

New Mountain Finance Corporation

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of New Mountain Finance Corporation (“NMFC”). 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 a certain level of skill or training.

Additional information about NMFC also is available on the SEC website at www.adviserinfo.sec.gov.

2. Material Changes

The following is a summary of material changes since our most recent annual updating amendment to this Brochure, which was filed on March 28, 2019:

We have updated Item 8 to take account of recent developments, including the emerging COVID-19 pandemic. We have also updated Item 4 to reflect an intended transaction whereby one of our subsidiaries will become majority, rather than wholly, owned.

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4. Advisory Business

New Mountain Finance Corporation (“NMFC”) provides discretionary investment supervisory services to one fund (the “Client”). The Client seeks to invest in a diversified portfolio of senior secured first lien loans or bonds on a leveraged basis. In accordance with the Client’s investment objectives, investments can be made in companies doing business in a wide range of industries and sectors. NMFC Senior Loan Program I LLC, a Delaware limited liability company (“SLP I”), is the only Client of NMFC as of the date of this filing.

Additionally, NMFC has elected to be regulated, and operates, as a business development company (“BDC”) pursuant to the Investment Company Act of 1940, as amended (the “1940 Act”). NMFC’s capital stock trade publicly on the New York Stock Exchange under the ticker symbol, NMFC. There are no holders of 25% or more of NMFC’s capital stock. NMFC was incorporated on June 29, 2010. NMFC, as a BDC, makes periodic public disclosure filings, including Forms 10-K and 10-Q, which are available on NMFC’s website at <http://www.newmountainfinance.com> or through the SEC’s EDGAR website at www.sec.gov.

NMFC is externally managed by New Mountain Finance Advisers BDC, L.L.C. (“NMFA”), a registered investment adviser. The sole member of NMFA is New Mountain Capital Group, L.P. (together with its affiliates, “New Mountain” or the “Firm”), whose ultimate owners include Steven B. Klinsky, a minority investor, all of New Mountain’s Managing Directors (currently, thirty-three individuals) and related and other vehicles. Separately, the New Mountain GPs are controlled by Steven B. Klinsky and are ultimately owned by Steven B. Klinsky, other current and former New Mountain professionals and related vehicles and a minority investor. 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 private equity transaction. Mr. Klinsky founded the Firm in 1999.

NMFC provides discretionary investment management services to the Client. To service the Client’s objectives and strategies, the members of NMFC’s investment team utilize the extensive and varied relevant experience of the Firm’s investment professionals.

NMFC provides advisory services to the Client in accordance with a management agreement and the Client’s limited liability company agreement as well as the Client’s relevant offering documents (collectively, the “Governing Documents”). NMFC’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Client, managing and monitoring the performance of such investments and disposing of such investments. Generally, with respect to the Client, NMFC neither tailors its advisory services to the individual needs of investors in the Client nor accepts investor-imposed investment restrictions. Investors in the Client are not clients of NMFC; information provided to investors or prospective investors by NMFC should not be seen as a recommendation that any person invest in the Client.

As noted, in addition to providing investment advisory services to its Client, NMFC operates as a BDC where it makes debt and equity investments in middle-market companies. Accordingly, NMFC, directly or through subsidiaries, can invest in similar companies in which its Client also

invests. NMFC's investment activities (e.g. those of the BDC) are managed by New Mountain Finance Advisers BDC, L.L.C. ("NMFA") and supervised by NMFC's board of directors, a majority of whom are independent of NMFA and its affiliates.

Our subsidiaries, including small business investment companies ("SBICs") and New Mountain Net Lease Corporation ("NMNLC"), also invest in securities and we have a role in their operations. Each SBIC is a consolidated, wholly-owned direct or indirect subsidiary of NMFC that maintains a license from the United States Small Business Administration (the "SBA") to each operate as an SBIC under Section 301(c) of the Small Business Investment Act of 1958, as amended. NMNLC is a real estate investment trust ("REIT"), within the meaning of Section 856(a) of the Internal Revenue Code of 1986, as amended. NMNLC invests primarily in commercial real properties that are subject to "triple net" leases and is advised by NMLA. [It is anticipated that, as of March 31, 2020,] NMNLC [is/will be] a majority-owned, rather than wholly-owned, subsidiary of NMFC.¹

As of December 31, 2019, NMFC managed \$321,796,886 of client regulatory assets under management, all on a discretionary basis. NMFC does not include its own assets, or those of the SBICs or NMNLC, within its regulatory assets under management.

5. Fees and Compensation

Management Fees

Investors in the Client (other than NMFC), bear management fees that the Client pays to NMFC (the "Management Fee"). The Management Fee is payable quarterly in arrears by debiting the Client and adjusting the capital accounts of relevant investors accordingly.

Other Fees and Expenses

In addition to the foregoing, as set forth in the Client's Governing Document, all investment professionals and administrative support staff, when and to the extent engaged in providing investment advisory and management services to the Client and the compensation and routine overhead expenses of such personnel allocable to such services, are provided by NMFC, unless waived by administrator, an affiliate of New Mountain (in such role, the "Administrator"), under the Administration Agreement and subsequently reimbursed by New Mountain. Additionally, New Mountain will cause the Client's portfolio companies to enter into agreements regarding agreements regarding group procurement, benefits management, insurance policies (which will from time to time be pooled across portfolio companies due to scale) and other operational, administrative or management related matters from a third party or a New Mountain affiliate. Fund expenses, including certain consultant expenses, can be charged directly to the Client or can be borne by both New Mountain and one or more portfolio companies. These programs can benefit NMFC, its affiliates, or New Mountain. Expenses related to these programs can be charged directly to the Client, other clients of New Mountain (including NMFC and its subsidiaries), New Mountain, or affiliated portfolio companies. Portfolio companies can continue to participate in and benefit from these group procurement programs even after they have been sold.

¹ NM: I'm ok with either approach. If you are nearly certain the transaction will close, the simpler approach is likely preferable.

The Client bears all other costs and expenses related to its ongoing operations as well as administrative costs, including its allocable share, as determined by the Board, of fees, expenses (including indemnity) and other amounts: (i) (x) incurred in connection with the establishment of credit facilities or (y) payable in satisfaction of any obligation under the credit facility agreement (including interest, fees and expenses), including amounts payable to the custodian for custodial fees and expenses related to the fund; (ii) payable to accountants, agents and counsel for services provided to the fund; (iii) and other out-of-pocket fees, expenses and liabilities (A) incurred in connection with proposed or actual investments, (B) related to complying with applicable tax laws or (C) incurred in connection with all legal and regulatory compliance obligations under federal, state, local, non-U.S. or other laws and regulations directly related to making, holding or disposing of investments by the fund (whether such obligations are imposed on the Managing Member or the fund), including without limitation, the preparation and filing of (I) Form PF under the Advisers Act, (II) IRS filings under FBAR reporting requirements applicable to the Client, (III) CFTC Form 4.13(a)(3), CPO-PQR, CTA PR and NFA Form PQR filings, and (IV) any other forms, schedules or other filings with governmental and self-regulatory agencies directly related to the making, holding or disposing of investments by the fund; and (iv) incurred in connection with any permitted indemnities payable to any person entitled thereto pursuant to the terms of the credit facility, the Governing Document or any transaction document relating to an investment and any other expenses, including extraordinary expenses, as set forth in the Client's Governing Documents, subject to the terms of any expense cap that is agreed to between NMFC and the Client from time to time. Under the terms of these expense caps, NMFC generally is not permitted to recoup any expenses that it has previously waived or reimbursed.

NMFC can also enter into arrangements on the Client's behalf with third-party service providers to provide book-keeping, compliance and other administrative support services to the Client. To the extent the Client enters into brokerage arrangements, the Client bears associated expenses. For a detailed discussion of the factors that we consider in selecting or recommending broker-dealers for the Client's transactions and determining the reasonableness of commissions and compensation for such broker-dealers, please see Item 12, "Brokerage Practices."

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

As noted above in Item 4, NMFC on behalf of its Client and on its own behalf (whether directly or through subsidiaries), as advised by NMFA, and New Mountain on behalf of a variety of clients make debt and equity investments in middle-market companies. New Mountain affiliates are paid differential compensation (including, in some cases, performance based fees) by, and have other differential pecuniary interests in, the accounts each manages. Thus, while the Client does not compensate NMFC on the basis of the Client's investment performance, NMFC and New Mountain are subject to side-by-side management conflicts of interest.

New Mountain, including NMFC in its role as adviser to the Client, seeks to eliminate or mitigate the conflicts created by side-by-side management by, among other things, adopting and implementing compliance policies and procedures reasonably designed to address such conflicts, including an allocation policy which is discussed more fully in Item 10, "Other Financial Industry Activities and Affiliations."

7. Types of Clients

As noted in Item 4, NMFC's only client is SLP I. The Client is a privately placed pooled investment vehicle that is excepted from the definition of "investment company" under the 1940 Act pursuant to Section 3(c)(7) of the 1940 Act. As such, its Unaffiliated Members were each, at the time they acquired their interests, "qualified purchasers" as defined by Section 2(a)(51)(A) of the 1940 Act. Investors, who are not clients of NMFC, include institutional investors. As of the date of this Brochure, NMFC does not expect to advise any other clients.

