
Neuberger Berman Fixed Income LLC

Client Brochure

March 31, 2011

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Chicago, Illinois 60603
www.nb.com

This Brochure provides information about the qualifications and business practices of Neuberger Berman Fixed Income LLC (“**NBFI**”). If you have any questions about the contents of this Brochure, please contact us at 312-325-7700 or by email at: Brian.Lord@nb.com.

NBFI is registered as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). NBFI is subject to the Advisers Act rules and regulations adopted by the U.S. Securities and Exchange Commission (“**SEC**”). Registration as an investment adviser does not imply any particular level of skill or training.

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

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The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Item 2: Material Changes

This Brochure dated March 31, 2011 has been prepared in accordance with new rules recently adopted by the SEC. This Brochure will be updated at least annually. In the future, this Item will discuss specific material changes that are made to the Brochure and provide clients with a summary of such changes.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

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Item 4: Advisory Business

A. Description of the Firm

Neuberger Berman Fixed Income LLC ("**NBFI**") is a Delaware limited liability company formed in November 2002 and registered with the Securities and Exchange Commission (the "**SEC**") in January 2003. NBFI's principal office is located in Chicago, Illinois. NBFI is directly owned by Neuberger Fixed Income Holdings LLC and Neuberger Berman AA LLC which in turn are subsidiaries of Neuberger Berman Group LLC ("**NBG**").

NBFI is registered with the National Futures Association as a Commodity Trading Advisor.

NBFI provides a wide range of investment management services to meet the needs of clients with diverse investment objectives. NBFI's primary business is providing investment advice primarily to institutional clients with respect to fixed income securities and loans.

Indirect Ownership Background – Neuberger Berman Group

NBG is a holding company the subsidiaries of which (collectively referred to herein as the "**Firm**" or "**Neuberger Berman**") provide a broad range of global investment solutions – equity, fixed income and alternatives – to institutions and individuals through customized separately managed accounts, mutual funds and alternative investment funds. As of December 31, 2010, Neuberger Berman had approximately \$190 billion under management.¹

On September 15, 2008, Lehman Brothers Holdings Inc. ("**LBHI**"), the owner of the businesses that now comprise Neuberger Berman, filed for protection under Chapter 11 of the U.S. Bankruptcy Code. On May 4, 2009, in conjunction with a management buyout, Neuberger Berman became an independent, employee majority-controlled asset management firm.

NBG's voting equity is owned 52% by NBSH Acquisition, LLC ("**NBSH**"), and 48% by LBHI and certain of its subsidiaries. NBSH is owned by certain portfolio managers, members of its management team and other senior key employees (the "**Management Members**"). NBG's Board of Directors is comprised of seven members. NBG's Chief Executive Officer is required to be a member of the Board and serves as its Chairman. In addition, the Management Members have the right to appoint four Directors, two of whom are required to be independent as defined in the New York Stock Exchange Listed Company Standards. LBHI is entitled to appoint two

¹ Firm assets under management figures reflect the collective assets for the various affiliated investment advisers that are subsidiaries of NBG, including, but not limited to, NBFI, Neuberger Berman LLC, Neuberger Berman Management LLC, NB Alternative Fund Management LLC, NB Alternative Investment Management LLC, NB Alternatives GP Holdings LLC, and NB Alternatives Advisers LLC.

Directors. The right to appoint four members to NBG's Board of Directors enables the Management Members to appoint a majority of the Directors.

Neuberger Berman is headquartered in New York City, where the majority of its asset management services are performed. As of December 31, 2010, Neuberger Berman had 1,682 employees across 26 offices in 25 cities and 10 countries around the world.

As of December 31, 2010, approximately 280 employees owned an equity stake in the Firm. All of these employees have entered into agreements that provide strong incentives to continue with the organization, and have a number of restrictive covenants in the event the employee leaves the Firm.

NBFI's investment management services are discussed further below.

B. Types of Advisory Services

NBFI currently provides the following types of investment management services:

Separately Managed Accounts

NBFI provides ongoing discretionary investment management services to institutional and individual clients with respect to assets held in the client's custodial account (collectively, "**Separate Accounts**") based on customized investment objectives or guidelines, time horizons, risk tolerances, policies and limitations of such clients.

Private Investment Vehicles

NBFI acts as the investment manager providing discretionary investment management services to affiliated and unaffiliated privately offered investment vehicles ("**Private Funds**").

Such funds are not registered under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and their shares or interests, as applicable, are not registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Accordingly, the Private Funds are not publicly offered in the United States. Such Private Funds may or may not be continuously offered.

For a list of certain of the Private Funds, please refer to Section 7.B. of Schedule D of Part 1 to NBFI's Form ADV which is publicly available at www.adviserinfo.sec.gov.

Sub-Advisory Services

NBFI acts as sub-adviser to the following (collectively, the "**Sub-Advised Accounts**"):

- affiliated registered open-end and closed-end investment companies (the "**NB Registered Funds**") (an affiliate of NBFI, Neuberger Berman Management LLC ("**NBM**"), acts as investment adviser to the NB Registered Funds)

- unaffiliated registered open-end investment companies (“**Third-Party Mutual Funds**”)
- separately managed accounts and private investment vehicles managed by affiliated and unaffiliated advisors.

Wrap Fee Accounts

NBFI provides advisory services through participation in wrap fee programs (“**Wrap Programs**”). See Item 4.D.

The Separate Accounts, Private Funds, Sub-Advised Accounts and Wrap Accounts are collectively referred to herein as the “**Client Accounts**.”

Non-Discretionary and Consulting Services

In limited circumstances, NBFI provides non-discretionary investment management services to institutional and individual clients whereby it is required to consult with the client before effecting any transactions for the client’s account (“**Non-Discretionary Accounts**”). For these accounts, NBFI has ongoing responsibility to select and make recommendations to a client as to specific securities or other investments that may be purchased or sold for a client’s account, and, if NBFI’s recommendations are accepted by the client, NBFI is responsible for arranging or effecting the purchase or sale of such securities or other investments.

NBFI also provides non-discretionary advisory and consulting services to institutional clients with respect to the valuation of mortgage loans and mortgage-backed and other asset-backed securities (“**Consulting Services**”). In addition, it has developed proprietary mortgage loan analytic software (the “**NBFI Software**”) used to analyze mortgage loans on an individual loan level basis and, collectively, on an aggregate basis by application of value and risk models and analytical metrics to loan portfolios of banks, mortgage insurers and other financial institutions. NBFI licenses and supports the NBFI Software for non-exclusive use to clients and, in connection therewith, provides installation and training on the use and application of the NBFI Software.

C. Client Tailored Services and Client Tailored Restrictions

NBFI generally offers the same type of investment management services to all of its clients. NBFI enters into discretionary and non-discretionary investment management agreements with its Separate Account clients. See Item 16. Clients may impose restrictions in investing in certain securities or other assets in accordance with their particular needs. However, NBFI may decide not to accommodate investment restrictions deemed unduly burdensome or materially incompatible with NBFI’s investment approach. From time to time, NBFI may be engaged to provide limited investment management services such as liquidating a client’s account.

NBFI enters into discretionary investment management agreements with the Private Funds. Services are performed in accordance with the terms of each such agreement. Each Private Fund may impose investment restrictions as it deems appropriate. Such investment restrictions are

typically set forth in the offering memorandum (“**Offering Memorandum**”) for each Private Fund.

In the case of the Sub-Advised Accounts, NBFi enters into a sub-advisory agreement with the investment adviser intermediary. The terms and conditions of these arrangements may vary, and any contact between NBFi and the ultimate client will typically take place through the relevant intermediary. Each Sub-Advised Account is managed in accordance with the investment objectives, policies and restrictions set forth in the sub-advisory agreement between NBFi and the investment adviser intermediary.

The investment guidelines of the Separate Accounts, Sub-Advised Accounts and Wrap Program Clients may restrict the ability of NBFi to invest in the NB Registered Funds or the Private Funds.

See Item 4.D for a description of client-tailored services and the restrictions on Wrap Programs.

D. Wrap Programs

NBFi participates as an investment manager in discretionary and non-discretionary Wrap Programs. A Wrap Program is an investment program where the clients of the Wrap Program sponsors (each, a “**Wrap Program Client**”) generally pay to the sponsors one all-inclusive fee that covers investment management fees, trade execution, custodial services and other administrative fees. The sponsors of a Wrap Program (the “**Wrap Sponsors**”) are typically broker-dealers, financial institutions or other investment advisers that establish, operate and administer the Wrap Programs. The Wrap Sponsors are responsible for determining the financial circumstances, investment objectives, risk tolerances and investment restrictions of each Wrap Program Client.

