New Mountain were to determine to enter into a cross trade and a principal fund (i.e., a transaction whereby the principal fund sells a security to, or buys a security from, a CLO), similar notice will be provided to and consent sought from the CLO. Cross-trades among CLOs or between a CLO and a New Mountain fund, where neither is a principal fund are not principal transactions, but still could represent a conflict of interest due to, for example, different compensatory or pecuniary interests. As a result, for both principal trades and cross-trades,

NMCLO will first determine that the trade is fair and equitable to each participating client and not contrary to the interests of either client.

Principal and cross trades involving loans are executed at fair market value, as determined by New Mountain and, in the case of principal trades, disclosed to the CLO's board or other representative designated by the CLO or the board for this purpose, which will be independent of New Mountain. Because most of the assets in which the CLOs can be expected to invest are not publicly traded, values can be difficult to determine. NMCLO seeks to value such assets in good faith and in accordance with its valuation procedures. However, investors should understand that, even though determined in good faith, valuations require the application of a significant amount of judgment, are inherently uncertain, will fluctuate and are often based on estimates and assumptions.

NMCLO's determination of the fair value of an asset could differ materially from the values that would have been applied if an active market for the asset existed and from the price at which such asset is ultimately sold. Differences in fair value and actual sale value could adversely impact a CLO.

Financial Interests in CLO Transactions

In accordance with the risk retention requirements promulgated under Regulation (EU) 2017/2402 (the "EU Securitization Regulation", and together with any supplementary regulatory technical standards, implementing technical standards and any guidance adopted in relation thereto by the European supervisory authorities, each as in force from time to time, the "EU Securitization Laws"), NMCLO could decide to hold EU Retention Interests in the CLOs and CLO warehouses it manages in order for such CLOs and CLO warehouses to satisfy the EU Securitization Laws where securities issued in a securitization transaction are sold to certain specified types of European Union investors such as credit institutions and investment firms (including consolidated affiliates thereof, wherever located), authorized alternative investment fund managers who manage and/or market their alternative investment funds in the European Union, insurance and reinsurance undertakings UCITS funds (internally managed) and management companies thereof, and institutions for occupational retirement provisions (subject to some exceptions), each as set out in the EU Securitization Regulation (the "EU Affected Investors").

An "EU Retention Interest" is a material net economic interest (within the meaning of the EU Securitization Laws), which can be held in a number of prescribed forms, most typically through (i) a "vertical slice" of not less than 5% of the nominal value of each tranche of securities issued to investors on the related closing date, or (ii) a "horizontal slice" of not less than 5% of the nominal value of the first loss or "equity" tranche.

The EU Securitization Laws generally require an "originator" to originate a portion of the loans acquired by a CLO and to acquire and retain an EU Retention Interest as described above. The EU Securitization Laws currently do not specify the percentage of loans which an originator who is also acting as the collateral manager must originate; however, industry practice is that a manager-originator should originate at least 5% of the target par amount of loans to be acquired by the CLO by the effective date for such CLO. To satisfy the EU Securitization Laws (as required where securities are issued to the EU Affected Investors), NMCLO intends to: (i) hold the EU Retention Interest of each CLO in an Investment Series; (ii) through its Management Series, act as the

collateral manager for such CLO; and (iii) through an Originator Series, originate a portion of the loans to be held by such CLO.

There has been no explicit guidance regarding whether entities can be structured for this purpose and therefore the regulatory environment in which any such structure intends to operate is highly uncertain. There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by NMCLO and its affiliates, and the manner in which they expect to hold retention interests, will satisfy the EU Securitization Laws. The EU Securitization Laws are subject to changes, clarifications and interpretations by governmental authorities that could have an adverse effect on NMCLO and its affiliates.

The EU Securitization Laws also include transparency and reporting requirements for the originators, “sponsors” (as defined in the EU Securitization Regulation) and issuers established in the European Union. Details of these requirements are subject to the adoption of secondary legislation that has yet to be finalized. EU Affected Investors are subject to a number of their own due diligence obligations under the EU Securitization Regulation and they must determine for themselves that any investment they make in a securitization satisfies such obligations. There are ongoing discussions at the EU regulatory level as well as between the market participants about the full jurisdictional scope of these requirements.

It is a requirement of the EU Securitization Laws that the “originator” not transfer its EU Retention Interest until the final maturity of the applicable CLO securities. Accordingly, NMCLO expects to covenant and agree with the issuer of each CLO it manages that it will not transfer the EU Retention Interest of such CLO other than in accordance with the EU Securitization Laws, as applicable.