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

This Item 8 describes certain material risks that are generally applicable to the Client, the Client's investment strategies and the methods of analysis NMFC employs in managing the Client's account.

In light of the COVID-19 pandemic, which, as of the date of this Brochure, is continuing to develop, the Client and investors should be aware that political, social and economic uncertainty creates and exacerbates risks and could impact NMFC's investment strategies, processes and methods of analysis. Social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that create uncertainty and have significant impacts on issuers, industries, governments and other systems, including the financial markets, to which the Client and its investments are exposed. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets such as the United States. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat.

Uncertainty can result in or coincide with, among other things: increased volatility in the financial markets for securities, derivatives, loans, credit and currency; a decrease in the reliability of market prices and difficulty in valuing assets (including Client assets); greater fluctuations in spreads on debt investments and currency exchange rates; increased risk of default (by both government and private obligors and issuers); further social, economic, and political instability; nationalization of private enterprise; greater governmental involvement in the economy or in social factors that impact the economy; changes to governmental regulation and supervision of the loan, securities, derivatives and currency markets and market participants and decreased or revised monitoring of such markets by governments or self-regulatory organizations and reduced enforcement of regulations; limitations on the activities of investors in such markets; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital; the significant loss of liquidity and the inability to purchase, sell and otherwise fund investments or settle transactions (including, but not limited to, a market freeze); unavailability of currency hedging techniques; substantial, and in some periods extremely high, rates of inflation, which can last many years and have substantial negative effects on credit and securities markets as well as the economy as a whole; recessions; and difficulties in obtaining and/or enforcing legal judgments.

For example, in late 2019 and early 2020, a novel coronavirus (SARS-CoV-2) and related respiratory disease (COVID-19) emerged in China and spread rapidly to across the world, including to the United States. This outbreak has led and for an unknown period of time will continue to lead to disruptions in local, regional, national and global markets and economies affected thereby. With respect to the U.S. credit markets (in particular for middle market loans), this outbreak has resulted in, and until fully resolved is likely to continue to result in, the following among other things: (i) government imposition of various forms of “stay at home” orders and the closing of “non-essential” businesses, resulting in significant disruption to the businesses of many middle-market loan borrowers including supply chains, demand and practical aspects of their operations, as well as in lay-offs of employees, and, while these effects are hoped to be temporary, some effects could be persistent or even permanent; (ii) increased draws by borrowers on revolving lines of credit; (iii) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (iv) volatility and disruption of these markets including greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility, and liquidity issues; and (v) rapidly evolving proposals and/or actions by local, state and federal governments to address problems being experienced by the markets and by businesses and the economy in general which will not necessarily adequately address the problems facing the loan market and middle market businesses. This outbreak is having, and any future outbreaks could have, an adverse impact on the markets and the economy in general, which could have a material adverse impact on, among other things, the ability of lenders to originate loans, the volume and type of loans originated, and the volume and type of amendments and waivers granted to borrowers and remedial actions taken in the event of a borrower default, each of which could negatively impact the amount and quality of loans available for investment by the Client and returns to the Client. As of the date of this Brochure, it is impossible to determine the scope of this outbreak, or any future outbreaks, how long any such outbreak, market disruption or uncertainties will last, the effect any governmental actions will have or the full potential impact on NMFC, New Mountain, borrowers and the Client.

Although it is impossible to predict the precise nature and consequences of these events, or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact the firm, its clients and their investments, it is clear that these types of events are impacting and will, for at least some time, continue to impact clients and borrowers and in many instances the impact will be adverse and profound. For example, smaller and middle market companies in which clients invest are being significantly impacted by these emerging events and the uncertainty caused by these events. With respect to loans to such companies, clients will be impacted if, among other things, (i) amendments and waivers are granted (or are required to be granted) to borrowers permitting deferral of loan payments, (ii) borrowers default on their loans, are unable to refinance their loans at maturity, or go out of business permanently, and/or (iii) the value of loans held by clients decreases as a result of such events and the uncertainty they cause. There can be no assurance that such emerging events will not cause the Client to suffer a loss of any or all of its investments or interest thereon. Clients will also be negatively affected if the operations and effectiveness of NMFC, New Mountain, or an issuer, obligor, or borrower (or any of the key personnel or service providers of the foregoing) is compromised or if necessary or beneficial systems and processes are disrupted.

As a result, each of the risks discussed in Item 8 of this Brochure (as well as similar discussions in Client offering documents) is subject to, and should be considered in light of, the foregoing risks and uncertainties.

Methods of Analysis, Investment Strategies and Risk of Loss

The Client's investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, the Client can also invest in or hold equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers; (ii) high barriers to competitive entry; (iii) high free cash flow after capital expenditure and working capital needs; (iv) high returns on assets; and (v) niche market dominance. The Client's portfolio can be concentrated in a limited number of industries.

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

As is true of all investments, investing in the Client involves the risk of loss. The following is a list of certain material risks that are generally applicable to investments in the Client, but is not intended as a complete discussion of all possible risks. However, investors should also review the Client's offering documents to understand the risks and potential conflicts of interest associated with NMFC's advisory services.

No Assurance of Investment Return

Investment in the Client entails a high degree of risk. NMFC can provide no assurance whatsoever that the Client will be successful in choosing, making and realizing investments in any particular portfolio company or portfolio companies. There is no assurance that any returns will be commensurate with the risks of investing in the type of investments in which the Client participates. Partial or complete sales, transfers or other dispositions of investments which can 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 the Client 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 the Client will be achieved. Past performance of investment entities associated with New Mountain and its advisory affiliates, is not necessarily indicative of future results. There can be no assurance that the Client will achieve comparable results or its performance objectives will be achieved.

General Economic and Market Conditions

The success of the Client's investments will be impacted 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 can affect the level and volatility of financial instruments' prices and the liquidity of an investment. The Client's financial condition and profitability can be adversely affected by a significant general economic downturn.

As noted above, the current worldwide financial market situation, as well as various social and political tensions in the U.S. and around the world, have contributed to increased market volatility. These could have long-term effects on the U.S. and worldwide financial markets and cause economic uncertainties or deterioration in the U.S. and worldwide. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. On January 31, 2020, the United Kingdom (the "UK") withdrew from the EU (such departure from the EU, "Brexit"), pursuant to a negotiated withdrawal agreement that was agreed upon by the European Commission and the UK government. The withdrawal agreement provides for a transition or implementation period ending on December 31, 2020 (which can be extended for up to two years) during which, except as otherwise provided for in the agreement, EU law will be applicable to and in the UK. While the withdrawal agreement includes a non-binding political declaration setting out the framework for the future relationship between the EU and the UK, there continues to exist significant uncertainty as to the scope, nature and terms of such future relationship, including whether the terms of such future relationship will be agreed ahead of the end of the transition period. Brexit has and for the foreseeable future will continue to adversely affect economic and market conditions in the UK, in the EU and its member states and elsewhere, and also contribute to uncertainty and instability in global financial markets. In addition, the political relationships between the United States and foreign nations, such as Russia and China, have a severe impact on the worldwide and U.S. financial markets. NMFC cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on the Client's investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

Risks Relating to the Client Generally

Regulatory Risks

As noted above, NMFC's status as a BDC impacts its freedom of action with respect to the Client. Additional legal, tax and regulatory regimes also influence how the Client is managed and operated and changes could occur that could adversely affect the Client. Regulatory requirements impose filing fees and other additional expenses on NMFC and/or the Client and can adversely affect the Client's ability to acquire or dispose of investment positions. The Client and/or NMFC could also be subject to regulation in additional jurisdictions based on their business or investment activities. The regulatory environment for private investment funds, including the Client, is evolving, and changes in these regulations could adversely affect the value of investments held by the Client and the ability of the Client to effectively employ its investment strategies. Increased scrutiny and legislative changes applicable to private investment funds and their sponsors could also impose significant administrative burdens on NMFC and could divert time and attention from investment advisory activities. The effect of any future regulatory change on NMFC and the Client could be substantial and adverse.

Systemic Risk

Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. The Client interacts with a variety of financial intermediaries, such as clearing houses, banks, securities firms and exchanges that are subject to systemic risk. A systemic failure could have material adverse consequences on the Client and on the markets for the securities in which the Client seeks to invest.

Assumption of Business, Terrorism and Catastrophe Risks

The Client could suffer losses arising from exposure that it can incur, directly or indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the Client its investors.

Risks Related to Management

Dependence on the Investment Manager

The success of Client is dependent upon the ability of NMFC to manage the Client and effectively implement Client's investment programs. The Client's Governing Documents generally do not permit Unaffiliated Members to participate in its management and affairs.