In discretionary Wrap Programs, the Wrap Sponsor typically selects or appoints NBFi as its sub-advisor to manage designated assets of its Wrap Program Clients in one or more investment strategies. In these discretionary Wrap Programs, NBFi has investment discretion over the designated assets in the accounts of the Wrap Program Clients. NBFi manages the accounts in accordance with the selected investment strategy and reasonable client-directed restrictions.

NBFi also participates in non-discretionary Wrap Programs. In these Wrap Programs, NBFi furnishes investment advice and recommendations to the Wrap Sponsors through the provision of model portfolios. The Wrap Sponsors may use NBFi’s model portfolios and updates, either alone or together with other model portfolios, to manage the accounts of the Wrap Program Clients, although the Wrap Sponsors retains investment discretion over the accounts. NBFi is solely responsible for managing its model portfolios.

The services provided by each of NBFi and the Wrap Sponsors are described in the Wrap Sponsors’ disclosure materials and the contracts Wrap Sponsors have with their Wrap Program Clients.

NBFI does not generally communicate directly with Wrap Program Clients (including communications with respect to changes in a Wrap Program Client's investment objectives or restrictions), and all such communications generally must be directed through the Wrap Sponsor. Also, NBFI does not provide overall investment supervisory services to Wrap Program Clients. NBFI is not in position to recommend suitability of any Wrap Program to Wrap Program Clients.

Please refer to Section 5.I.(2) of Schedule D to Part I of NBFI's Form ADV for a full list of the Wrap Programs in which NBFI participates.

E. Assets Under Management

<u>Discretionary Amounts:</u>	<u>Non-Discretionary Amounts:</u>	<u>Date Calculated:</u>
\$62,001,106,820	\$17,061,973,183 ²	12/31/2010

² Excludes amounts representing client assets in non-discretionary wrap fee programs advised by NBFI.

Item 5: Fees and Compensation

A. Fee Schedule

I. SEPARATE ACCOUNTS

NBFI's standard fee schedules are set forth below. See also Item 7 for minimum account size requirements.

Management fees for Separate Accounts are based on a percentage of the market value of the assets held in the Separate Account. The fee schedules set forth below with respect to Separate Accounts are usually not negotiable. However, NBFI's Separate Account fee schedules may vary from its standard schedules from time to time depending on a variety of factors including, but not limited to, the account size, investment objectives and the type and number of other client accounts with NBFI, including other accounts with affiliates of NBFI. There may also be differences in fees paid by certain clients based on account inception dates. Unless otherwise agreed with the client, fees are typically adjusted to reflect material contributions to and withdrawals from accounts.

NBFI may also charge performance-based fees on some of its Separate Accounts, subject to eligibility requirements under the Advisers Act. Such fee arrangements are negotiated with the client. Generally, these arrangements include a base fee based on a percentage of the market value of the assets held in the Separate Account plus a performance fee based on the account's performance exceeding a specified benchmark's performance over a specified time period.

<u>Type of Advisory Account/Service</u>	<u>Advisory Fee</u>
Core Bond	<ul style="list-style-type: none">• First \$50 million: 30 bps;• Next \$100 million: 25 bps;• Next \$100 million: 20 bps;• Next \$250 million: 15 bps; and• Balance: 12 bps.
Core Plus Bond	<ul style="list-style-type: none">• First \$50 million: 35 bps;• Next \$100 million: 25 bps;• Next \$100 million: 20 bps;• Next \$250 million: 15 bps; and• Balance: 12 bps.

<u>Type of Advisory Account/Service</u>	<u>Advisory Fee</u>
Enhanced Index/Enhanced Mortgage	<ul style="list-style-type: none"> • First \$50 million: 10 bps; • Next \$100 million: 8 bps; • Next \$350 million: 4 bps; • Next \$500 million: 3 bps; • Next \$1000 million: 2.25 bps; • Next \$500 million: 2 bps; and • Balance: 1.75 bps.
Passive Corporate	<ul style="list-style-type: none"> • First \$50 million: 10 bps; • Next \$100 million: 8 bps; • Next \$350 million: 4 bps; • Next \$500 million: 3 bps; • Next \$1000 million: 2.25 bps; • Next \$500 million: 2 bps; and • Balance: 1.75 bps.
Passive Index/Passive Government	<ul style="list-style-type: none"> • First \$50 million: 8 bps; • Next \$100 million: 6.5 bps; • Next \$350 million: 3.2 bps; • Next \$500 million: 2.5 bps; • Next \$1000 million: 1.8 bps; • Next \$500 million: 1.6 bps; and • Balance: 1.4 bps.
Liability Driven Investing	<ul style="list-style-type: none"> • First \$50 million: 30 bps; • Next \$100 million: 25 bps; • Next \$100 million: 20 bps; and • Balance: 15 bps.
Full Market High Yield	<ul style="list-style-type: none"> • First \$50 million: 55 bps; • Next \$250 million: 45 bps; and • Balance: 35 bps.
Bank Loan	<ul style="list-style-type: none"> • First \$50 million: 55 bps; • Next \$250 million: 45 bps; and • Balance: 35 bps.
TIPS	<ul style="list-style-type: none"> • First \$100 million: 15 bps; • Next \$200 million: 10 bps; and • Balance: 8 bps.
Investment Grade Credit	<ul style="list-style-type: none"> • First \$50 million: 35 bps; • Next \$100 million: 25 bps; • Next \$100 million: 20 bps; • Next \$250 million: 15 bps; and • Balance: 12 bps.

<u>Type of Advisory Account/Service</u>	<u>Advisory Fee</u>
Global Fixed Income	<ul style="list-style-type: none"> • First \$50 million: 40 bps; • Next \$100 million: 30 bps; • Next \$100 million: 25 bps; and • Balance: 20 bps.
Short Duration	<ul style="list-style-type: none"> • First \$50 million: 20 bps; • Next \$50 million: 15 bps; • Next \$150 million: 12 bps; • Next \$250 million: 10 bps; and • Balance: 8 bps.
Enhanced Cash	<ul style="list-style-type: none"> • First \$50 million: 17.5 bps; • Next \$50 million: 15 bps; • Next \$150 million: 12 bps; • Next \$250 million: 10 bps; and • Balance: 8 bps.
Municipal/Tax Exempt Mandates	<ul style="list-style-type: none"> • First \$5 million: 40 bps; • Next \$15 million: 30 bps; • Next \$30 million: 27.5 bps; • Next \$100 million: 25 bps; • Next \$100 million: 20 bps; • Next \$250 million: 15 bps; and • Balance: 12 bps.
Municipal Cash Mandates	<ul style="list-style-type: none"> • First \$25 million: 25 bps; • Next \$25 million: 15 bps; • Next \$150 million: 10 bps; and • Balance: 8 bps.

II. PRIVATE FUNDS

Pursuant to NBF's investment management agreement with each Private Fund, NBF will receive a management fee and, in some instances, a performance-based fee as well.

Investors should refer to the Offering Memorandum for each Private Fund for further information with respect to fees.

III. SUB-ADVISED ACCOUNTS

Sub-advisory fees for the Sub-Advised Accounts are individually negotiated and vary depending on the account. NBF's fees may be consistent with the basic fee information and terms described above for the type of client (e.g., Separate Accounts, Private Funds).

IV. WRAP FEE ACCOUNTS

NBF generally negotiates its fees with each Wrap Sponsor, subject to varying factors, including but not limited to, the Wrap Sponsor's program size and style, the services performed by the

Wrap Sponsor, and other factors. Subject to these factors, NBFI's basic annualized fee schedule for a discretionary Wrap Program ranges between 0.25% and 0.35% annually. In a non-discretionary Model Portfolio Wrap Program, NBFI's basic annualized fee schedule ranges between 0.22% and 0.25% annually.

V. NON-DISCRETIONARY AND CONSULTING SERVICES

Non-Discretionary Account fees vary but in general are consistent with the basic fee schedule described above for Separate Accounts.

NBFI generally charges a fixed fee for its Consulting Services. Such fees are individually negotiated. NBFI also charges license and support fees for the licensing of its NBFI Software. Such fees vary based on the scope and extent of the analysis and modeling desired by the client, enhancements to the NBFI Software to meet the needs of the client, the type of assets subject to analysis and the extent of training and support required.

B. Payment Method

Calculation and Payment of Fees:

Separate Accounts—Management fees are generally accrued and paid in arrears on a quarterly basis. Performance fees, if any, are generally charged on an annual basis. For some accounts, management fees are charged quarterly in advance.

