

New Mountain Capital, L.L.C.

Part 2A of Form ADV

The Brochure

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Updated: March 31, 2015

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

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

2. Material Changes

This Item discusses only specific material changes that have been made to the Brochure since the last annual update. Since the last annual update in March 2014, material changes related to certain New Mountain personnel were disclosed in Items 11 and 13 of the January 2015 amendment. Additionally, New Mountain Finance Corporation, an affiliated business development company, registered with the U.S. SEC as an investment adviser [month] 2014. Please refer to Item 10 for specific details. Other than those changes, there have been no additional material changes to the Brochure.

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4. Advisory Business

New Mountain Capital, L.L.C. (“NMC”), a Delaware limited liability company formed in 1999, or in the case of NMP I (defined below), its affiliate, New Mountain Capital I, L.L.C., a Delaware limited liability company formed in 2004 (together with its parallel fund the “Fund I Manager”), provide investment advisory services on a discretionary basis to several private equity funds: New Mountain Partners, L.P. (together with its parallel funds, “NMP I”), New Mountain Partners II, L.P. (together with its parallel funds, “NMP II”), New Mountain Partners III, L.P. (“NMP III”) and NMP IV, each of which is organized to invest in portfolio companies and other financial instruments (together with their alternative investment vehicles, each a “Fund,” and collectively, the “Funds”). New Mountain Investments, L.P. (“NMI I GP”), a Delaware limited liability company and an affiliate of NMC, serves as the general partner to NMP I. New Mountain Investments II, L.L.C (“NMI II GP”), a Delaware limited liability company and an affiliate of NMC, serves as the general partner to NMP II. New Mountain Investments III, L.L.C. (“NMI III GP”), a Delaware limited liability company and an affiliate of NMC, serves as the general partner to NMP III. New Mountain Investments IV, L.L.C. (“NMI IV GP” together with NMI I GP, NMI II GP and NMI III GP the “PE GPs”), a Delaware limited liability company and an affiliate of

NMC, serves as the general partner to NMP IV.

The sole member of NMC is New Mountain Capital Group, L.L.C. (together with its affiliates, “New Mountain” or the “Firm”), whose sole member is Steven B. Klinsky. The PE GPs are controlled by Steven B. Klinsky and are owned by Steven B. Klinsky and other principals of the Firm.

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

The Fund’s portfolios include predominately direct private equity and equity-related investments, including investments in publicly traded companies, leveraged acquisitions, build-ups, recapitalizations, control restructurings, management buyouts, pre-public offering opportunities and growth equity transactions.

As of December 31, 2014, NMC managed \$10,744,579,644 of client regulatory assets under management on a discretionary basis.

5. Fees and Compensation

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

Management Fees

The Fund I Manager’s management fee for NMP I was 2.0% of capital commitments during its investment period. NMP I’s management fee was 1.5% of actively invested capital during its step-down period. The investment and step-down periods for NMP I have terminated; therefore, the investors in NMP I are no longer being charged a management fee. NMC’s management fee for NMP II was 2.0% of capital commitments during its investment period. NMP II’s management fee, currently in its step-down period, is 1.5% of actively invested capital. NMC’s management fee for NMP III was 1.75% of capital commitments during its investment period. NMP III’s management fee, currently in its step-down period, is 1.0% of actively invested capital. NMC’s management fee for NMP IV currently is 1.75% of capital commitments during its investment period and will be 1.0% of actively invested capital during its step-down period. One limited partner, based on size of commitment, paid a management fee of 1.5% in NMP I (directly) and NMP II (though a parallel fund). Two limited partners, based on size of commitment, are paying a management fee of 1.5% during the investment period in NMP IV. Management fees for each Fund are generally charged semi-annually in advance from drawdowns of the limited partners’ unfunded capital commitments or out of proceeds from the Funds’ investments that would otherwise be distributable to such partners. The management fee for a Fund is reduced by the amount of excess organizational expenses paid by investors in the Fund, as well as by a specified percentage of other fees received by NMC (or the Fund I Manager) as described in “Other Fees and Expenses” below. NMC (or the Fund I Manager, as applicable) may waive all or a portion of the management fee.