Dependence on Service Providers

The Client is dependent upon its counterparties and the businesses that are not controlled by NMFC that provide services to the Client (the "Service Providers"). Examples of Service Providers include third-party administrators, custodians, legal counsel and auditors. Errors are inherent in the business and operations of any business; although New Mountain has adopted policies and procedures to prevent and detect errors by, and misconduct of, counterparties and Service Providers, and transact with counterparties and Service Providers it believes to be reliable, such measures can be ineffective. Errors or misconduct could have a material adverse effect on the Client and investors.

As the Client has no personnel of its own, it relies on the performance of NMFC and the Service Providers. Each investor's relationship in respect of its interests is with the Client only. Absent a direct contractual relationship between an investor and the relevant Service Provider, no investor will have any contractual claim against any Service Provider for any reason related to its services to the Client. Instead, the proper plaintiff in an action in respect of which a wrongdoing is alleged to have been committed against the Client by the relevant Service Provider is, prima facie, the Client. To the extent NMFC is in a position to determine whether to pursue such a claim, NMFC could have an incentive to refrain from doing so in recognition of its or New Mountain's other relationships with the service provider.

Retention and Motivation of Employees

The success of the Client is dependent upon the talents and efforts of highly skilled individuals employed by New Mountain and its ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other

employees. We depend on the investment judgment, skill and relationships of the investment professionals of NMFA, to identify, evaluate, negotiate, structure, execute, monitor and service our investments. NMFA, as an affiliate of New Mountain, is supported by New Mountain's team. NMFA will depend upon New Mountain to obtain access to investment opportunities originated by the professionals of New Mountain and its affiliates. There can be no assurance that NMFA's investment professionals will continue to be associated with NMFA throughout the life of any client, and the failure to attract or retain such investment professionals could have a material adverse effect on the Client and investors' investments therein. Competition in the financial services industry for qualified employees is intense and there is no guarantee that, if lost, the talents of NMFA's investment professionals could be replaced.

Investment and Due Diligence Process

Before the Client makes an investment, NMFC will review and, to the extent it deems it necessary, update the existing research, previously produced by New Mountain, if applicable. New Mountain conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, NMFC (and before it, New Mountain more generally), can be required to evaluate important and complex business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding an investment, NMFC and New Mountain generally will rely on the resources reasonably available to them, respectively, which in some circumstances, whether or not known to NMFC or New Mountain (as applicable) at the time, can be insufficient, accurate, complete or reliable. Due diligence can fail to reveal or highlight matters that could have a material adverse effect on the value of an investment.

Increased Regulatory Oversight

Increased regulation and regulatory oversight of private investment funds and their managers can impose administrative burdens on NMFC and New Mountain, including, without limitation, responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens can divert their time, attention and resources from portfolio management activities to responding to inquiries, examinations and enforcement actions (or threats thereof). Regulatory inquiries often are confidential in nature, can involve a review of an individual's or a firm's activities or can involve studies of the industry or industry practices, as well as the practices of a particular institution.

Effect of Substantial Losses

If, due to extraordinary market conditions or other reasons, the Client or New Mountain were to incur substantial losses, the revenues of NMFC or NMFA can decline substantially. Such losses can hamper New Mountain and NMFC's ability to (i) retain personnel, (ii) provide the same level of service to the Client as it has in the past, and (iii) continue operations.

Increasing Assets Under Management

The rates of return achieved by advisers or managers often diminish as the assets under their management increase. New Mountain has not agreed to limit the amount of capital it will manage in clients with objectives or investments similar to the Client, or more generally.

Risks Relating to the Operations and Investment Activities of the Client

Systems and Operational Risks Generally

The Client depends on NMFC and New Mountain to develop and implement appropriate systems for the Client's activities. The Client relies heavily and on a daily basis on financial, accounting and other data processing systems maintained by New Mountain 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 Client's activities. In addition, the Client relies on information systems to store sensitive information about the Client. Certain of the Client's and NMFC's activities will be dependent upon systems operated by third parties, market counterparties and other Service Providers, and NMFC will not always be in a position to verify the risks or reliability of such third-party systems. Disruptions in NMFC's or the Client's operations can cause the Client 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 Client.

Cybersecurity Risk

Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and are expected to continue to increase in frequency in the future. The information and technology systems of NMFC, New Mountain or a service provider are vulnerable to damage or interruption from computer viruses and other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors or malfeasance by their respective professionals or service providers, power, communications or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes, earthquakes or terrorist incidents. If unauthorized parties gain access to such information and technology systems, or if personnel abuse or misuse their access privileges, they can steal, publish, delete or modify private and sensitive information. Although NMFC and New Mountain have implemented, and service providers can implement, various measures to manage risks relating to these types of events, such measures could be inadequate and, if compromised, information and technology systems could become inoperable for extended periods of time, cease to function properly, or fail to adequately secure private information. Even with sophisticated prevention and detection systems, breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage could be not identified in a timely manner or at all, potentially resulting in further harm and precluding appropriate remediation. New Mountain, NMFC and/or the Client could have to make significant investments to fix or replace information and technology systems. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of NMFC, New Mountain, the Client, and/or their respective service providers and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and their beneficial owners) and the intellectual property and trade secrets of NMFC and/or New Mountain. Such a failure could harm the reputation of NMFC, New Mountain, and/or the Client, require them to make a significant investment to remedy the effects of any such failures, subject any such entity and their respective affiliates to legal claims and adverse publicity and otherwise affect their business and financial performance. When such issues are present with regard to the issuer of securities in which the Client invests, the Client's investment in those securities can lose value.

Valuation of Assets and Liabilities

The Client's assets and liabilities are valued in accordance with its Governing Documents and pursuant to applicable valuation policies and procedures (the "Valuation Procedures") adopted New Mountain for use in the valuation of assets held by the Client. The valuation of any asset or liability involves inherent uncertainty. The value of a security determined in accordance with the Governing Documents and valuation policies and procedures can differ materially from the value that could have been realized in an actual sale or transfer for a variety of reasons, including the timing of the transaction and liquidity in the market. Uncertainties as to the valuation of portfolio positions could have an impact on the net asset value of the Client if the judgments regarding the appropriate valuation should prove to be incorrect.

Counterparty Risk

The Client expects to establish relationships to obtain financings or other services from third parties. However, there can be no assurance that the Client will be able to establish or maintain such relationships or to establish and maintain them on favorable terms. An inability to establish or maintain such relationships could limit the Client's investment activities, create losses, preclude the Client from engaging in certain transactions or prevent the Client from trading at optimal rates and terms.

Competition; Availability of Investments

Certain markets in which the Client invests are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that NMFC will be able to identify or successfully pursue attractive investment opportunities in such environments. Competition for suitable investments from a broad spectrum of competitors, including other pooled investment vehicles, commercial and investment banks, commercial financing companies, insurance companies and high-yield investors, some of which can be willing to lend money on terms more favorable to borrowers, can reduce the availability of investment opportunities or alter the terms on which the Client are able to invest, making it difficult for the Client to capitalize on investment opportunities or to originate or purchase investments at the Client's initial projected risk-adjusted returns. For example, such competing lenders can have a lower cost of funds and access to funding sources that are not available to the Client. In addition, some competitors can have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than the Client. NMFC could also choose for the Client to refrain from competing for investment opportunities based on interest rates. Ultimately, increased competition for, or a diminution in the available supply of, qualifying borrowers can result in lower yields on loans to such borrowers, which could reduce returns to the Client. There can be no assurance that NMFC will be able to identify or successfully pursue attractive investment opportunities for the Client.

Credit Ratings

In general, the credit rating assigned by a nationally recognized rating agency to a security represents such rating agency's opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such securities. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased

illiquidity in the credit markets. Further, credit ratings can change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency's analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings cannot always reflect the issuer's current credit standing. The Client can incur losses if it makes investments based on credit ratings that subsequently change in a way not favorable to the Client's investment objective.

Co-Investments with Third Parties

The Client can co-invest with third parties. Third-party involvement with an investment can negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of the Client or is in a position to take (or block) action in a manner contrary to the Client's investment objective. In circumstances where such third parties involve a management group, such third parties can enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

Exposure to Material Non-Public Information

From time to time, NMFC can receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Client can be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

General Credit Risks

The Client intends primarily to make loans and invest in other debt instruments or obligations secured by collateral and intends to focus on high quality businesses, the Client can be exposed to losses resulting from default and foreclosure of any such loans or interests in loans in which it has invested. Therefore, the value of underlying collateral, the creditworthiness of borrowers and the priority of liens are each of great importance in determining the value of the Client's investments. No guarantee can be made regarding the adequacy of the protection of the Client's security in the loans or other debt instruments in which it invests. Moreover, in the event of foreclosure, the Client or an affiliate thereof can assume direct ownership of any assets collateralizing such foreclosed loans. The liquidation proceeds upon the sale of such assets can be insufficient to satisfy the entire outstanding balance of principal and interest on such foreclosed loans, resulting in a loss to the Client. Any costs or delays involved in the effectuation of loan foreclosures or liquidation of the assets collateralizing such foreclosed loans will further reduce proceeds associated therewith and, consequently, increase possible losses to the Client. In addition, no assurances can be made that borrowers or third parties will not assert claims in connection with foreclosure proceedings or otherwise, or that such claims will not interfere with the enforcement of the Client's rights.