NBFI generally invoices clients for fees incurred.

If NBFI begins managing an account or the account is terminated during a quarter or other fee calculation period, the fee charged for such period will be pro-rated based on the portion of the period that NBFI actually managed the account.

Private Funds—Investors should refer to the applicable Offering Memorandum with respect to calculation and payment of fees.

Sub-Advised Accounts—Payment of fees varies depending on the type of account but in general are consistent with the basic fee information and terms described above for the type of client (e.g., Separate Accounts, Private Funds).

Wrap Fee Accounts—Each Wrap Sponsor generally pays NBFI on a quarterly basis, either in arrears or in advance, as provided in the contract between NBFI and the Wrap Sponsor. NBFI does not invoice Wrap Program Clients. Each Wrap Sponsor calculates and remits payment for NBFI's fees. NBFI does not establish the value of securities held in these accounts, which is a function provided by the Wrap Sponsors.

Non-Discretionary and Consulting—Payment of Non-Discretionary Account fees vary but in general are consistent with the basic fee information and terms described above for Separate Accounts. The manner of payment for Consulting Services is individually negotiated.

Valuation for Fee Calculation Purposes:

Separate Accounts, Non-Discretionary Accounts and Sub-Advisory Accounts (excluding Private Funds)—In general, management fees for Separate Accounts, Non-Discretionary Accounts and Sub-Advisory Accounts (excluding Private Funds) are based on a valuation of assets by the client's custodian. When the client and NBFi agree to use NBFi's valuation of the assets for fee purposes, NBFi may use Interactive Data (IDC) and other independent third-party pricing services or broker quotes to value assets. When a third-party price is not obtainable, NBFi will use its fair valuation procedures to obtain an internally generated valuation.

Private Funds—Investors should refer to the applicable Offering Memorandum for more information with respect to the valuation of fund assets.

C. Other Fees and Expenses

In addition to the investment management fee paid to NBFi, clients pay other fees associated with their accounts and investments. Such fees include the following:

Custodial Fees—Typically, Separate Account and Non-Discretionary Account clients elect to have account assets held in the custody of a bank, trust company, broker-dealer or other qualified custodian selected by the client. The Client will bear any custodial fees associated with such account. To the extent that cash is held in such accounts and invested in a non-Neuberger Berman short-term investment vehicle for which fees are charged by the qualified custodian, the fees so incurred by the client will be in addition to the fee payable to NBFi on the overall value of the account. See Item 15.

Brokerage Fees—Client Accounts generally must bear all brokerage commissions, concessions and mark-ups for securities transactions effected for the account. See Item 12.

Additional Fees Related to Investments in Private Funds and NB Registered Funds— Subject to the investment guidelines of a Separate Account, NBFi may invest Separate Accounts in non-affiliated investment companies and other pooled investment vehicles, including non-affiliated Private Funds (collectively, "**Non-Affiliated Funds**"). On occasion and subject to the investment guidelines of the Separate Account and applicable law, NBFi may invest Separate Accounts in the NB Registered Funds or affiliated Private Funds (collectively, "**Affiliated Funds**").

Client assets that are invested in Affiliated Funds will not be subject to two levels of advisory fees. Either the advisory fee associated with the underlying Client Account will be waived or reimbursed or the advisory fee charged by the Affiliated Fund will be waived or reimbursed.

However, Client assets that are invested in Affiliated and Non-Affiliated Funds will incur other fees and expenses associated with their investments in such funds. Mutual fund expenses are generally described in each such fund's prospectus and Private Fund expenses are described in each Private Fund's Offering Memorandum. These expenses will generally include brokerage and other transaction-related costs and the fees and expenses of other service providers to these funds such as custodians, transfer agents, administrators, valuation agents, directors, auditors and counsel.

In addition, the Affiliated and Non-Affiliated Funds may themselves invest in other funds as described in each fund's Offering Memorandum, prospectus or other offering documents. To the extent an Affiliated or Non-Affiliated Fund invests in another underlying fund, it will bear the costs and expenses associated with an investment in that underlying fund.

Other Product Additional Fees—Certain NBFI clients may also be clients of NBFI's affiliates. These clients may receive investment management services from NBFI and may receive other services from affiliates. NBFI and the affiliate will each charge their usual and customary fees to the client. This may result in total costs to the client that are higher than the client would have paid had it obtained all services from either NBFI or its affiliate alone or from other unrelated brokers and investment advisers.

Other Fees—Clients shall bear all other transaction and transfer related costs and expenses. Each of these additional charges may be charged to the client's account or reflected in the price paid or received for a given security or other asset.

Comparable Services—NBFI believes that the charges and fees offered within its investment management services are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources.

Clients that participate in Wrap Programs should be aware that services similar or comparable to those provided to them as a participant in a Wrap Program may be available at a higher or lower aggregate cost elsewhere separately or on an unbundled basis. The overall cost to a Wrap Program Client that participates in a Wrap Program may be higher than the aggregate cost of paying NBFI's standard advisory fee for Separate Accounts, negotiating custody fees with a custodian and negotiating transaction charges with a broker dealer payable on a per transaction basis, depending upon the level of custody fees and the number of securities transactions in the Wrap Program Client's account. However, most Wrap Program Clients would not be eligible (due to the size of their accounts) for NBFI's Separate Account management services and, therefore, could not otherwise have their assets managed by NBFI. NBFI does not undertake any ongoing responsibility to assess for any Wrap Program Client the value of the services provided by the Wrap Sponsor.

D. Prepayment of Fees and Refunds

Separate Accounts—As described in Item 5.B., most Separate Account management fees are paid in arrears. Separate Account clients who pay fees in advance are entitled to pro-rata reimbursement of that portion of the quarterly investment management fee paid for any portion of the quarter remaining as of the date the investment advisory relationship terminates.

Private Funds. Investors should refer to the applicable Offering Memorandum for information regarding payment of fees, withdrawal and refund of fees (if applicable).

Sub-Advised Accounts. Any prepaid fees will be refunded in the event NBFI is terminated according to the type of account and sub-advisory agreement.

Wrap Accounts: Each Wrap Sponsor generally pays NBFI on a quarterly basis, either in arrears or in advance, as provided in the contract between NBFI and the Wrap Sponsor. If paid in advance, the fees would be refunded on a pro-rata basis in the event NBFI is terminated from managing a Wrap Program Client's account.

NBFI's participation in a discretionary Wrap Program typically may be terminated at any time by Wrap Program Clients or by Wrap Sponsors or NBFI either at any time or after a predetermined notice period. NBFI's participation in non-discretionary Wrap Programs typically may be terminated either at any time, or after a 30- to 60-day notice period, by NBFI or the Wrap Sponsors. In each case, however, termination rights vary, so Wrap Program Clients and Wrap Sponsors should refer to the agreements governing their programs.

Non-Discretionary Accounts and Consulting Services—Payment of Non-Discretionary Account fees vary but, in general, are consistent with the basic fee information and terms described above for Separate Accounts. The manner of payment for Consulting Services is individually negotiated.

E. Sales Compensation

NBFI's products and strategies are marketed by the Firm's central salesforce which also markets the products and strategies of NBFI's affiliates. Certain members of the central salesforce are registered representatives of Neuberger Berman LLC ("**NB LLC**"), an affiliate of NBFI and a registered investment adviser and broker-dealer and member of FINRA. Subject to applicable law, certain members of the salesforce are entitled to a sales commission if NBFI is engaged to provide investment management services for a Separate Account client they have introduced to NBFI. NBFI may also utilize unaffiliated solicitors to assist in introducing Separate Account Clients. Subject to applicable law, NBFI would pay such solicitors a commission. The commission payable to the Firm's salesforce and unaffiliated solicitors is generally a percentage of the management fee paid to NBFI for a specified number of years, payable to the salesperson or third-party solicitor, as applicable, on the same basis as NBFI is paid.

NBFI may utilize affiliated and unaffiliated placement agents in offering affiliated Private Funds to investors. The U.S. placement agents are registered as broker-dealers with the SEC and are FINRA members, including NBFI's affiliate, NB LLC. Generally, the placement agent receives a portion of the management fee and performance fee (if any) earned by NBFI. See Item 10.C.1 and Item 14.B.

Given that the salespersons may market a wide range of products offered by NBFI and its affiliates with differing sales compensation, the salespersons may have an incentive to promote or recommend certain products over others based on the compensation to be received and not on the specific requirements or investment objectives of the client. NB LLC trains its employees, including members of this salesforce, regarding suitability and sales of securities products to investors. Salespersons are also required to undergo product specific training for all products that they market.