Carried Interest

As general partner of a Fund, the applicable PE GP is entitled to performance-based allocations and distributions in the form of carried interest. A detailed description of the carried interest calculation methodology applicable to a Fund can be found in the Fund's Governing Documents. Generally, carried interest is calculated based on a percentage of the profits generated from the Fund's investments and is subject to the satisfaction of a preferred return, the recoupment of allocated losses and fees, if any, and expenses and other criteria set forth in the Governing Documents. The applicable PE GP may waive all or a portion of the carried interest. No carried interest was charged with respect to co-investment vehicles. The existence of a PE GP's carried interest may create an incentive for the PE GP to make riskier or more speculative investments on behalf of the relevant Fund than would be the case in the absence of this arrangement.

Further, certain limited partners who were instrumental in the organization of NMP I, may participate in the Fund on economic terms different than those of other limited partners. For example, in addition to its limited partner interest in NMP I, and in connection with its status as the first investor in that Fund, CalPERS owns a small equity interest in NMI I GP through California Emerging Ventures, LLC ("CEV"). At the time of the arrangement, CalPERS had a 98.6% interest in CEV. Relevant disclosures can be found in the Fund's Governing Documents.

Other Fees and Expenses

In addition to the foregoing, investors in the Funds generally bear expenses relating to the Funds' operations. These vary by Fund, but typically will include, among other things: the fees and expenses relating to consummated investments, proposed but unconsummated investments and temporary investments, insurance premiums, legal, custodial and accounting expenses, including expenses associated with the preparation of a Fund's financial statements, tax returns and Schedule K-1s, auditing, banking and consulting expenses, appraisal expenses, expenses of a Fund's Advisory Committee, extraordinary expenses, taxes and other governmental charges, indemnification expenses, reporting costs, and liquidation expenses. NMC does not charge travel and annual meeting expenses to its investors; however, NMC may change its policy related to these expenses in the future.

Investors in the Funds generally also bear expenses (up to a specified cap) relating to formation and the organization of the applicable Fund and the offering and sale of the interests therein, including external legal and accounting expenses, printing costs, travel and certain out-of-pocket expenses incurred by NMC (or the Fund I Manager).

Pursuant to the Governing Documents of a Fund, New Mountain may receive directors' fees, transaction fees, investment banking fees, break-up fees, advisory fees, monitoring fees or other similar fees. A specified percentage of these fees, (varying from 50% to 100% depending on the Fund and the type of fee), net of related expenses, is applied to reduce the management fees payable by the applicable Fund. NMP IV employed the use of two placement agents, Credit Suisse Securities (USA) LLC and Goldman, Sachs & Co., and incurred placement fees for the use of the placement agents during its fundraising period, which closed in October 2014. In these instances, management fees are also reduced on a dollar-for-dollar basis by the placement fees. New Mountain does not currently employ the services of any placement agents since NMP IV is closed to new Investors.

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

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

7. Types of Clients

The only investment advisory service provided by NMC (or the Fund I Manager) is in the capacity of acting as the investment adviser to the Funds. Investment advice is provided directly to the Funds and not individually to each Fund’s investors. Each Fund’s investors are “accredited investors,” as that term is defined by Rule 501 of Regulation D under the Securities Act of 1933 (the “Securities Act”) and in the case of Fund vehicles that rely on Section 3(c)(7), “qualified purchasers” under Section 2(a)(51)(A) of the Investment Company Act of 1940 (the “Investment Company Act”). Certain Fund vehicles rely on Section 3(c)(1) of the Investment Company Act and do not require their investors to be “qualified purchasers” but limit the number of beneficial owners of their securities to 100 or less.

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

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

The Funds advised by NMC have the objective of seeking long-term capital appreciation through acquiring, holding and disposing of direct private equity and equity-related investments. The Funds invest (or have invested) primarily in North American companies, but may invest outside the North America, if appropriate. NMP I and NMP II typically targeted companies with an enterprise value of \$100 million to \$500 million, NMP III typically targeted companies with an enterprise value of \$100 million to \$1 billion and NMP IV typically targets companies with an enterprise value of \$200 million and \$1 billion. Generally, NMP I typically allocated \$100 million to \$500 million per transaction; NMP II typically allocated \$100 million to \$220 million per transaction; NMP III typically allocated approximately \$100 million to \$500 million per transaction; and NMP IV currently allocates \$100 million to \$500 million per transaction.