Privately Held Companies

Client expects to invest primarily in privately held companies. There is generally little public information about these companies, and, as a result, the Client must rely on the ability of NMFC

to obtain adequate information to evaluate the potential returns from, and risks related to, investing in these companies. If NMFC is unable to uncover all material information about these companies, NMFC can be unable to make a fully informed investment decision, which will impact the returns on the Client's investments in such companies. Also, privately held companies frequently have less diverse product lines and smaller market presence than larger competitors. They are, thus, generally more vulnerable to economic downturns and can experience substantial variations in operating results. These factors could adversely affect the investment returns of the Client.

Business and Credit Risks

Investments made by the Client will generally involve a significant degree of financial and/or business risk. The Client can invest a portion of its capital in fixed-income securities, including subordinated debt, preferred securities, convertible securities, participations and other fixed-income securities and obligations. Fixed-income securities are subject to the risk that the issuer will be unable to meet principal and interest payments on its obligations (i.e., credit risk) and are also subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Portfolio Company Management

Each portfolio company's day-to-day operations will be the responsibility of such portfolio company's management team. Although NMFC 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 Client'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 Client can be adversely affected thereby.

Operating and Financial Risks of Portfolio Companies

Companies in which the Client 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 the Client expects to be stable can operate, or expect to operate, at a loss or have significant variations in operating results, can require substantial additional capital to support their operations or to maintain their competitive position, or can otherwise have a weak financial condition or be experiencing financial distress. In some cases, the success of the Client's investment strategy will depend, in part, on the ability of the Client 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 NMFC, on behalf of the Client, will be able to successfully identify and implement such restructuring programs and improvements.

Although NMFC'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

Leverage for Investment Purposes

The use of leverage will allow the Client to make additional investments, thereby increasing its exposure to assets, such that its total assets can be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Client's portfolio. The effect of the use of leverage by the Client in a market that moves adversely to its investments could result in substantial losses to the Client, which would be greater than if the Client were not leveraged.

Collateral and General Leverage-Related Risks

The instruments and borrowings utilized by the Client to leverage investments can be collateralized by all or a portion of the Client's portfolio. When a borrowing is collateralized, the Client can pledge its securities in order to borrow or otherwise obtain leverage for investment or other purposes. Further, there can be no assurance that the Client will be able to secure or maintain adequate financing.

Costs

Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs could be unrecovered by the return on the Client's portfolio.

Potential Inability to Obtain Leverage

The credit markets remain volatile and the availability of, and commercially reasonable terms associated with, indebtedness can be difficult to ascertain. Because of this, there can be no assurance that the Client will be able to obtain indebtedness or that indebtedness will be accessible by the Client at any time. If indebtedness is available to the Client, there can be no assurance that such indebtedness will be on terms favorable to the Client and/or terms comparable to terms obtained by competitors, including with respect to interest rates.

Risks Relating to Specific Investments

Loans and Participations

The Client can originate loans and otherwise will invest in loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that can arise with respect to collateral securing the obligations; (iv) limitations on the ability of the Client to directly enforce its rights with respect to participations; and (v) possible claims for the return of some or all payments in a debt made within 90 days (and in some cases, within one year) of the date of the issuer's/borrower's insolvency came under Title 11 of the United States Code (the "US Code") and under certain state laws. In analyzing each loan or participation, NMFC compares the relative significance of the risks against the expected benefits of the investment. Successful claims by

third parties arising from these and other risks will be borne by the Client. In purchasing a participation, the Client generally would have no right to enforce compliance by the obligor with the terms of the loan or credit agreement or other instrument evidencing such loan obligation, nor any rights of set-off against the obligor, and the Client could not directly benefit from the collateral supporting the loan obligation in which it has purchased the participation. As a result, the Client would assume the credit risk of both the obligor and the selling institution, which would remain the legal owner of record of the applicable loan. In the event of the insolvency of the selling institution, the Client can be treated as a general creditor of the selling institution in respect of the participation, could not benefit from any set-off exercised by the selling institution against the obligor and can be subject to any set-off exercised by the obligor against the selling institution. Assignments and participations are typically sold strictly without recourse to the selling institution, and the selling institution will generally make no representations or warranties about the underlying loan, the portfolio companies, the terms of the loans or any collateral securing the loans. Certain loans have restrictions on assignments and participations which can negatively impact the Client's ability to exit from all or part of its investment in a loan.

The Client can originate loans but it can also invest in loans through the secondary markets. As secondary-market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which can 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.

Priority of Debt Instruments and Loans

The Client can invest in secured debt issued by companies that have or can incur additional debt that is senior to the secured debt owned by the Client. 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 Client) 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 Client own secured debt that is junior to other secured debt, the Client can lose the value of its entire investment in such secured debt.

Participation and Other Indirect Economic Interests

A portion of the assets of the Client can consist of participation interests or other indirect economic interests in loans or other debt obligations. In such circumstances, the Client will not directly own the debt obligations underlying such participation or other economic interests and/or have custody thereof. As a result, the Client will be exposed to the risk that the assets of the holder/custodian of any such underlying debt obligation can be 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 Client can be unable to assert any rights against borrowers of the underlying indebtedness, and can 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 a variety of reasons, including by way of example, having a limited financial interest in the outcome, having other relationships with the underlying defaulting borrowers, the threat of potential counterclaims or other reasons, that can differ from the interests of the Client. The failure of such holders/custodians and financial institutions or other entities to assert their rights (on behalf of the Client) or the insolvency of such entities could materially adversely affect the value of the assets of the Client.

Loan Investments

The Client'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 Client 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.

Leveraged Loans

"Leveraged loans" are loans made to companies with a below investment-grade rating from any nationally recognized rating agency. Such loans can be performing poorly when the Client acquires them. There is no assurance that NMFC will correctly evaluate the value of the assets collateralizing such loans or the prospects for distribution on or repayment of such loans. The Client can lose its entire investment or can be required to accept cash, property or securities with a value less than the Client's original investment and/or can be required to accept payment over an extended period of time.

Hung Loans

The term "hung loan" commonly refers to a loan that has been made (or has been committed to be made), and the lender is not able to syndicate the loan on the originally anticipated terms. Hung loans are illiquid and lack readily ascertainable market values; there is no assurance that the price to be paid for hung loans by the Client will allow the Client ultimately to achieve a positive return on such loans or avoid losses. Since the price of the loans to be purchased is expected to continue to be significantly impacted by, in addition to the specific circumstances relating to each loan (*e.g.*, in the case of a loan relating to a leveraged buyout ("LBO"), the financial condition of the target), global and macro-economic conditions (*e.g.*, monetary policy, changes to currency exchange rates, governmental intervention or changes to existing laws, international geo-political events, etc.) as well as other systemic factors, it is possible that loans purchased by the Client will suffer significant impairments in value as a result of events that are unpredictable or which were not predicted by the Client. The Client can also face difficulties in disposing of or leveraging such loans, or in doing so without incurring losses. The markets in which hung loans are purchased and sold have been volatile and are likely to continue to be volatile in the future.

Bank Loans

Bank loans are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that can arise with

respect to collateral securing the obligations; and (iv) limitations on the ability of the Client to directly enforce its rights with respect to participations. Successful claims by third parties arising from these and other risks will be borne by the Client.

As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which can 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 or that the current level of liquidity will continue. 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 the high-yield debt market.

Second-Lien Loans

The Client can invest in loans that are secured by a second-lien on assets. Second-lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second-lien loans in adverse economic circumstances. In addition, second-lien loan products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second-lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy that can materially affect recoveries. While there is broad market acceptance of some second-lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second-lien loan products. This variation in key intercreditor terms can result in dissimilar recoveries across otherwise similarly situated second-lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second-lien loan products carry more risks than certain other debt products. Beginning in August 2007, the market for many loan products, including second-lien loans, contracted significantly, which made virtually all leveraged loan products, particularly second-lien loan products, less liquid or illiquid. Many participants ceased underwriting and purchasing certain second-lien loan products. There can be no assurance that the market for second-lien loans will not contract similarly in the future.

Bridge Loans

It is a common practice for financial institutions to commit to providing bridge loans to facilitate acquisitions, including LBOs, where they serve as advisers to the purchaser. Bridge loans are frequently made because, for timing or market reasons, longer-term financing is not available at the time the Client is needed, which is often at the time of the closing of an acquisition. In the past, these commitments were not frequently drawn upon due to the availability of other sources of financing; however, due to market conditions affecting the availability of these other sources of financing (principally high-yield bond transactions), bridge loan commitments have been and can be drawn upon more regularly. Since these commitments were not regularly drawn upon in the past, there is little history for investors to rely upon in evaluating investments in bridge loans. Bridge loans often have shorter maturities. Borrowers and lenders typically agree to shorter maturities based on the anticipation that the bridge loans will be replaced with other forms of financing within such shorter time period. However, the source and timing of such replacement financing is often uncertain and can be affected by, among other things, market conditions and the

financial condition of the borrower at the maturity date of the bridge. If the borrower is unable to obtain replacement financing and repay the bridge loan at maturity, the terms of the bridge loan can provide for the bridge loan to be converted to a longer-term loan. If bridge loans are not repaid (or cannot be disposed of on favorable terms) on the dates projected by NMFC, there can be an adverse effect upon the ability of NMFC to manage the assets of the Client in accordance with its models and projections or an adverse effect upon the Client's performance and ability to make distributions.