The Firm's central salesforce also markets the advisory products and services of NBFI for which certain members may not receive any direct compensation. Certain Firm employees who are not members of the central salesforce may be eligible to earn an account referral bonus for referring a client to NBFI.

Certain employees of NBFI or its affiliates who are registered representatives of NBM, an affiliate of NBFI and registered limited purpose broker dealer, and NB LLC, an affiliated broker dealer, receive sales-based compensation for marketing and selling the NB Registered Funds. Certain affiliates of NBFI serve as principal underwriter and distributor for the NB Registered Funds. In connection with this function, these affiliates may receive compensation in the form of commission revenue for acting as distributor for certain classes of shares of the NB Registered Funds. In addition, certain affiliates of NBFI provide marketing and distribution services to unaffiliated investment companies. In such situation, these affiliates may receive fees from such investment companies related to marketing, distribution and servicing of the funds (so-called "12b-1 fees").

NBFI does not generally execute securities transactions through its affiliated broker-dealers, NB LLC and NBM.

Item 6: Performance-Based Fees and Side-By-Side Management

“Performance-Based Fees” are fees that are based on a share of the capital gains or capital appreciation of the assets of an account. Examples of performance-based fees include:

- an incentive fee--fee is calculated as a percentage of a fund's profits, usually taking into consideration both realized and unrealized profits (sometimes referred to as incentive allocation or carried interest)
- high water mark--the manager receives performance fees only on increases in the net asset value of a fund in excess of the highest net asset value it has previously achieved
- hurdle rates---the manager does not charge a performance fee until the fund's annualized performance exceeds a benchmark rate, such as T-bill yield, LIBOR or a fixed percentage

NBFI charges performance fees in connection with certain of its Separate Accounts, Private Funds and Sub-Advised Accounts. It does not charge performance fees with respect to its Non-Discretionary Accounts or Wrap Accounts.

In addition, some of NBFI's portfolio managers are investment advisory personnel of one or more of NBFI's affiliated investment advisers. See Item 10.C.3 for a list of such affiliates. In such capacity, they may manage accounts for which they receive performance-based fees.

To the extent that NBFI and its portfolio managers manage accounts that charge only management fees and accounts that charge both management fees and performance-based fees, NBFI and/or its portfolio managers may have a conflict of interest in that an account with a performance-based fee arrangement will offer the potential for higher profitability when compared to an account with only a management fee. Performance-based fee arrangements may create an incentive for NBFI and/or its portfolio managers and salespersons to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Performance-based fee arrangements may also create an incentive to favor higher fee-paying accounts over other accounts in the devotion of time, resources and allocation of investment opportunities.

To manage these potential conflicts, NBFI has adopted a number of compliance policies and procedures. These policies and procedures include (i) the Neuberger Berman Code of Ethics (see Item 11), (ii) the NBFI Compliance Manual, (iii) trade allocation and aggregation policies which seek to ensure that investment opportunities are allocated fairly among clients and that all accounts are managed in accordance with their investment mandate, and (iv) allocation review procedures reasonably designed to identify unfair or unequal treatment of accounts. NBFI does not consider fee structures in allocating investment opportunities.

Item 7: Types of Clients

NBFI provides investment advisory services to institutional clients, including registered investment companies, pension plans, trusts, charitable organizations, foundations, endowment funds, corporations, insurance companies, financial institutions, other business entities, unregistered investment vehicles, collateralized loan obligation vehicles, collateralized debt obligation vehicles and state and municipal entities and other governmental entities, and individuals. NBFI also serves as an investment adviser or subadviser to foreign-domiciled clients, including foreign investment companies not subject to the Investment Company Act.

Set forth below are the minimum account requirements for NBFI's accounts:

Separate Accounts--There is a minimum account size of \$50 million for all Separate Accounts, except for the following:

- Full Market High Yield Mandates: \$100 million
- Municipal/Tax Exempt Mandates: \$2 million
- Municipal Cash Mandates: \$25 million

NBFI may lower an account minimum at its discretion.

Private Funds--Investors in the Private Funds must be "accredited investors" under Regulation D under the Securities Act, and must qualify as "qualified purchasers" under Section 2(a) (51) (A) of the Investment Company Act. For those funds that charge a performance fee, investors must be eligible to enter into a performance fee arrangement under the Advisers Act.

The minimum investment required by an investor varies depending on the Private Fund and in each case is subject to waiver by NBFI or the Private Fund's general partner, managing member or equivalent entity. Investors should review the Offering Memorandum for each relevant Private Fund for further information with respect to minimum requirements for investment.

Sub-Advised Accounts--Minimum account requirements for Sub-Advised Accounts are established by the intermediary investment adviser.

Wrap Fee Accounts--The minimum account size may vary by Wrap Program, as set up by the Wrap Sponsor for its Wrap Program Clients, but is typically \$100,000 - \$250,000. In certain Wrap Programs, the fees and services may be unbundled and NBFI may enter into an investment advisory agreement directly with each client. For such unbundled accounts, the minimum account size is typically \$1,000,000.

Non-Discretionary and Consulting Services--The minimum account size for Non-Discretionary Accounts generally is consistent with the information described above for Separate Accounts. There is no minimum amount required in connection with Consulting Services.

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

A. Methods of Analyses

Security Analysis

NBFI utilizes fundamental analysis in connection with the provision of its advisory services to its clients. Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

Proprietary research is a crucial element of NBFI's investment process, and is the basis for virtually all of its investment decisions. NBFI's research discipline incorporates three broad steps: (1) understanding market expectations as they are priced, (2) developing its own outlook against which to evaluate market expectations, and (3) establishing a confidence level in its view that is supported by thorough fundamental analysis.

Sources of Information

In conducting security analysis, NBFI utilizes a broad spectrum of information, including:

- financial publications
- inspections of corporate activities
- research materials prepared by others and NBFI's internal staff
- corporate rating services and timing services
- annual reports, prospectuses, and filings with the SEC
- newspapers, magazines, websites, trade journals
- discussions and meetings with NBFI's staff of security analysts
- charts, statistical material and analysis
- company press releases, presentations and interviews (in person or by telephone)
- contact with affiliated and outside analysts and consultants
- personal assessment of the financial consequences of world events derived from general information
- such other material as is appropriate under the particular circumstances.

NBFI may also rely on the research and portfolio management of its affiliated investment advisers. See Item 10.C.3.

In addition, NBFI has developed and/or purchased quantitative-based tools and frameworks that it integrates directly into its investment management process. These tools and frameworks are based on fundamental investment concepts and relationships that are consistent with NBFI's philosophy.

With respect to the Private Funds, NBFI evaluates investments based on a variety of factors as described in the Offering Memorandum for each Private Fund.

With respect to its Consulting Services, NBFI utilizes the NBFI Software which uses proprietary models and provides tools for the analysis of mortgage loan portfolios. The NBFI Software also provides projections of variations, losses, prepayments and cash flows and allows the development of scenarios which explore alternative outcome horizons.

B. Investment Strategies

Investments in securities and other assets involve risk of loss that investors must be prepared to bear.

NBFI offers advice on a wide range of securities and other financial instruments including:

- Corporate debt securities
- Asset-backed securities, including, without limitation, mortgage-backed securities
- Loan assets, including, without limitation, distressed debt
- Rule 144A securities
- Commercial paper
- Certificates of deposit
- Money market instruments
- Municipal securities
- Mutual fund shares
- United States government securities
- Securities of foreign issuers (including ADRs, EDRs and GDRs)
- Warrants
- Put and call options
- Option contracts on securities and commodities
- Exchange traded funds
- Securities traded over-the-counter
- Futures contracts on tangibles and intangibles
- Derivatives, including, without limitation, credit default swaps
- Securities or loans denominated in currencies other than the U.S. dollar
- Trade claims
- Real estate investment trust (REITS)
- Equity securities
- Other alternative investments

NBFI may invest in securities or loans denominated in currencies other than the US dollar. These assets may be issued by sovereign entities and corporations.

As financial markets and products evolve, NBFi may invest in other securities or instruments, whether currently existing or developed in the future, when consistent with client guidelines, objectives and policies and applicable law.

Subject to firm-wide policies on suitability and conflicts of interest and compliance with securities laws and regulations, the purchase and sale of securities and other financial instruments for client accounts is based upon the judgment of the individual portfolio manager or group supervising the particular account, who are encouraged to use those methods with which they have been successful.