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

- (i) A generalist approach, combined with proactive pursuit of high quality opportunities within carefully selected industries;
- (ii) An intense focus on investor “value-added” and the ability to build businesses after an investment is made;
- (iii) Emphasis on strong downside protection, strict risk controls and active board governance; and
- (iv) Continued insistence on strong risk adjusted returns, combined with timely, intelligent exits and competitive return performance.

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

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

No Assurance of Investment Return

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

General Economic and Market Conditions

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

Portfolio Company Management

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

Operating and Financial Risks of Portfolio Companies

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

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

Use of Leverage

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

Unspecified Investments

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

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

A Fund may participate in a limited number of portfolio investments and, as a consequence, the aggregate return of a Fund may be substantially adversely affected by the unfavorable performance of even a single portfolio investment. Moreover, there are no assurances that all of a Fund's portfolio investments will perform well or even return capital. Therefore, if certain portfolio investments perform unfavorably, for a Fund to achieve above-average returns, that one

or a few of its portfolio investments must perform well. There can be no assurance that this will be the case. In addition, other than as set forth in a Fund's Governing Documents, investors have no assurance as to the degree of diversification of a Fund's portfolio investments, either by geographic region, industry or transaction type. To the extent a Fund concentrates portfolio investments in a particular issuer, industry, subsector, security or geographic region, its portfolio investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto.

Financial Market Fluctuations

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

Illiquid and Long-Term Investments

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

Hedging Policies/Risks

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

Risks Relating to Due Diligence of and Conduct at Portfolio Companies

Before making portfolio investments, the PE GPs will typically conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each portfolio investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants,

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

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

Currency and Exchange Rate Risks

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

Misconduct of Employees and of Third-Party Service Providers

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and there is a risk that employee misconduct could occur with respect to a Fund. Misconduct by employees or by third-party service providers could cause significant losses to a Fund. Employee misconduct may include binding a Fund to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or concealing unsuccessful investments (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by third-party service providers. In addition, employees and third-party service providers may improperly

use or disclose confidential information, which could result in litigation or serious financial harm, including limiting a Fund's business prospects or future activities. Although, New Mountain believes it has implemented reasonable policies, procedures and controls relating to these activities, it is not always possible to deter misconduct by employees or service providers, and the precautions the PE GPs take to detect and prevent this activity may not be effective in all cases.

Role of Private Equity Professionals

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

Uncertainty of Financial Projections

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

Material, Non-Public Information

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

Public Company Holdings

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

Potential Conflicts of Interest

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

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

In the event of a conflict of interest, NMC will take actions as in its good faith judgment are necessary or appropriate to ameliorate such conflicts of interest. These actions may, but are not required to, include (i) disposing of the security giving rise to the conflict of interest or (ii) in connection with a matter giving rise to a conflict of interest with respect to an investment, consulting with the advisory committee comprised of representatives of limited partners of the applicable Fund ("Advisory Committee") regarding the conflict of interest and either obtaining a waiver from the Advisory Committee of the conflict of interest (where required) or acting in a manner, or pursuant to standards or procedures, approved by the Advisory Committee with respect to such conflict of interest. NMC intends to consult with the applicable Advisory Committee with respect to any matter as to which it determines in good faith that a material conflict of interest exists.

In addition, there are three advisory affiliates of NMC. One advisory affiliate manages public equity funds that generally invest in public securities, another advisory affiliate advises New Mountain Finance Corporation ("NMFC"). NMFC itself is a publicly traded business development company that invests primarily in debt, but may also acquire equity investments in middle-market companies and is advised by the third advisory affiliate manages NMFC's senior loan program. This third advisory affiliate may also invest in debt and acquire equity investments in middle-market companies.

Subject to restrictions in the applicable Fund Governing Documents, the Firm may raise other public and private funds and other investment vehicles in the future and such funds may from time-to-time make investments that would be suitable for the Funds. In particular, certain debt investments that the Funds would otherwise be able to make may be allocated to NMFC. In addition, there may be circumstances when NMC has considered a potential private equity investment in a portfolio company on behalf of a Fund, has determined not to make such private equity investment and an investment is eventually made in such portfolio company by the existing public equity funds, NMFC or other investment vehicles sponsored by the Firm. In these circumstances, the existing public equity funds, NMFC or such vehicles may benefit from

research by NMC's investment team and/or from costs borne by the applicable Fund in pursuing the potential portfolio investment, but will not be required to reimburse the Funds for expenses incurred in connection with such investment.