Cov-Lite Loans

The Client can hold 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 the Client 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 the Client varies depending on the Client's Governing Documents.

Balloon Loans and Bullet Loans

The Client can 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 Client 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.

International Investing

Investing outside the United States can involve greater risks than investing in the United States. The Client can invest in issuers 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 the Client'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 the Client 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 the Client will hold assets uninvested, reducing or eliminating returns. The inability of the Client to make intended asset purchases due to settlement problems or the risk of intermediary counterparty failures could cause the Client to miss investment opportunities. The inability to dispose of a investment due to settlement problems could result in losses to the Client due to subsequent declines in the value of such investment or, if the Client has entered into a contract to sell the investment, 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.

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 can adversely affect the valuation of the collateral underlying the loans or can adversely affect the ability of the Client to perfect or effectuate a lien on the collateral securing the loan. The Client 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 Client can be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Additionally, the Client 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 Client can 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 can take priority over the claims of the Client under such guarantees. Under Federal or state fraudulent transfer law, a court can void or otherwise decline to enforce such secured debt and the Client

would no longer have any claim against such portfolio company or the applicable guarantor. In addition, the court might direct the Client to disgorge any amounts already received from the portfolio company or a guarantor. In some cases, significant subsidiaries of a portfolio company may not guarantee the obligations of the portfolio company; in other cases, a portfolio company can have the ability to release subsidiaries as guarantors of the portfolio company's obligations. The repayment of such investments can depend on cash flow from subsidiaries of a portfolio company that are not themselves guarantors of the portfolio company's obligations.

Debt Securities

Debt securities of all types of issuers can have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) can face significant ongoing uncertainties and exposure to adverse conditions that can undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

Dealer Market Making

The value of the Client'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 can be attributable to 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 or general market uncertainty, this could result in greater volatility and illiquidity in the fixed income market, which could impair the Client's profitability or result in losses.

Interest Rate Risk

Changes in interest rates can affect the value of the Client's investments in fixed-income instruments. Increases in interest rates can cause the value of the Client's debt investments to decline. The Client can experience increased interest rate risk to the extent it invests, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

LIBOR Risk

In July 2017, the Financial Conduct Authority ("FCA") announced its intention to begin to cease sustaining the London Inter-bank Offered Rate ("LIBOR") at the end of 2021. The FCA's indicated its intent that, after 2021, it will no longer be necessary for the FCA to persuade or compel banks to submit to LIBOR due to the development of alternative benchmark rates, which the FCA suggested should be based on transactions and not on reference rates that do not have active underlying markets to support them. As of the date of this brochure, no specific alternative rates have been generally agreed upon in the loan market or the private fund market, though the Alternative Reference Rates Committee has issued suggestions.

In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee ("AARC") of the Federal

Reserve Board and the Federal Reserve Bank of New York. On June 22, 2017, the ARRC identified the Secured Overnight Financing Rate (“SOFR”), a broad U.S. treasuries repo financing rate to be published by the Federal Reserve Bank of New York, as the rate that, in the consensus view of the ARRC, represented best practice for use in certain new U.S. dollar derivatives and other financial contracts. The first publication of SOFR was released in April 2018. The Bank of England followed suit on April 23, 2018 by publishing its proposed alternative rate, the Sterling Overnight Index Average (“SONIA”). Although there have been a few issuances utilizing SONIA and SOFR, it remains in question whether or not these alternative reference rates will attain market acceptance as replacements for LIBOR. Both SOFR and SONIA significantly differ from LIBOR, both in the actual rate and how it is calculated, and therefore it is unclear whether and when markets will adopt either of these rates as a widely accepted replacement for LIBOR.

Actions by regulatory authorities, financial institutions or others to phase out, modify or eliminate LIBOR or to propose or require transition to a particular alternative benchmark in a certain manner upon the occurrence of one or more future events could cause one or more of the following, among other things, to occur: (i) an increase in the volatility of LIBOR prior to the consummation of any such change, (ii) an increase in the portion of loans and temporary investments that calculate interest based on a benchmark rate other than LIBOR or bear interest at a fixed rate (which could result in decreased interest payable with respect to one or more loans), (iii) increased volatility with respect to the pricing and liquidity of the loans, (iv) a further mismatch between the interest rate payable with respect to any leverage facility and the interest income earned thereby from the loans collateralizing such facility or (v) a mismatch between the interest rate payable with respect to loans held by the Client and the interest rate utilized for the Client. If and/or when LIBOR is phased out or eliminated as a benchmark rate, it is uncertain whether broad replacement conventions in the leveraged loan and leverage facility markets will develop or be required by relevant regulators and, if conventions develop, what those conventions will be, whether they will be similar to each other and whether they (or any of them) will create adverse consequences for the Client, any loans and/or any leverage facility debt. If no such conventions develop or if changes in the benchmark are dependent upon mutually agreed amendments thereto by the parties to individual contracts, it is uncertain what effect broadly divergent interest rate calculation methodologies in the markets or timing with respect to such amendments will have on the price and liquidity of loans or any leverage facility or on mismatches between the loans and any leverage facility debt or on the ability of an obligor or of the Client to obtain new financing when necessary to pay or refinance any then-existing loan or leverage facility debt as applicable. While the Client might be able to enter into an amendment with the specified holders of its leverage facility debt to provide for its leverage facility to bear interest based on an alternative reference rate instead of LIBOR, or be permitted to designate an alternative reference rate with respect thereto or agree for a future hardwired amendment to provide for its leverage facility debt to bear interest based on an alternative reference rate instead of LIBOR upon the occurrence of certain events, there can be no assurance that any such amendment or designation (a) will occur, (b) will effectively mitigate interest rate risks (including mismatches between the methodology and/or timing for determining alternative reference rates as between its leverage facility debt and the loans collateralizing such leverage facility), (c) will occur prior to any date on which the Client suffers adverse consequences from the phase out, elimination or modification or potential phase out, elimination or modification of LIBOR or (d) will not have a material adverse effect on the Client.

Prepayment Risk

The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of factors, including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. 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.

The adverse effects of prepayments can impact the Client’s portfolio in two ways. First, particular investments can experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Second, particular investments can underperform relative to hedges that NMFC can have constructed for these investments, resulting in a loss to the Client’s overall portfolio. In particular, prepayments (at par) can limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

Future Funding Obligations

The Client can from time to time incur funding obligations that can arise in the future in connection with an investment. For example, NMFC can cause the Client to purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Client would be obligated to fund the amounts due. If the Client is unable to pay its obligations when due, the Client could face significant penalties that could materially adversely affect its returns. The Client can also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party, and can, on the other hand, enter into agreements through which third parties offer default protection to the Client.

Corporate Debt

Bonds, notes and debentures issued by corporations can pay fixed, variable or floating rates of interest, and can include zero-coupon obligations. Corporate debt instruments can be subject to credit ratings downgrades. Other instruments can have the lowest quality ratings or can be unrated. In addition, the Client can be paid interest in kind in connection with its investments in corporate debt and related financial instruments (*e.g.*, the principal owed to the Client in connection with a debt investment can be increased by the amount of interest due on such debt investment). Such investments can 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 Client can experience substantial losses.

Syndication and/or Transfer of Debt Instruments

The Client (through one or more subsidiaries) intend to originate secured debt obligations and purchase secured debt obligations (including participation interests or other indirect economic interests) with Fund capital. NMFC expects that in certain instances it will cause the Client (through one or more subsidiaries) originate or purchase secured debt obligations and, from time to time, to syndicate and/or otherwise transfer a significant portion thereof, including to one or more affiliated entities. In such instances, the Client will bear the risk of any decline in value prior to such syndication and/or other transfer, which risk is heightened in uncertain or dislocated market conditions. In addition, the Client will also bear the risk of any inability to syndicate or otherwise transfer such secured debt obligations or such amount thereof as originally intended, which could result in the Client owning (indirectly) a greater interest therein than anticipated.

Weak Economy Could Trigger Defaults

Any substantial economic slowdown could increase delinquencies, defaults and foreclosures, and adversely affect the Client's portfolio of loans and/or the Client's ability (through one or more subsidiaries) to originate loans. Periods of economic slowdown or recession can be 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 Client hold, weaken the Client's collateral coverage and increase the possibility and severity of a loss if a borrower defaults. A lack of equity in a property can reduce 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 would reduce the Client's ability (through one or more subsidiaries) to originate loans and increase its losses on loans.