NBFi may use investments in financial futures, commodity futures and option contracts to a limited extent for hedging purposes. These instruments are used as a means to refine the implementation of strategies originating from the analysis of the cash fixed income markets, typically for purposes of duration and yield curve management. In using these strategies, NBFi will use instruments such as interest rate futures and options contracts on Treasury notes and bonds, Federal Funds and Eurodollars. In all situations, investment strategies depend on the clients' needs and desires as presented to NBFi. Investment in financial futures, short sales, margin transactions and option transactions may only be entered into in accordance with the particular account's investment guidelines.

The following is a summary of the principal investment strategies employed by NBFi. Certain material risks associated with these strategies are set forth in Section (C), below. This is a summary only. Clients should not rely solely on the descriptions provided below.

Separate Accounts, Wrap Program Clients and Non-Discretionary (Wrap Program Client accounts may not be offered in all of the strategies set forth below):

NBFi provides investment management services based on a variety of fixed income strategies. Each has a specialty investment team devoted to it. Client portfolios are managed within these strategies and, when the client's portfolio can benefit by including additional resources in seeking to meet their investment objectives, across strategies. The investment teams work closely together to manage strategies that overlap different products. NBFi generally manages client portfolios against published and custom bond and loan market benchmarks, and in strategies designed to achieve unique objectives. Within each strategy, NBFi incorporates differing levels of risk management to meet client-specific needs. The strategies are:

- **Cash and Short Term Duration Strategies:** The focus is on investment strategies that utilize short-term instruments and bonds with durations of less than five years. The investment team that manages these strategies primarily manages client accounts with broader discretion to utilize securities with longer maturities.
- **Municipal Strategies:** The investment team within this strategy manages registered money market funds, bond funds, separate accounts utilized for cash management as well as intermediate and longer-duration strategies. The investment objectives of this strategy are preservation of capital as well as the maintenance of sufficient liquidity to meet the clients' needs and competitive after-tax returns.

- **Leveraged Asset Management:** The investment team for this strategy focuses on high yield bonds, leveraged loans, and distressed investing strategies. The high yield strategy invests in non-investment grade fixed income securities for client accounts that permit full discretion to invest across broad credit tiers as well as client accounts that are limited in terms of minimum credit rating. The leveraged loan strategy is applied to the management of structured investment products (e.g., CLOs), registered and unregistered funds and separate accounts as well as managing loan asset allocations in Separate Accounts. The distressed strategy focuses on investing in the securities and claims of companies in financial distress, including companies involved in reorganization, bankruptcy or liquidation proceedings. This strategy may invest with the intention of taking a control position in a company or as a non-control participant.
- **Investment Grade Strategies:** Includes strategies that span a continuum from highly structured portfolios with tight risk constraints to those that provide broad discretion with less focus on tracking error variability.
- **Structured Products Strategies:** Includes: (1) traditional portfolio management of asset-backed securities managed within registered and unregistered pooled vehicles and Separate Accounts, managed in accordance with client objectives and constraints and spanning from defensive buy/sell mandates to high-yield return objectives; (2) structured investments, including CDOs; and (3) nondiscretionary investment advisory and consulting services with respect to both asset-backed securities and whole loan mortgage portfolios.
- **Emerging Market Strategies:** Includes the management of securities and other assets of issuers located in emerging markets within the context of broader mandates.
- **Global Bond Strategies:** The focus is on non-dollar denominated investments for mandates for which such investments either represent the entire portfolio or a component thereof.
- **Quantitatively Driven Strategies:** Includes a broad array of strategies that incorporate internally developed quantitative investment models.

Private Funds—The principal investment strategy for each fund is more particularly described in such Private Fund’s Offering Memorandum. Prospective investors should carefully read each Private Fund’s Offering Memorandum and consult with their own counsel and advisers as to all matters concerning an investment in a Private Fund.

Sub-Advised Accounts—Sub-Advised Accounts are managed in accordance with the particular type of client (e.g., Separate Accounts, Private Funds). The principal investment strategy for each NB Registered Fund and any unaffiliated registered fund is set out in each fund’s prospectus and statement of additional information.

C. Material Risks

Investments in securities and other financial instruments involve risk of loss that investors must be prepared to bear.

Separate Accounts, Wrap Program Clients, Private Funds and Non-Discretionary Accounts— The following is a summary of the principal risks associated with the investment strategies used by the Separate Accounts, Wrap Programs, Private Funds and Non-Discretionary Accounts, as discussed in Item 8.B. This is a summary only and not every strategy may invest in each type of security or other asset discussed below nor will all accounts be subject to all the risks below. Separate Account, Wrap Program and Non-Discretionary Account clients should review the investment guidelines associated with their account and should contact their client representative for more information about the strategies and risks present in their account. Private Fund investors should review the Offering Memorandum and other offering documents for further information relating to the strategies and risks associated with the particular fund.

- **Absence of Regulatory Oversight for Private Funds.** The Private Funds are not registered as investment companies under the Investment Company Act, and, accordingly, the significant investor protection provisions of the Investment Company Act (which provides certain regulatory safeguards to investors in registered investment companies), will not apply to investments in the Private Funds.
- **Asset-Backed Securities.** Asset-backed securities represent direct or indirect participations in, or are secured by and payable from, pools of assets such as, among other things, motor vehicle installment sales contracts, installment loan contracts, leases of various types of real and personal property, and receivables from revolving credit (credit card) agreements, or a combination of the foregoing. These assets are securitized through the use of trusts and special purpose vehicles. Credit enhancements, such as various forms of cash collateral accounts or letters of credit, may support payments of principal and interest on asset-backed securities. Although these securities may be supported by letters of credit or other credit enhancements, payment of interest and principal ultimately depends upon individuals paying the underlying loans, which may be affected adversely by general downturns in the economy. Asset-backed securities are subject to the same risk of prepayment associated with mortgage-backed securities.
- **Bank Loan Agents.** Bank loans are typically administered by a bank, insurance company, finance company or other financial institution (the “**agent**”) for a lending syndicate of financial institutions. In a typical bank loan, the agent administers the terms of the loan agreement and is responsible for the collection of principal and interest and fee payments from the borrower and the apportionment of these payments to all lenders that are parties to the loan agreement. In addition, an institution (which may be the agent) may hold collateral on behalf of the lenders. Typically, under loan agreements, the agent is given broad authority in monitoring the borrower’s performance and is obligated to use the same care it would use in the management of its own property. In asserting rights against a borrower, the Client Account normally will be dependent on the

willingness of the lead bank to assert these rights, or upon a vote of all the lenders to authorize the action.

If an agent becomes insolvent, or has a receiver, conservator, or similar official appointed for it by the appropriate bank or other regulatory authority, or becomes a debtor in a bankruptcy proceeding, the agent's appointment may be terminated and a successor agent would be appointed. If an appropriate regulator or court determines that assets held by the agent for the benefit of the purchasers of bank loans are subject to the claims of the agent's general or secured creditors, the purchasers might incur certain costs and delays in realizing payment on a bank loan or suffer a loss of principal and/or interest.

- **Call Risk.** When interest rates are low, issuers will often repay the obligation underlying a "callable security" earlier than expected, thereby affecting the investment's average life and perhaps its yield. Furthermore, the Client Account will have to reinvest the proceeds from the called security at the current, lower rates.
- **Credit Default Swaps.** Certain Private Funds may purchase and sell credit derivatives contracts — such as credit default swaps — both for hedging and other purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. Private Funds may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, the Private Funds may be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze." In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. In either of these cases, the Private Funds would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Private Funds may incur leveraged exposure to the credit of the reference entity and are subject to many of the same risks they would incur if they were holding debt securities issued by the reference entity. However, the Private Funds will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Private Funds following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Private Funds.