The portfolio companies managed by NMC may transact business with (or otherwise provide services and/or products to) one another. Those same portfolio companies may also transact business with NMC's affiliated advisers, funds, employees and/or Senior Advisors. Such arrangements will generally be negotiated and executed at arm's length, but certain factors may lead a portfolio company to pay higher fees in connection with the services and/or products provided as compared to other similar providers. Those factors include, without limitation, the complexity of the services and/or products being provided, the reputation of the portfolio company in providing such services and/or products, and the ability of the portfolio to meet specified time, budget or other constraints.

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

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

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

A Fund or its PE GP may enter into a side letter or other similar agreement with a particular investor with respect to the Fund without the approval or vote of any other investors, which would have the effect of establishing rights under, altering or supplementing the terms of the Fund's Governing Documents with respect to such investor in a manner more favorable to such Limited Partner than those applicable to other investors. Any rights established, or any terms of the Fund's Governing Documents altered or supplemented in a side letter or other similar agreement with an investor will govern solely with respect to such investor notwithstanding any other provision of the Fund's Governing Documents. Such rights or terms in any such side letter or other similar agreement may include, without limitation: (i) fee arrangements with respect to such investor; (ii) excuse rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments); (iii) reporting obligations of the PE GP; (iv) waiver of certain confidentiality obligations; (v) consent of the PE GP to certain transfers by such investor; (vi)

special rights with respect to co-investment; or (vii) rights or terms necessary in light of particular legal, tax, regulatory, or public policy characteristics of an investor including withdrawal rights in respect of political contribution, gift and other similar policies or restrictions established by investors affiliated with a government entity or agency).

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

9. Disciplinary Information

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

10. Other Financial Industry Activities and Affiliations

Relying Advisers

As described in Item 4 – “Advisory Business” above, the PE GPs serve as the general partners to each of the Funds, respectively. In addition, the Fund I Manager serves as an investment adviser to NMP I.

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

Affiliated Advisers

New Mountain Vantage Advisers, L.L.C., New Mountain Finance Advisers BDC, L.L.C. and New Mountain Finance Corporation (the “Affiliated Advisers”) are advisory affiliates of NMC, and serve as the respective managers to public equity funds, a publicly traded business development company (NYSE: NMFC) and a senior loan program. Each of the Affiliated Advisers is separately registered with the U.S. Securities and Exchange Commission (“U.S. SEC”) pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Although the investment strategies of the Funds managed by NMC are different from the strategies of the vehicles managed by the Affiliated Advisers, NMC expects to rely heavily on the extensive expertise and industry relationships developed by the employees of the Affiliated Advisers to identify and evaluate potential investment opportunities for the Funds.

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

Other Financial Industry Activities and Affiliations

Some of the Funds' portfolio companies include a banking institution and an insurance company. Such portfolio companies are operated by management teams that are independent of NMC. NMC believes that such portfolio companies do not create a material conflict of interest with the NMC's clients. NMC agrees to provide a list of such portfolio companies upon request.

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

Code of Ethics/Personal Trading

NMC has adopted a formal code of ethics and insider trading policies and procedures (the “Code”) to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Investment Advisers Act of 1940, as amended, (“Rule 204A-1”). For purposes of Rule 204A-1, all New Mountain employees are designated as “access persons” (“Access Persons”). Based on relevant risk-based assessments, NMC also designates certain non-employee consultants, including New Mountain Senior Advisors¹, as Access Persons for purposes of Rule 204A-1.