Recharacterization

Under Title 11 of the U.S. Code, a court can use its equitable powers to "recharacterize" the claim of a lender, *i.e.*, notwithstanding the characterization by the lender and borrower of a loan advance as a "debt," to find that the advance was in fact a contribution of equity. Typically, recharacterization occurs when an equity holder asserts a claim based on a loan made to the borrower at the time the borrower was in such poor financial condition so that other lenders would not make such a loan. In effect, a court that recharacterizes a claim makes a determination that the original circumstance of the contribution warrants treating the holder's advance not as debt but rather as equity. In determining whether recharacterization is warranted in any given circumstance, courts look to the following factors: (i) the names given to the instruments (if any) evidencing the indebtedness; (ii) the presence or absence of a fixed maturity or scheduled payment; (iii) the presence or absence of a fixed rate of interest and interest payments; (iv) the source of repayments; (v) the adequacy or inadequacy of capital; (vi) the identity of interest between the creditor and the equity holders; (vii) the security (if any) for the advances; (viii) the borrower's ability to obtain financing from outside lending institutions; (ix) the extent to which the advances were subordinated to the claims of outside creditors; (x) the extent to which the assets were used to acquire capital assets; and (xi) the presence or absence of a sinking fund to provide for repayment. These factors are reviewed under the circumstances of each case, and no one factor is controlling. The Client can be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the Client should be recharacterized.

Contingent Liabilities

From time to time, the Client could incur contingent liabilities in connection with an investment or loan. For example, the Client might invest in a revolving credit facility that has not yet been fully drawn. If a borrower subsequently draws on the facility, the Client would be obligated to fund the amounts due. The Client can also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party or, conversely, pursuant to which third parties offer default protection to the Client.

Insufficient Collateral

NMFC's decision to cause the Client to originate loans is based partly upon the adequacy of the borrower's collateral, an incorrect valuation of such collateral can result in unforeseen losses. Despite performing due diligence on the collateral, including, where appropriate, by engaging third-party independent valuers to estimate the value of the collateral pledged by the borrower, the inherent uncertainty of valuation of collateral can result in values that differ significantly from the values that can ultimately be obtained for such collateral. In addition, even if collateral is initially valued correctly, changes in market conditions, regulations or other circumstances, or changes directly related to such collateral, can materially adversely affect the value thereof.

Lender Liability

The Client can incur liability as a result of its lending activities or the lending activities of the sellers that have originated the loans. In past years, 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 Client purchases its loans in the ordinary course of its investment activities, the Client can be subject to allegations of lender liability by reason of the actions of the sellers that originated those loans. NMFC cannot assure that these claims will not arise, or that the Client will not be subject to significant liability if a claim of this type were to be successful.

Litigation and Collection Costs

Should the Client need to 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 Client 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.

Valuation

The Client will invest principally and potentially exclusively in loans and other investments that are not publicly traded. The fair value of such investments therefore is often not easy to determine. Valuations of illiquid investments require judgment, are inherently uncertain, can fluctuate and are generally based on estimates. It is possible that NMFC's determinations of fair value will differ materially from the values that would have been used if an active market for these investments existed. If NMFC's determinations regarding the fair value of such investments are materially higher than the values that are ultimately realized upon the sale of such investments, returns would

be adversely affected. NMFC values investments as provided in the Client's Governing Documents and New Mountain's Valuation Procedures.

Incurrence of Additional Debt by Borrowers

There can be no assurance that the borrower will not incur further debt in addition to the loans held by the Client. Any such increase of debt levels could impair the ability of borrowers to service their loans, which, in turn, could result in higher rates of delinquency and loss on the loans held and/or originated by the Client (or one or more subsidiaries) or otherwise underlying the Client's investments.

Unspecified Investments

An investor must rely upon the ability of NMFC to identify, structure and implement portfolio investments consistent with the Client's investment objectives and policies. NMFC might be unable to find a sufficient number of attractive opportunities to meet the investment objectives of the Client. The success of the Client will depend on the ability of NMFC 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

The Client can participate in a limited number of portfolio investments and, as a consequence, the aggregate return of the Client can be substantially adversely affected by the unfavorable performance of even a single portfolio investment. Moreover, there are no assurances that all of the Client's portfolio investments will perform well or even return capital. Therefore, if certain portfolio investments perform unfavorably, for the Client 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 the Client's Governing Documents, investors have no assurance as to the degree of diversification of the Client's portfolio investments, either by geographic region, industry or transaction type. To the extent the Client 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 can affect the value of the portfolio investments held by the Client. Instability in the securities markets can also increase the risks inherent in the Client's portfolio investments. The ability of portfolio companies to refinance debt securities can depend on their ability to sell new securities in the public high-yield debt market or otherwise.

Illiquid and Long-Term Investments

Investments in the Client require a long-term commitment with no certainty of return. Many of the Client's portfolio investments will be highly illiquid, and the Client can be unable to realize on such portfolio investments in a timely manner. It is likely that no significant return from the disposition of the Client's portfolio investments will occur for several years. Often, there will be no readily available market for portfolio investments made by the Client. In most cases, there will be no public market for the securities held by the Client at the time of their acquisition. The Client 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, the Client can be unable to liquidate that portfolio investment or can be unable to do so at a profit. Moreover, there can be no assurances that private purchasers of the Client's portfolio investments will be found.

Hedging Policies/Risks

In connection with certain portfolio investments, the Client can employ hedging techniques designed to reduce the risk of adverse movements in interest rates, securities prices and currency exchange rates. While such transactions can reduce certain risks, such transactions themselves can entail certain other risks. Thus, while the Client can benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, currency exchange rates and other factors can result in a poorer overall performance for the Client than if it had not entered into such hedging transactions. The Client could determine not to 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 fail to hedge 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, NMFC will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each portfolio investment. Due diligence can 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 can be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third party advisers or consultants can present a number of risks primarily relating to NMFC's reduced control of the functions that are outsourced. In addition, if NMFC 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, NMFC 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 NMFC carries out with respect to any investment opportunity can fail to reveal or highlight all relevant facts that would 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 the Client 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, the Client could 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 can adversely affect the value of the Client's securities and/or instruments in such portfolio company. The Client 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 the Client can 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 the Client's investments, and the income received by the Client with respect to such investments, can be denominated in currencies other than U.S. dollars. However, the books of the Client will be maintained, and capital contributions to and distributions from the Client generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates can adversely affect the dollar value of investments, interest and dividends received by the Client, gains and losses realized on the sale of investments and the amount of distributions, if any, to be made by the Client. In addition, the Client will incur costs in converting investment proceeds from one currency to another. NMFC can 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 the Client. Misconduct by employees or by third-party service providers could cause significant losses to the Client. Employee misconduct can include binding the Client to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or concealing unsuccessful investments (which, in either case, can 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 can improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Client's business prospects or future activities. Although NMFC 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 NMFC takes to detect and prevent this activity can be ineffective.

Role of New Mountain's Professionals

The success of the Client depends in large part upon the skill and expertise of the private equity and other professionals employed or otherwise engaged by NMFC's affiliate, New Mountain Capital, LLC. The interests of these professionals in NMFC should tend to discourage them from withdrawing from participation in the Client's investment activities. However, there can be no assurance that any such professional will continue to be associated with NMFC. The loss of services of any key individual can adversely affect the ability of the Client to pursue successfully its investment program.

Uncertainty of Financial Projections

NMFC 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 can 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 New Mountain activities, NMFC personnel can acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. In those instances, the Client can be restricted from acting upon any such information. Due to these restrictions, the Client can be unable to initiate a transaction that it otherwise might have initiated and can be unable to sell a portfolio investment that it otherwise might have sold. Conversely, the Client could be unable to access material non-public information in the possession of NMFC which might be relevant to an investment decision to be made by the Client, and the Client can initiate a transaction or sell a portfolio investment which, if such information had been known to it, would not have been undertaken.

Public Company Holdings

The Client's investment portfolio can contain securities issued by publicly held companies in privately negotiated transactions. Such portfolio investments can subject the Client 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 the Client 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.

Conflicts of Interest

Investors should be aware that there will be occasions when NMFC (including officer, directors, employees and Senior Advisors of NMC) and its affiliates can encounter potential conflicts of interest in connection with the performance of advisory services to the Client, including (as described in more detail below and elsewhere herein) with respect to other investment vehicles (the “Funds”) managed by NMC and allocations of investment opportunities, allocation of personnel, and conflicts of interest related to being in possession of material non-public information which can restrict the ability of NMFC to enter into certain transactions on behalf of its Client.

NMFC will take actions as in its good faith judgment are necessary or appropriate to ameliorate conflicts of interest that it identifies. These actions can, 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 senior management of the Client regarding the conflict of interest and either obtaining a waiver from the CCO of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the CCO with respect to such conflict of interest. NMFC intends to consult with the CCO with respect to any matter as to which it determines in good faith that a material conflict of interest exists.