- **Collateralized Loan Obligations (“CLOs”) and Collateralized Debt Obligations (“CDOs”).** CLOs and CDOs issue classes or “tranches” that vary in risk and yield, and may experience substantial losses due to actual defaults, decrease of market value due to collateral defaults and disappearance of subordinate tranches, market anticipation of defaults, and investor aversion to CLO and CDO securities as a class. The risks of investing in CLOs and CDOs depend largely on the type of the underlying collateral.
- **Competition for Private Fund Portfolio Investments.** Identifying, completing and realizing attractive private equity investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that NBFJ will be able to locate, consummate and exit investments that satisfy a Private Fund’s investment objectives or realize their values or be able to invest fully a Private Fund’s committed capital.
- **Counterparty Risk.** To the extent that a Client Account invests in over-the-counter derivative instruments, the Client Account may take on credit risk with regard to parties with which it trades and may also bear the risk of settlement default. These risks may differ materially from those involved in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlements, and the segregation and minimum capital requirements applicable to the financial intermediaries participating on the exchange. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.
- **Currency Risk.** Currency fluctuations could negatively impact investment gains or add to investment losses.
- **Dependence on the Investment Manager.** The performance of a Client Account depends on the skill of NBFJ and its portfolio manager(s) in making appropriate investment decisions. Any Client Account’s success depends upon NBFJ’s ability to develop and implement investment strategies that achieve the account’s investment objectives. Subjective decisions made by NBFJ may cause the account to incur losses or to miss profit opportunities on which it may otherwise have capitalized.
- **Derivatives.** Derivatives may involve risks different from, or greater than, those associated with more traditional investments. Derivatives can be highly complex, can create investment leverage and may be highly volatile, which would result in the strategy losing more than the amount it invests. Derivatives may be difficult to value and highly illiquid, and the strategy may not be able to close out or sell a derivative position at a particular time or at an anticipated price.
- **Distressed Securities.** A strategy’s investments in distressed securities may expose it to greater risks than if the strategy only invested in higher-grade securities. Distressed securities are issued by companies that are, or might be, involved in reorganizations or financial restructurings, either out of court or in bankruptcy. As a result, it is often difficult to obtain information as to the true condition of financially distressed securities. In certain periods, there may be little or no liquidity in the markets for distressed

securities or instruments. The prices of such securities may be subject to periods of abrupt and erratic market movements and above-average price volatility and it may be more difficult to value such securities. The account may lose a substantial portion of all of its investment in distressed securities or it may be required to accept cash or securities with a value less than the account's original investment.

- **Equity Market Risk.** Investments in equity securities (e.g., common stocks, preferred stocks, convertible securities, rights, warrants and Depositary Receipts (“**DRs**”)) are subject to market risks that may cause their prices to fluctuate over time. Historically, the equity markets have moved in cycles and the value of the strategy's securities may fluctuate substantially from day to day. Investments in income-producing equity securities are also subject to the risk that the issuer may discontinue paying dividends.
- **Failure to Make Capital Contributions.** With respect to Private Funds that utilize investor capital calls, the consequences of defaulting on a capital call notice are material and adverse to the defaulting investor. In addition, if an investor fails to make a capital contribution when due and the capital contributions made by non-defaulting investors and short-term borrowings by the Private Fund are inadequate to cover the defaulted capital contribution, the Private Fund itself may be unable to pay its obligations when due. As a result, Private Funds may be subjected to significant penalties that could materially adversely affect the returns to the non-defaulting investors.
- **Fixed-Income Securities.** Fixed-income securities include traditional debt securities issued by corporations, such as bonds and debentures and debt securities that are convertible into common stock and interests. The market value of fixed-income securities is sensitive to changes in interest rates. In general, when interest rates rise, the fixed-income security's market value declines and when interest rates decline, its value rises. Normally, the longer the remaining maturity of a security, the greater the effect of interest rate changes on the market value of the security. In addition, changes in the ability of an issuer to make payments of interest and principal and in the market's perception of an issuer's creditworthiness affect the market value of fixed-income securities of that issuer.

Fixed-income securities may also be subject to yield curve risk. When the yield curve shifts, the price of a bond which was initially priced based on the initial yield curve will change. Yield curve risk is reduced by keeping the duration of the bond portfolio relatively short.

Additionally, fixed-income securities are subject to inflation risk, liquidity risk and reinvestment risk. Inflation risk is the risk that inflation will erode the purchasing power of the cash flows generated by debt securities. Fixed-rate debt securities are more susceptible to this risk than floating rate debt securities. Liquidity risk is the risk that certain fixed income securities may be difficult to sell at the time and at the price the account would like, which may cause the account to hold these securities for longer than it would like or to forego other investment opportunities. Reinvestment risk is the risk that when interest income from debt securities is reinvested, interest rates will have

declined so that income must be reinvested at a lower interest rate. A decline in income could affect an account's overall return.

- **Foreign Securities and Emerging Markets.** Foreign securities can be more volatile than domestic ("U.S.") securities. Securities markets of other countries are generally smaller than U.S. securities markets. Many foreign securities may be less liquid than U.S. securities, which could affect the investments under a strategy that utilizes these types of securities. The exchange rates between U.S. dollar and foreign currencies might fluctuate, which could negatively affect the value of the strategy's investments.

Foreign securities are also subject to higher political, social and economic risks. These risks include, but are not limited to, a downturn in the country's economy, excessive taxation, political instability, and expropriation of assets by foreign governments. Compared to the United States, foreign governments and markets often have less stringent accounting, disclosure and financial reporting requirements.

Emerging markets are those of countries with immature economic and political structures. Securities issued in emerging markets have more risk than securities issued in more developed foreign markets.

- **Fraudulent Conveyance Considerations.** Various laws enacted for the protection of creditors may apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary from jurisdiction to jurisdiction. For example, if a court were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate such indebtedness and such security interest or other lien as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower (including to a Client Account) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, if an issuer in which a Client Account has an investment becomes insolvent, any payment made on such investment may be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency.

In general, if payments on an investment are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from a Client Account, the resulting loss will be borne by the client or investors in a fund, as applicable.

- **Hedging.** Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the hedging instrument and the Client Account's position being hedged; (ii) possible lack of a secondary market for closing out a position in such instruments; (iii) losses resulting from interest rate, spread or other market movements not anticipated by NBFi; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Client Account's position; and (v) default or refusal to perform on the part of the counterparty with which the Client Account trades. Furthermore, to the extent that any hedging strategy involves the use of over-the-counter derivatives transactions, such a strategy will be affected by implementation of the various regulations adopted pursuant to the Dodd-Frank Act.
- **Illiquid Securities Risk.** Illiquid securities are securities that are not readily marketable, and, as a result, may be more difficult to purchase or sell at an advantageous price or time. A Client Account could lose money if it cannot sell a security at the time and price that would be most beneficial to it. Further, the lack of an established secondary market may make it more difficult to value illiquid securities, which could vary from the amount the Client Account could realize upon disposition.
- **Increased Prepayment Risks with To-Be-Announced ("TBA") Mortgage-Backed Securities.** NBFi may sell securities on behalf of Client Accounts it has committed to purchase before those securities are delivered to the account on the settlement date. The account may also enter into a TBA agreement and "roll over" such agreement prior to the settlement date by selling the obligation to purchase the pools set forth in the agreement and entering into a new TBA agreement for future delivery of mortgage-backed securities. TBA mortgage-backed securities may increase prepayment risks because the underlying mortgages may be less favorable than anticipated by NBFi.
- **Junior Loans.** NBFi's loan strategy may utilize secured and unsecured subordinated loans and second lien loans ("Junior Loans"). Secured second lien loans are generally second in line in terms of repayment priority. A secured second lien loan may have a claim on the same collateral pool as the first lien or may be secured by a separate set of assets, such as property, plants, or equipment. Second lien loans generally give investors priority over general unsecured creditors in the event of an asset sale.

Junior Loans are subject to the same general risks inherent to any loan investment, including credit risk, market and liquidity risk, and interest rate risk. Due to their lower place in the borrower's capital structure, Junior Loans involve a higher degree of overall risk than senior loans of the same borrower.

- **Lack of Liquidity.** There is no public market for interests in the Private Funds. Substantial transfer restrictions typically exist with respect to such interests. Investors can only redeem all or any permissible part of their investments in accordance with the governing documents of the Private Fund, and may be subject to suspensions and other restrictions.