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

Further, the principals of NMC, its employees and New Mountain Senior Advisors may sit on boards of public companies, including those in which the Funds are invested. Board service is subject to the approval of NMC to allow the Chief Compliance Officer (or Compliance Representative) to identify any actual or potential conflicts.² In these instances, non-board Access

¹ Generally, New Mountain Senior Advisors are similar to “Operating Partners” who provide general or specific industry expertise on particular projects or transactions. David Vise is a full time employee at New Mountain, while the others are legally classified as independent consultants. A majority of New Mountain’s Senior Advisors - including Lawrence Benjamin, Christos Cotsakos, Baljit Dail, Harry Durity, Rajiv Gupta, Lawrence Jackson and David Vise are designated as “access persons” pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, (the “Advisers Act”) and are subject to New Mountain’s Code of Ethics, which therefore allows them to be fully included in New Mountain’s investment reviews. Based on a variety of factors, Judd Gregg and Frederic Salerno are designated as “non-access persons” and are not subject to New Mountain’s Code of Ethics, which results in more limited or specialized roles. Additionally, Doug Londal, Adam Collins and Thomas Morgan transitioned from Managing Directors to Senior Advisors of the firm on December 31, 2014 and are “non-access” persons. New Mountain engages one additional consultant Senior Advisor, Robert Grusky, who is designated as “non-access”, as he is non-exclusive to New Mountain and also engaged in unrelated investment activities in connection with his own firm. There is no guarantee that New Mountain will continue to employ or engage these Senior Advisors, and New Mountain may hire or engage additional Senior Advisors in the future, who may be full time employees, or consultants. Where engaged as the latter, based on individual circumstances, these individuals may, at New Mountain’s discretion, be designated as either “access” or “non-access” for purposes of Advisers Act Rule 204A-1. Similar to New Mountain employees, New Mountain Senior Advisors may, in connection with activities related or unrelated to New Mountain, also serve as directors of unaffiliated public companies with the notification or approval of the Chief Compliance Officer (see footnote 2 for additional details). Senior Advisors may also hold senior management or operating positions at portfolio companies advised by one or more Fund. In these instances, directors’ fees paid to Senior Advisors do not offset the management fees payable by investors in the Funds, unless such Senior Advisor is employed as a full time employee of New Mountain.

² All Employees must notify the Chief Compliance Officer of all outside corporate board memberships and pre-clear such with the Chief Compliance Officer. New Mountain Senior Advisors are required to notify the Chief Compliance Officer of all corporate

Persons are restricted from trading in those public companies while the principal, any NMC employee and/or any New Mountain Senior Advisor remains on the board. Such public companies will generally remain on the Firm's restricted list for thirty (30) days following the date of termination of the board seat. Similarly in these instances, the public funds advised by New Mountain Vantage Advisers, L.L.C., one of NMC's Affiliated Advisers, are generally restricted from trading in those public companies, except during open window periods prescribed by the issuer. The business development company advised by New Mountain Finance Advisers BDC, L.L.C., another one of NMC's Affiliated Advisers, is restricted at all times from trading in the aforementioned public companies. Exceptions to this policy may be granted by the Chief Compliance Officer (or Compliance Representative), who will document such exceptions appropriately.

NMC Access Persons receive new hire training directly from the Chief Compliance Officer on the Code and other material compliance policies and procedures – generally within ten (10) days of hire, and all Access Persons are required to attend at least one mandatory annual training session on the Code (and other policies). A copy of NMC's Code is available upon request to: Paula A. Bosco, Chief Compliance Officer, New Mountain, 787 7th Avenue, 49th Floor, New York, NY 10019.

Participation or Interest in Client Transactions

Principal Transactions

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

Financial Interests in Fund Transactions

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

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

board memberships upon engaging with New Mountain, and prior to accepting such membership if already engaged by New Mountain.

Allocation of Investments

When allocating investment opportunities across Funds, there could be differences in the financial structure of the Funds potentially participating in the opportunity that could introduce an incentive for NMC to favor one Fund over another. However, allocation of investments among parallel and successor Funds are subject to allocation procedures set forth in the Governing Documents of the applicable Funds. In addition, NMC generally does not introduce successor Funds until it is permitted to do so pursuant to the requirements set forth in the respective Governing Documents.