In addition, there are four advisory affiliates of NMFC. One advisory affiliate manages public equity funds that generally invest in public securities. A second advisory affiliate manages NMC’s private equity funds. A third advisory affiliate advises private credit funds, NMNLC and NMFC, which invest primarily in debt investments in middle-market companies, similar to those of the Client. The fourth advisory affiliate acts as collateral manager to issuers of collateralized loan obligations backed by debt obligations and similar assets, similar to those of the Client. Subject to restrictions in the applicable Funds’ governing documents, New Mountain can raise other public and private funds and other investment vehicles in the future and such Funds can from time-to-time make investments that would be suitable for the other Funds. In particular, certain debt investments that the Funds would otherwise be able to make can be allocated to NMFC. In addition, there can be circumstances when one New Mountain advisory affiliate has considered a potential investment in a portfolio company on behalf of a Fund it advises (which could include NMFC on behalf of the Client), has determined not to make such investment and an investment is eventually made in such portfolio company by another New Mountain advisory affiliate on behalf of one or more Funds it advises (which could include NMFC on behalf of the Client or NMFC, for its own account, upon the advice of NMFA). In these circumstances, the Client, NMFC, or the existing Funds can benefit from the use of information and research by the investment team which initially considered the investment and/or from costs borne by the applicable Fund(s) in pursuing the potential portfolio investment, but will not be required to reimburse, (or be reimbursed, as applicable) for expenses incurred in connection with such investment.

The Client can invest in companies in which other clients of New Mountain invest, or would be permitted to invest, subject to the restrictions of the 1940 Act. As a result, our other clients can be restricted in their ability to invest in certain companies in which the Client presently holds an investment, or that NMFC has targeted for investment, to the extent it would result in a violation of the restrictions on transactions involving affiliates set forth in 1940 Act. Accordingly, the Client and New Mountain’s other clients will generally be permitted to co-invest in such companies where the only term being negotiated is price, or pursuant to terms and conditions of the Co-Invest

Order (defined below). In addition, while the Client, NMFC and other New Mountain clients are generally prohibited from investing in different parts of the capital structure of an issuer at the same time, there could be circumstances where the Client has invested in an issuer, the debt and/or public equity of which was previously held by another account managed by an advisory affiliate.

The portfolio companies in which the Client invests can transact business with (or otherwise provide services and/or products to) one another. Those same portfolio companies can also transact business with NMFC's affiliated advisers, funds, employees and/or Senior Advisors. Such arrangements will generally be negotiated and executed at arm's length, but certain factors can 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.

In addition to providing investment advisory services to the Client, NMFC also provides management services to NMNLC, a REIT. In addition to providing management services to the REIT, NMFC is also a shareholder of the REIT. NMFC personnel who devote time and resources to the REIT would be limited in the time and resources they can devote to the Client, which could be viewed as creating a conflict of interest.

NMFC also invests, whether on behalf of the Client or for its own account, in joint venture vehicles. While NMFC does not provide investment advisory services to these joint venture vehicles, the vehicles can and do invest in similar assets as the Client.

While NMFC 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 NMFC has invested in an issuer, the debt and/or public equity of which was previously held by a fund of an affiliated adviser of NMFC.

NMFC personnel can work on projects unrelated to the Funds, and conflicts in the allocation of management resources can arise as a result of such other activities. Additionally, from time to time, they can make personal investments in entities owned or controlled by other employees or Senior Advisors of NMFC's affiliated advisers (and/or their related funds). All such investments are subject to the NMFC Code of Business Conduct and 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.

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

9. Disciplinary Information

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

10. Other Financial Industry Activities and Affiliations

NMFC is affiliated with other investment advisers registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). NMC Group acts as shared service provider (in such capacity, the “Shared Service Provider”) to the affiliated advisers and NMFC under shared services agreements. Through the Shared Services Agreement between NMFC 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 NMFC delegates to NMC Group. NMFA, which acts as the investment adviser to NMFC in its capacity as a BDC, also has a similar Shared Services Agreement with NMC Group.

As discussed below, the varied nature of New Mountain’s clients and their investments, and the activities of 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 (collectively, “Other Accounts”). Other Accounts could make investments that would be suitable for the Client. Other Accounts could also make investments in equity of public companies whose loans could be suitable for investment by the Client. New Mountain maintains a compliance program, including written allocation policies, to address 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.

Affiliated Advisers

New Mountain Vantage Advisers, L.L.C., New Mountain Credit CLO Advisers, L.L.C., NMFA and NMC are advisory affiliates of NMFC and serve as the respective managers to public equity funds, CLOs, BDCs, private credit funds and private net lease funds, and several private equity funds. Each of our advisory affiliates is separately registered with the U.S. Securities and Exchange Commission (the “SEC”) pursuant to the Advisers Act. Although the investment strategies of the Client managed by NMFC are different from the strategies of the vehicles managed by our advisory affiliates (other than NMFA), we expect to rely heavily on the extensive expertise and industry relationships developed by the employees of these advisory affiliates to identify and evaluate potential investment opportunities for our Client. NMFC, NMFA and the affiliated advisers also share personnel and other resources, pursuant to Shared Services Agreements with NMC Group. As a result, personnel of NMFC who are shared with an affiliated adviser will sometimes work on projects unrelated to the Client, including (as to personnel NMFC shares with NMFA) projects related to NMFC’s investment activities for its own account, which can create conflicts in the allocation of management or other resources and related costs.

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

Furthermore, as discussed in Item 8 above, NMFC provides management services to NMNLC with respect to investments in real property. These activities could create conflicts of interest. However, NMFC believes that conflicts between the Client and NMNLC are mitigated in part by the lack of overlap in the investments and strategies of the Client and NMNLC.

Conflicts of Interest Associated with Overlapping, Competing or Conflicting Investments

As noted above, the Client and Other Accounts will invest in different, similar or the same assets or issuers 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 Client will also be suitable for Other Accounts. 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. The Client could be unable to invest in a particular opportunity (even if NMFC believes that it would be in the Client'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 the Client instead being allocated to an Other Account if that debt investment were also suitable and desired for that Other Account.

With respect to allocations involving the BDCs, New Mountain must consider that the 1940 Act ordinarily restricts joint transactions, which can include common investments, between a registered investment company or BDC and other accounts advised by the BDC's investment adviser or by an Affiliated Adviser. Because New Mountain believes that common investments of the type restricted by the 1940 Act can be beneficial for BDCs and other New Mountain clients, New Mountain requested, and on October 8, 2019 it received, from the SEC an exemptive order (the "Co-Invest Order"), which permits, subject to the conditions set forth in the Co-Invest Order, BDCs to co-invest in portfolio companies with certain other funds or accounts managed by any New Mountain-affiliated adviser in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. The Co-Invest Order supersedes, and expands, prior co-investment exemptive relief granted on December 18, 2017 and June 5, 2017. The conditions of the Co-Invest Order seek to ensure that participation in a co-investment transaction by BDCs managed by New Mountain is not on a basis different from or terms less advantageous than that of other participants. Accordingly, if a BDC managed by New Mountain participates in co-investments with other New Mountain clients, the BDCs 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 Co-Invest Order could ultimately limit the amount of investment allocable by New Mountain to clients other than the BDCs, or delay or impede execution of investments. No client or investor can be assured that the Co-Invest Order will permit a co-investment with a BDC. The Client cannot and will not co-invest with NMFC pursuant to the Co-Invest Order.

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 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 its clients who hold interests senior to those held by the Client. Holders of securities of the same issuer that are more junior in the capital structure might not have the same rights as those holding senior securities. Additionally, if the Client holds junior securities, it 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 the 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 the 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 the 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. The Client should understand that it is possible that the outcome for the 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 the Client and other relevant clients (*i.e.*, those clients that are able and eligible to invest in a potential common investment with the Client 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 the 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 Co-Invest Order, as they relate to 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 and other relevant clients; (iii) the suitability/priority of a particular investment for the Client and other relevant clients; (iv) if applicable, the target position size of the investment for the Client and other relevant clients; (v) the level of available cash for investment with respect to the Client and other relevant clients; (vi) the total amount of funds committed to the Client and other relevant clients; (vii) the age and remaining term of the Client's investment period and the investment periods of other relevant clients, 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 advises CLOs that can invest in certain investment opportunities that would also be appropriate for the Client. New Mountain expects to allocate relatively higher amounts of investment opportunities to new CLOs managed by an affiliated adviser during ramp-up periods, subject to the 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 the Client 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.

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

New Mountain sets high ethical and professional standards for employee conduct. In connection with NMFC's fiduciary obligations to the Client, NMFC has adopted a Code of Business Conduct and Ethics (the "Code of Conduct"), which covers a wide range of business activities, practices and procedures. It does not cover every issue that can arise in the course of NMFC's business activities, but it sets out basic principles designed to guide employees, officers and directors of

NMFC. All employees, officers and directors must conduct themselves in accordance with this Code of Conduct, and seek to avoid even the appearance of improper behavior.