- **Leverage Risk.** Investments may be made in companies whose capital structures may have significant leverage. The use of leverage is a speculative technique that involves special risk considerations. To the extent a company in which a Client Account invests is leveraged, its leveraged capital structure will increase the exposure of the company to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the company or its industry sector.
- **Litigation.** Foreclosures and reorganizations are contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. NBFJ anticipates that the Firm and/or Client Accounts that invest in distressed debt may be named as defendants in civil proceedings relating to certain of such accounts' investments. The expense of defending against such claims and paying any resulting settlements or judgments will generally be borne by the relevant Client Account. Any indemnification payments would adversely affect such Client Account's returns. With respect to Private Funds, indemnification obligations will generally survive the dissolution of the Private Fund, and may cause NBFJ to retain a material reserve from what would otherwise have been the winding-up proceeds distributed to investors.
- **Loan Interests.** Loans generally are subject to restrictions on transfer, and NBFJ may be unable to sell loans at a time when it may otherwise be desirable to do so or may be able to sell them only at prices that are less than their fair market value. NBFJ may find it difficult to establish a fair value for loans held by the Client Account. Loans normally are not registered with the SEC or any state securities commission or listed on any securities exchange. As a result, the amount of public information available about a specific loan historically has been less extensive than if the loan were registered or exchange traded. Bank loan interests may also not be rated by independent rating agencies. Therefore, investments in a particular loan may depend almost exclusively on the credit analysis of the borrower performed by NBFJ. Also, there is a risk that the value of the collateral securing a loan may decline after the Client Account invests or that the collateral may not be sufficient to cover the amount owed to the Client Account. Loans are also subject to the risk of a borrower defaulting, which may limit or delay the account's access to the collateral under bankruptcy or other insolvency laws. Additionally, if the account acquires a participation interest in a loan, it may not be able to control the exercise of any remedies that the lender would have under the loan and likely would not have any rights against the borrower directly. Loans purchased by an account may represent interests in loans made to finance highly leveraged corporate acquisitions, known as "leveraged buy-out" transactions, leveraged recapitalization loans and other types of acquisition financing. The highly leveraged capital structure of the borrowers in such transactions may make such loans especially vulnerable to adverse changes in economic or market conditions.
- **Lower-Rated Debt Securities.** Fixed income securities receiving below investment grade ratings (i.e., "junk bonds") may have speculative characteristics, and, compared to higher-grade securities, may have a weakened capacity to make principal and interest payments in adverse economic conditions or other circumstances. High-yield, high-risk, and lower-rated securities are subject to additional risk factors, such as increased

possibility of default, decreased liquidity and fluctuations in value due to public perception of the issuer of such securities. In addition, both individual high-yield securities and the entire high-yield bond market can experience sharp price swings due to a variety of factors, including changes in economic forecasts, stock market activity, large sustained sales by major investors or a high profile default.

- **Master Limited Partnerships (“MLPs”).** Investments in securities (units) of MLPs involve risks that differ from an investment in common stock. Holders of the units of MLPs have more limited control and limited rights to vote on matters affecting the partnership. For example, unit holders may not elect the general partner or the directors of the general partner and they have limited ability to remove a MLP’s general partner. MLPs may issue additional common units without unit holder approval, which would dilute existing unit holders. In addition, conflicts of interest may exist between common unit holders, subordinated unit holders and the general partner of a master limited partnership, including a conflict arising as a result of incentive distribution payments. There are also certain tax risks associated with an investment in units of MLPs.
- **Model Valuations Risk.** Certain of the Private Funds’ investments, particularly those that invest in asset-backed securities, will be based, in part, on complex models, including the NBFi Software, that incorporate a range of different inputs. Inadequate or incorrect factual information, misstated assumptions, as well as unforeseeable changes in economic factors can cause these models to yield materially inaccurate valuations — even if the model is fundamentally sound. Moreover, there can be no assurance that NBFi’s models are fundamentally sound, or more accurate than its competitors’. The models used by NBFi will typically require certain market forecasts. There can be no assurance that such forecasts will be accurate, and, to the extent that they are not, the Private Fund may be adversely affected.
- **Mortgage-Backed Securities.** Mortgage-backed securities represent “pools” of mortgages and other assets, including consumer loans or receivables held in trust. Investment in mortgage-backed securities poses several risks, including market and credit risk. Market risk reflects the risk that the price of a security may fluctuate over time. Credit risk reflects the risk that the strategy may not receive all or part of its principal because the issuer or credit enhancer has defaulted on its obligations. In addition to these risks, the recent events related to the United States housing market have had a severe negative impact on the value of some mortgage-backed securities and resulted in limited liquidity in the secondary market for mortgage-related securities.
- **Municipal Securities.** Municipal securities rely on the creditworthiness or revenue production of their issuers. Municipal securities may be difficult to obtain because of limited supply, which may increase the cost of such securities and effectively reduce a strategy’s yield. Typically, less information is available about a municipal issuer than is available for other types of securities issuers. Additionally, because interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is

affected by changes in federal income tax rates applicable to, or the continuing tax-exempt status of, such interest income.

- **Participation in Control Situations.** From time to time with respect to distressed debt investments, subject to the applicable investment guidelines, NBFI on behalf of a Client Account will take control positions in an issuer in an effort to maximize value. Not only can control investments take an inordinately long period to exit, but also the investment manager's position of control can be highly resource-intensive and contentious. NBFI and the Client Account may be particularly vulnerable to being named as defendants in litigation relating to their actions while in control of an issuer and may, from time to time, come into possession of material non-public information concerning specific issuers. However, internal structures are in place to prevent misuse of such information. See Item 11.D.1.
- **Projections.** NBFI will make investments relying, in part, upon projections developed by itself concerning an issuer or its securities or other assets' future performance, cash flow, recovery value and other factors. Projections are inherently uncertain and subject to factors beyond the control of NBFI. The inaccuracy of certain assumptions, the failure of an issuer to satisfy certain financial requirements and the occurrence of unforeseen events could cause any such projection to be materially inaccurate.
- **Reliance on Corporate Management and Financial Reporting.** NBFI will select investments for Client Accounts in part on the basis of information and data filed by issuers of securities with various government regulators, publicly available or made directly available to NBFI by such issuers or third parties. Although NBFI will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, NBFI will not always be in a position to confirm the completeness, genuineness or accuracy of such information and data. NBFI is dependent upon the integrity of the management of such issuers and of such third parties as well as the financial reporting process in general. Client Accounts may incur material losses as a result of corporate mismanagement, fraud and accounting irregularities relating to issuers of securities or other assets they hold.
- **Recent Market Conditions.** Recent events in the U.S. and global economies have resulted, and may continue to result, in fixed income instruments experiencing unusual liquidity issues, increased price volatility and, in some cases, credit downgrades and increased likelihood of default. Because the situation is unprecedented and widespread, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market events.
- **Recent Regulatory Events.** The United States Government, the United States Federal Reserve, the United States Treasury, the SEC, the U.S. Federal Deposit Insurance Corporation and other governmental and regulatory bodies have recently taken or are considering taking actions to address the financial crisis. These actions include, but are not limited to, the enactment by the United States Congress of the "Dodd-Frank Wall Street Reform and Consumer Protection Act", which was signed into law on July 21, 2010

and imposes a new regulatory framework over the U.S. financial services industry and the consumer credit markets in general, and proposed regulations by the SEC. Given the broad scope, sweeping nature, and relatively recent enactment of some of these regulatory measures, the potential impact they could have on a strategy may be material. There can be no assurance that these measures will not have an adverse effect on the value or marketability of a Client Account's securities. Furthermore, no assurance can be made that the U.S. Government or any U.S. regulatory body (or other authority or regulatory body) will not continue to take further legislative or regulatory action in response to the economic crisis or otherwise, and the effect of such actions, if taken, cannot be known.

- **Repurchase Agreements and Reverse Repurchase Agreements.** In a repurchase agreement, the Client Account purchases securities from a bank that is a member of the Federal Reserve System or from a securities dealer that agrees to repurchase the securities from the Client Account at a higher price on a designated future date. Repurchase agreements generally are for a short period of time, usually less than a week. Costs, delays or losses could result if the selling party to a repurchase agreement becomes bankrupt or otherwise defaults.

A reverse repurchase agreement involves the sale of a security, with an agreement to repurchase the same or substantially similar securities at an agreed upon price and date. Whether such a transaction produces a gain for the Client Account depends upon the costs of the agreements and income and gains of the securities purchased with the proceeds received from the sale of the security. If the income and gain on the securities purchased fail to exceed the costs, the Client Account's value will decline faster than otherwise would be the case. Reverse repurchase agreements, as leveraging techniques, may increase a fund's yield; however, such transactions also increase the Client Account's risk to capital and may result in a client or investor's loss of principal.

- **Risks Associated with Lender Liability; Equitable Subordination.** In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively referred to as "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 or its other creditors or shareholders. Client Accounts that invest in loans, particularly distressed debt, may become subject to allegations of lender liability and may be subject to significant liability if a claim of this type did arise.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender: (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower to

the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.”