In addition to the EU Retention Interest that NMCLO holds through an Investment Series, it intends to purchase from each CLO it manages, and hold in an Investment Series: (i) one or more notes entitling NMCLO to a preferred return calculated as a percentage of the overall assets of such CLO, payable on a quarterly basis immediately prior to direct payments of interest and principal proceeds on the Equity of such CLO (each a “Preferred Return Note”) and (ii) a note entitling NMCLO to a performance return, payable on a quarterly basis immediately prior to distributions on the Equity of such CLO, expected to equal a certain percentage of amounts remaining that would otherwise be available to be paid to the holders of the CLO’s equity, once the cumulative distributions by the CLO to the holders of its equity are sufficient to generate an annual internal rate of return of a certain percentage, compounded annually, on such holders’ aggregate investment in the CLO (the “Performance Note”).

Allocation of Investment Opportunity among CLOs

When NMCLO provides collateral management services to multiple CLOs that are eligible to invest in the same loans at the same time, it will be presented with conflicts of interest related to allocating investment opportunities among CLOs, as described above. In particular, due to the life cycles and fee structures common in CLOs, NMCLO could have an incentive to favor CLOs that, for example, are less than fully invested (*e.g.*, a warehouse) or for which NMCLO believes is performing sufficiently to pay relatively larger incentive fees over CLOs that are established but whose performance is such that NMCLO believes it to be relatively less likely that incentive fees will be as lucrative or those whose advisory compensation includes retention of Investment Related

Fees in order to accelerate or increase fees. To mitigate these conflicts, allocations among CLOs are subject to the Allocation Policy, described in Item 10, above.

Item 12. Brokerage Practices

NMCLO will seek to obtain what it believes to be “best execution” in effecting transactions on behalf of the CLOs. In connection with each CLO’s portfolio transactions, NMCLO has the authority to determine the type and amount of an investment to be bought or sold, the brokers or dealers used and the commission rates paid or discount to purchase applied. In determining how to execute a transaction (including selecting brokers or dealers), NMCLO uses its best judgment in evaluating the terms of the transaction, and has the authority to and considers various factors it deems relevant, which generally will include: (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), (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 NMCLO and its clients, (v) the value of brokerage services over and above trade execution provided by NMCLO and its clients, (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying NMCLO’s other selection criteria and (vii) any other factors that NMCLO deems relevant to its overall duty to seek best execution. In selecting brokers or dealers to execute transactions, although NMCLO generally seeks competitive execution costs, NMCLO is not required to solicit competitive bids and does not have an obligation to seek or otherwise obtain the lowest available price or charge. Among other reasons, certain transactions could involve specialized services on the part of a broker or dealer, which might justify higher costs than would be the case for more routine services.

Additionally, NMCLO can receive an economic benefit by having fees waived or by not being charged for utilizing specialized services, such as investment adviser electronic information downloads, access to specialized institutional brokerage trading and customer service teams, and/or specialized batched statements.

Research and Other Soft Dollar Benefits

While NMCLO has no formal “soft dollar” arrangement with any broker-dealer at present, it can 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, NMCLO has an incentive to select or recommend the broker-dealer based on its interest in receiving research or other products or services because NMCLO would not have to pay for such research or services directly.

Research products or services obtained with respect to transactions for a New Mountain client can also benefit and be used to assist New Mountain in advising other clients. Thus, research generated in connection with NMCLO’s investment strategies will be used to benefit other New Mountain investment strategies. The CLOs could bear more or less of the costs of soft dollar or other research than other New Mountain Clients who benefit from such products or services.

As discussed above, in selecting brokers or dealers for any transaction or series of transactions, NMCLO considers a number of factors. Where NMCLO believes that equivalent execution could be obtained from more than one broker, NMCLO will, from time to time, purchase and sell securities on behalf of one or more CLOs through broker-dealers that provide research, statistical and other information; even if the CLOs are not, in every instance, the direct beneficiary of the research services provided. Research furnished by brokers or dealers often includes, 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.

In selecting a broker or dealer that provides research services, NMCLO makes a good faith determination that the amount of the related transaction fee charges is reasonable in comparison to the value of the research services provided and that such research benefits New Mountain Clients. When NMCLO obtains certain products or services using “soft dollars”, it seeks to do so consistently with the safe harbor created by Section 28(e) of the Exchange Act.