Code of Ethics/Personal Trading

The Firm has adopted a formal code of ethics and insider trading policies and procedures (the “Code”) pursuant to Rule 204A-1 under the Advisers Act 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 NMFC 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 Advisors², 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. Code requirements include, among other 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 is 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 Representative). The Firm has retained Compliance Science, a third-party technology vendor, to assist Compliance in the periodic review of all Access Persons’ brokerage statements and other related investment reports.

New Mountain, its personnel and New Mountain Senior Advisors are permitted with prior notice and/or approval to serve on boards of public companies, including those in which the Client invests. 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.

By reason of their responsibilities in connection with their other New Mountain activities, the Firm’s personnel can acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Firm could be unable to act upon any such

² Generally, New Mountain Senior Advisors are similar to “Operating Partners” and 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. Senior Advisors can also hold senior management or operating positions at portfolio companies advised by one or more Funds. Management Fees will not be offset by any salary, benefits, directors’ fees, stock options and other compensation granted or paid by portfolio companies to (i) non-employee Senior Advisors for serving on boards of directors, serving in executive management roles or performing the functional equivalent of such roles (and New Mountain can reduce the compensation it pays to Senior Advisors who serve in these roles) or (ii) other New Mountain personnel in respect of services performed in an executive management role at a portfolio company during a period in which such other personnel was not an employee of New Mountain.

information. Due to these restrictions, NMFC could be unable to initiate a transaction that it otherwise might have initiated and could be unable to sell an investment that it otherwise might have sold.

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

Principal Transactions and Cross Trades

At times, NMFC could determine to cause the Client to enter into cross trades or other transactions where an ownership interest of NMFC or its personnel in the counterparty causes the transaction to be viewed as a principal transaction for purposes of Section 206(3) of the Advisers Act. In such cases, NMFC would affect such transaction only if NMFC were to first determine that such trade is in the best interests of the Client and then only in compliance with the requirements of the Advisers Act, and the Governing Documents of the Client and, where applicable, the counterparty, including obtaining any required informed consent from the Board or Advisory Committee or a majority in interest of the investors in the Client or applicable counterparty. In addition, as a general matter, the Client cannot engage in transactions with affiliates, except for those transactions provided for in the Governing Documents, approved by the Advisory Committee or by a majority in interest of the investors of the Client or executed pursuant to the Co-Invest Order. NMFC cannot and will not co-invest, as a BDC, with the Client.

A principal transaction could arise if the Client 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, the Client), notice will be provided to and consent sought from the Client. Cross-trades among New Mountain clients or between the client 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, NMFC 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 Client's board or other representative designated by the Client or the board for this purpose, which will be independent of New Mountain. Assets in which the Client can be expected to invest are often not publicly traded and values can be difficult to determine. NMFC 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. NMFC'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 can ultimately be sold. Differences in fair value and actual sale value could adversely impact the Client.

Allocation of Investments

When New Mountain allocates investment opportunities among its various clients, differences in the financial structure of, and compensation paid by, the clients potentially participating in the opportunity could introduce an incentive for New Mountain to favor one client over another. Although NMFC has only one Client, New Mountain expects to be presented with investment opportunities that fall within the investment objective of multiple clients of the Firm, and in such circumstances, to the extent permitted by the Governing Documents, New Mountain will allocate such opportunities (including any related co-investment opportunities) among clients (including the Client) in accordance with the Allocation Policy, described in Item 10, above.

12. Brokerage Practices

The Client typically invests in private securities and does not ordinarily transact with financial intermediaries, such as broker-dealers, in public securities. To the extent the Client transacts in public securities, if at all, and subject to the terms of the Investment Management Agreement, NMFC will seek to obtain what it believes to be “best execution” in effecting transactions on behalf of the Client. In connection with the Client’s portfolio transactions, NMFC has 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 spread or discount applied. In determining how to execute a transaction (including selecting brokers or dealers), NMFC 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 NMFC and its Client; (v) the value of brokerage services over and above trade execution provided to NMFC and its Client; (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying NMFC’s other selection criteria; and (vii) any other factors that NMFC deems relevant to its overall duty to seek best execution. In selecting brokers or dealers to execute transactions, although NMFC generally seeks competitive execution costs, NMFC 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 can involve specialized services on the part of a broker or dealer, which could justify higher costs than would be the case for more routine services.

Additionally, NMFC 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.

While NMFC 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, NMFC has an incentive to select or recommend a broker-dealer based

on its interest in receiving research or other products or services because NMFC 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, including the Client, can also benefit and be used to assist New Mountain in advising other clients. Thus, research generated in connection with NMFC's management of the Client's investments will be used to benefit other New Mountain clients with similar or different investment strategies and, conversely, research generated in connection with managing other New Mountain clients can be used on behalf of the Client. As a result, the Client 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, NMFC considers a number of factors. Where NMFC believes that equivalent execution could be obtained from more than one broker, NMFC will, from time to time, purchase and sell securities through broker-dealers that provide research, statistical and other information, even if the Client is 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, NMFC 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 NMFC 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 Securities Exchange Act of 1934. 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 NMFC. A broker will not be excluded from receiving business simply because it has not been identified as providing research services.

13. Review of Accounts

Portfolio companies in which NMFC's Client invests are monitored on a regular basis, generally monthly but no less frequently than quarterly, by each of the portfolio management deal teams, which are led by one or more Firm Managing Directors and Directors and are also subject to review by the NMFC's management team, in advance of providing updated reporting to our Client. Additionally, certain documents and records relating to the Client's account (i.e. financial, accounting, etc.) are prepared, maintained and reviewed in more detail by the Client's Chief Financial Officer, Controller and Accounting Team, as appropriate. The CCO also performs a

variety of periodic account reviews as part of the Firm's overall Advisers Act Rule 206(4)-7 annual compliance review.

Investors in the Client receive a quarterly report and annual audited financial statements (See Item 15 "Custody" below).

14. Client Referrals and Other Compensation

Not applicable.

15. Custody

Rule 206(4)-2, promulgated under the Advisers Act, (the "Custody Rule") imposes specific conditions on investment advisers who have actual or deemed custody of client assets.

Because NMFC acts as the Client's managing member, NMFC has custody over the Client's funds and securities for purpose of the Custody Rule. Custody of the Client's assets is maintained in compliance with the Custody Rule. Where required, cash and securities are maintained at a financial institution meeting the definition of "qualified custodian" under the Advisers Act. Each investor will receive, not less than 90 days after the end of the Client's fiscal year, financial statements prepared in accordance with generally accepted accounting principles, and audited by an independent auditor in accordance with generally accepted auditing standards.

16. Investment Discretion

NMFC provides discretionary investment advisory services to the Client, subject to the Client's investment objectives, guidelines and restrictions as set forth in the Client's governing documents. NMFC neither tailors its advisory services to the individual needs of investors nor accepts investor-imposed investment restrictions.

17. Voting Client Securities

While the Client generally is not expected to hold securities which solicit proxies, NMFC could be called upon to provide (or withhold) consent to proposed modifications to loan terms and covenants. NMFC will act on the Client's behalf in these circumstances only to the extent permitted by the Client's Governing Documents and NMFC's determination of the Client's best interest. NMFC 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, including circumstances where NMFC has an investment in the obligor. 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 NMFC or New Mountain.

In accordance with its fiduciary duty to the Client and Rule 206(4)-6 under the Advisers Act, NMFC has adopted and implemented policies and procedures, which it believes are reasonably

designed to assure that consents decisions are made in the best economic interest of the Client. Under these policies and procedures, decisions as to proxies or consents for the Client are made by NMFC's senior officers who are responsible for monitoring the Client's investments. To ensure that a vote is not the product of a conflict of interest, NMFC requires that anyone involved in the decision making process disclose to New Mountain's CCO any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote.

In the event that a material conflict of interest is identified, the CCO or a 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. Although NMFC will generally vote against proposals that it believes are likely to have a negative impact on the Client's portfolio securities, it can vote for such a proposal if there exists compelling long-term reasons to do so.

From time to time, NMFC could be in a position where it must vote to approve certain directors' participation on the boards of public companies in which the Client invests. Since the Firm's employees are permitted to participate on public company boards (upon notification to, or approval by the CCO), there could also be situations where NMFC has a decision as to whether to vote in favor of, or against, a public company director that is also an employee of the Firm. If NMFC determines that it has, or could appear to have, a conflict of interest when voting proxies, NMFC will either (i) convene a Proxy Voting Committee, comprised of the CCO (or Compliance Representative), the Operations Manager and at least one other New Mountain investment professional with a title of Managing Director or senior management, to address the conflict or (ii) refrain from voting when doing so is in the Client's best interest.

You can obtain, without charge, information regarding how NMFC voted proxies with respect to the Client's portfolio investments or a copy of the proxy voting policies and procedures by making a written request for proxy voting information to: Chief Compliance Officer, 787 Seventh Avenue, 48th Floor, New York, New York 10019.

18. Financial Information

NMFC has never filed for bankruptcy and is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Client. On an annual basis, NMFC's financial statements are filed with its Form 10-K, which is available on NMFC's website at <http://www.newmountainfinance.com> or through the SEC's EDGAR website at www.sec.gov.