In addition to NMC's obligation to invest in investments made by the Funds, the Governing Documents of a Fund may permit NMC to make available co-investment opportunities to strategic investors, lenders, non-employee Senior Advisors of New Mountain, limited partners and/or other investors. NMC applies its discretion when allocating such opportunities to strategic investors, lenders, non-employee Senior Advisors of New Mountain, limited partners and/or other investors, taking into account facts and circumstances which may include the nature of the transaction, speed of execution required, tax considerations, familiarity with and history of investing in the relevant industry, ability to provide strategic insights and other factors believed relevant. NMC endeavors to keep itself informed regarding investor interest in co-investment by maintaining records of those investors who have expressed interest in co-investments.

12. Brokerage Practices

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

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

Research and Other Soft Dollar Benefits

NMC has no “soft dollars” arrangement with any broker-dealer at present. In the event that NMC does enter into a “soft dollars” arrangement, the following policy will apply to NMC’s “soft dollars” practices:

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

Broker Selection

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

13. Review of Accounts

Portfolio companies under NMC’s management are monitored on a regular basis by each of the portfolio management deal teams, which are led by one or more NMC Managing Directors and Directors, and are also subject to review by NMC’s entire professional staff during NMC staff meetings that are generally held on a weekly basis. Additionally, certain documents and records relating to the limited partner accounts (i.e. financial, accounting, etc.) are prepared, maintained and reviewed in more detail by the Firm’s Chief Financial Officer, Controller and Accounting Team, as appropriate. The Chief Compliance Officer (or Compliance Representative) also performs a variety of periodic account reviews as part of the overall Advisers Act Rule 206(4)-7 annual compliance review.

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

14. Client Referrals and Other Compensation

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

NMC has paid placement agent and other similar fees to third parties for soliciting or referring prospective investors to it in accordance with applicable state and local laws, and U.S. SEC rules and regulations during relevant fundraising periods for or more Funds. In these instances, any placement or other similar fees paid by NMC to third parties or offset against the asset-based management fee with respect to such Fund as discussed under Item 5 – “Fees and Compensation” above.

15. Custody

All Fund assets other than privately offered securities are held in custody by unaffiliated broker-dealers or banks (i.e., JP Morgan Private Bank), however NMC has access to client accounts since it or an affiliate serves as the investment manager or general partner of each Fund. Investors will not receive statements from the custodian. Instead, the Funds are subject to an independent annual audit. The audited financial statements are prepared by the Funds in accordance with generally accepted accounting principles, are audited by an independent auditor in accordance with generally accepted auditing standards and are generally distributed within 90 days of the applicable Fund’s fiscal year end, pursuant to such Fund’s Governing Documents.

16. Investment Discretion

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

17. Voting Client Securities

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

NMC’s policy is to vote client proxies in what it determines to be in the interest of maximizing investor value. To that end, NMC will vote in a way that it believes is consistent with its fiduciary duty, and in a way that NMC believes will cause the issue to increase the most or decline the least in value as a result of the vote. Consideration will be given to both the short-term and long-term implications of the proposal to be voted on when considering the optimal vote. In practice, NMC’s procedures provide for a proxy voting committee (the “Proxy Committee”) to determine the appropriate vote for each proxy. Decisions of the Proxy Committee must be unanimous. If a unanimous decision cannot be reached by the Proxy Committee, a competent third party will be engaged, at NMC’s expense, who will determine the vote that will maximize shareholder value. As an added protection, the third party’s decision is binding.

NMC has identified one potential conflict of interest between its client interests and its own arising from its proxy voting process. From time to time, NMC may be in a position where it must vote to approve certain directors’ participation on the boards of public companies in which the Funds invest. Since New Mountain’s employees and Senior Advisors are permitted to participate on public company boards (upon notification to, or approval by, the Chief Compliance Officer, as applicable) there may be situations where NMC has a decision as to whether to vote in favor of, or against, a public company director that is also compensated as an employee or New

Mountain Senior Advisor. If NMC determines that it may have, or is perceived to have, a conflict of interest when voting proxies, NMC will either (i) convene the Funds' Advisory Committee, which is comprised of a small group of investors, to address conflicts or (ii) refrain from voting when doing so is in the client's best interest.

A copy of NMC's proxy voting policies and procedures is memorialized in writing and are available for review upon request. Information on how NMC voted proxies is also available upon request to: Paula A. Bosco, Chief Compliance Officer, New Mountain, 787 7th Avenue, 49th Floor, New York, NY 10019.

18. Financial Information

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