Brokers will sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker could be less than the suggested allocations or could exceed such suggestions because total brokerage is allocated on the basis of all considerations described above in the discretion of NMCLO. A broker will not be excluded from receiving business simply because it has not been identified as providing research services.

As discussed in Item 11 above, and consistent with NMCLO’s Allocation Policy, NMCLO can, but is not required to, aggregate CLO orders to achieve more efficient execution or to provide fair and equitable treatment among CLOs. If more than one CLO seeks to purchase or sell the same asset contemporaneously, such orders will generally be aggregated in a single transaction unless NMCLO determines that aggregation is not the best interests of the relevant Client or Clients.

Item 13. Review of Accounts

Each CLO will have at least one assigned portfolio manager. On a daily basis, the portfolio manager(s) and analysts monitor events relating to the investments held by the CLOs, including their performance and credit quality. Each CLO’s Governing Documents contain certain investment restrictions and other tests, such as detailed coverage tests, portfolio profile tests, and/or collateral quality tests, that are monitored. For the CLOs, the trustee prepares schedules of fees and expenses, distributions and dividends (the “priority of payment waterfalls”), which are reviewed and agreed to by New Mountain’s Operations group. On at least a monthly and quarterly basis (as applicable), the group reviews investment holdings for compliance with their respective investment guidelines as set forth in the CLO’s governing documents.

As a general matter, investors in a CLO will receive from the trustee monthly reports detailing the CLO’s portfolio and all related portfolio metrics and guidelines and quarterly reports detailing all cash flows which NMCLO reviews for accuracy and completeness.

Certain investors in a CLO request additional information relating to the CLO or NMCLO's services, which NMCLO can elect to provide subject to limitations imposed by confidentiality agreements.

Item 14. Client Referrals and Other Compensation

Other than Investment Related Fees, as discussed above, NMCLO 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 CLO.

NMCLO pays 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 CLOs. In these instances, any placement or other similar fees paid by NMCLO to third parties could offset the asset-based management fee with respect to such CLO as discussed under Item 5 – "Fees and Compensation" above.

Item 15. Custody

Not applicable.

Item 16. Investment Discretion

The Governing Documents for each CLO grant NMCLO discretion to manage the CLO's portfolios, subject to the detailed description of such CLO's specific investment objectives, eligibility criteria and investment guidelines, policies, and restrictions set forth in the Governing Documents. While NMCLO has sole discretion to pursue any investment strategy on behalf of a CLO that is not prohibited by the applicable Governing Documents, and to modify the strategy from time to time in the future without the approval of or prior consultation with any other person, the Governing Documents typically place significant restrictions on NMCLO's ability to buy and sell collateral obligations on behalf of the CLO. Accordingly, as a result of such restrictions, NMCLO might be unable to buy or sell assets on behalf of a CLO or to take other actions which it might otherwise consider in the best interests of such CLO and the holders of the CLO Securities.

Item 17. Voting Client Securities

While the CLOs do not expect to hold securities which solicit proxies, NMCLO could be called upon to provide (or withhold) consent to proposed modifications to loan terms and covenants. NMCLO's authority to act in these circumstances will be conferred or limited by the CLO's Governing Documents. NMCLO faces conflicts of interest in making a consent decision as to a loan where New Mountain has a business relationship with the obligor, a related sponsor or another party with an interest in the outcome of a consent request. Conflicts also arise in the event a senior executive or other person connected with the obligor or another party with an interest in the outcome of a consent request has a significant relationship with personnel of NMCLO or New Mountain.

In accordance with its fiduciary duty to clients and Rule 206(4)-6 under the Advisers Act, NMCLO has adopted and implemented policies and procedures, which it believes are reasonably designed to assure that consent decisions are made in the best economic interest of the CLOs. Under these policies and procedures, the Chief Compliance Officer or a designee will undertake a review prior to any decision with respect to a consent to determine whether NCLOM could have a material conflict of interest. In the event that a material conflict of interest is identified, the Chief Compliance Officer or the designee will take such steps as she deems necessary in order to determine how to exercise a consent right in the best interests of the client, including, but not limited to, consulting with the New Mountain legal department, outside counsel, a proxy consultant or the portfolio manager responsible for the relevant portfolio investment, to the extent he is not personally or professionally conflicted.

Clients can obtain, without charge, a copy of NMCLO's relevant policies and procedures or information regarding how NMCLO exercised consent rights on their behalf by making a written request for this information to: Chief Compliance Officer, 1633 Broadway, 48th Floor, New York, New York 10019.

Item 18. Financial Information

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