- **Sector Risk.** By focusing more heavily in particular bond markets, strategies that focus on a particular sector or limited sectors bear much greater risks of adverse developments and price movements in these markets than an account that invests in a wider range of bond markets. Individual sectors may move up and down more than the broader market. The instruments or industries that constitute a sector may all react in the same way to economic, political or regulatory events.
- **Stripped Mortgage-Backed Securities Risk.** Stripped mortgage-backed securities (“SBMS”) are derivative multi-class mortgage securities issued by agencies and instrumentalities of the U.S. Government or by private originators of, or investors in, mortgage loans. They are typically structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. As such, these classes can be very sensitive to changes in interest rates and the rate of prepayments.
- **Stripped Securities Risk.** Stripped securities are the separate income or principal components of debt securities. These securities are particularly sensitive to changes in interest rates, resulting in greater fluctuations in price than other debt securities and traditional government securities with identical credit ratings.
- **Terrorism Risk.** The September 11, 2001 terrorist attacks, the war with Iraq and its aftermath, continuing occupation of Iraq by coalition forces and related events have led to increased short-term market volatility and may have long-term effects on United States and world economies and markets. A similar disruption of the financial markets or other terrorist attacks could adversely impact interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to a Client Account’s securities and adversely affect such account’s service providers and operations.
- **Trade Claims.** Certain Client Accounts that invest in distressed debt may acquire trade claims — i.e., amounts due from a company to its suppliers. Trade claims are not “securities” for regulatory purposes, and a Client Account, in investing in trade claims, will not have the protection of the securities laws. Trade claims are typically highly illiquid and may have a relatively junior position as compared to securities and other debt owed by the issuer. There may be defenses to trade claims — for example, the services or products furnished not meeting specifications — of which NBFi may not be aware at the time of a Client Account’s acquisition of such claims.
- **Uncertainties of Foreclosure Process.** With respect to Client Accounts that invest in distressed debt, NBFi generally concentrates on acquiring debt that is secured by assets that NBFi believes to have a value adequate to ensure payment of such debt. However, if it becomes necessary to foreclose on the assets underlying a loan acquired by a Client Account, significant uncertainty may arise as to the outcome of the proceeding.

Bankruptcy judges have broad discretion as to how they deal with the claims of different creditors, and the claims of secured creditors may not — despite their legal entitlement — always be respected as a matter of policy. These Client Accounts may make investments in restructurings and workouts that involve companies that are experiencing, or are expected to experience, severe financial difficulties, which may never be overcome and may lead to uncertain outcomes. The Bankruptcy Courts have broad discretion to control the terms of a reorganization, and political factors may be of significant importance in the more high profile bankruptcies.

- **U.S. Government/Agency Risk.** U.S. Government/Agency Risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Not all U.S. government securities are backed or guaranteed by the U.S. government. Some U.S. government securities are supported only by the credit of the issuing agency, which depends entirely on its own resources to repay the debt, and are subject to the risk of default. Although many types of U.S. Government Securities may be purchased under this strategy, such as those issued by the Federal National Mortgage Association (“**Fannie Mae**”), Federal Home Loan Mortgage Corporation (“**Freddie Mac**”) and Federal Home Loan Banks may be chartered or sponsored by Acts of Congress, their securities are neither issued nor guaranteed by the United States Treasury and, therefore, are not backed by the full faith and credit of the United States. The maximum potential liability of the issuers of some U.S. Government Securities may greatly exceed their current resources, including their legal right to support from the U.S. Treasury. It is possible that these issuers will not have the funds to meet their payment obligations in the future. In September 2008, the U.S. Treasury Department and the Federal Housing Finance Administration (“**FHFA**”) announced that Fannie Mae and Freddie Mac would be placed into a conservatorship under FHFA. The effect that this conservatorship will have on the entities’ debt and equities and on securities guaranteed by the entities is unclear.
- **When-Issued and Delayed Delivery Transactions Risk.** When-issued and delayed-delivery transactions occur when securities are purchased or sold by the strategy with payment and delivery taking place in the future to secure an advantageous yield or price. These transactions may expose the strategy to counterparty risk of default as well as the risk that securities may experience fluctuations in value prior to their actual delivery. Purchasing securities on a when-issued or delayed-delivery basis can involve the additional risk that the price or yield available in the market when the delivery takes place may not be as favorable as that obtained in the transaction itself.
- **Whole Loans Risk.** Certain Private Funds may acquire whole loans — as opposed to commercial mortgaged-backed securities whose payment flows are dependent on payments of the underlying loans. When the Private Fund holds a whole loan, NBFJ will be responsible for dealing directly with the issuer — which can both consume valuable investment adviser resources which could be more profitably employed in other investments as well as subjecting the Private Fund to all the uncertainties, expenses and adversary proceedings which surround foreclosures in general.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or potential client's evaluation of the firm or the integrity of the firm's management in this item. NBFII has no items to disclose.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker-Dealer or Registered Representative

NBFI is not a registered broker or dealer. Some of NBFI's management personnel are registered representatives with FINRA through their affiliation with NBFI's registered broker-dealer affiliates, NB LLC and NBM. In such capacity, subject to applicable law, they may receive sales commissions in connection with the sale of interests in affiliated Private Funds and NB Registered Funds. See Item 5.E.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor or Associated Person

NBFI is registered with the Commodities Futures Trading Commission as a Commodity Trading Advisor ("CTA") and certain of its management personnel are registered as associated persons with the NFA. NBFI uses commodity futures and options contracts to a limited extent and for bona fide hedging purposes only. The use of futures contracts is solely incidental to its primary business of providing fixed income securities advice. These financial instruments are used as a means of refining the implementation of strategies originating from analyses of the cash fixed income market, most specifically duration and yield curve management. In implementing these strategies, NBFI will primarily utilize interest rate futures and options contracts on Treasury notes and bonds, Federal Funds and Eurodollars.

C. Material Relationships

NBFI currently has certain relationships or arrangements with related persons that are material to its advisory business or its clients. Below is a discussion of such relationships/arrangements and conflicts that arise from them.

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker

NBFI is affiliated with NB LLC, a U.S. registered broker-dealer and NBM, a U.S. registered limited purpose broker-dealer. NBM is the principal underwriter and distributor for the NB Registered Funds and NB LLC acts as a distributor for the NB Registered Funds and certain affiliated Private Funds and Sub-Advised Accounts.

In providing investment management services to its clients, NBFI may draw upon the trading and research resources of NB LLC and the operational and administrative resources of NBM.

NBFI may use security analyses and research reports prepared by NB LLC's dedicated research department or of other affiliated entities.

NBFI may utilize placement agents in offering certain affiliated Private Funds to investors. These placement agents may include NB LLC or an unaffiliated registered broker-dealer. See Item 5.E. and Item 14.B. Officers of NB LLC may also solicit Separate Account clients for NBFI.

In addition, NBFI employees may also be officers and/or registered representatives of NB LLC and/or NBM. In such capacity, they may sell or provide similar services as the services offered by NBFI. The existence of these relationships may create the appearance of a conflict of interest. See Item 11.B.7 and Item 11.D.6.

NBFI does not generally execute securities transactions for any of its clients through NB LLC or NBM. See Item 11.B.3.

The Firm has established policies and procedures reasonably designed to prevent the misuse by the Firm and its personnel of material information regarding issuers of securities that has not been publicly disseminated. See Item 11.D.1.

2. Investment Company or other pooled investment vehicle

NBFI acts as a sub-adviser to the NB Registered Funds. An affiliate of NBFI acts as the adviser to the NB Registered Funds. NBFI also acts as an adviser or sub-adviser, as applicable, to the Private Funds where a related party may be a general partner or the adviser. Management persons of NBFI may act as directors or officers of Private Funds advised by affiliates. In addition, NBFI serves as a sub-adviser to foreign investment vehicles (both private and regulated) advised by Neuberger Berman Europe Limited ("**NB Europe**"), an affiliate of NBFI.

Subject to the investment guidelines and applicable law, NBFI may invest Client Accounts in Affiliated Funds. See Item 5.C regarding additional fees and expenses associated with investments in Affiliated Funds.

NBFI has a conflict of interest to the extent that it recommends or invests Client Accounts in the Affiliated Funds (rather than in unaffiliated mutual funds or private funds) because the Firm may benefit from increased subscriptions to the Affiliated Funds (i.e., larger funds) and, with respect to investing Client Accounts in the NB Registered Funds, certain affiliates of NBFI receive commission revenue for distributing such funds.

Neither NBFI nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Private Fund or NB Registered Fund. Because NBFI may receive a performance fee in connection with its management of a Private Fund, NBFI may be incentivized to devote a disproportionate amount of time and resources to the Private Fund at the expense of other accounts that are charged a management fee. NBFI and its related persons intend to devote as much time as they deem necessary for the management of each account, and will allocate investment opportunities between Private Funds and other accounts managed in a similar strategy in accordance with NBFI's trade allocation policy described in Item 12.B.

3. Other investment adviser or financial planner

NBFI has relationships that are material to its investment management business with the following affiliated investment advisers (**the “Advisory Affiliates”**).

SEC-Registered Advisers:

Neuberger Berman Management LLC
Neuberger Berman LLC
NB Alternative Fund Management LLC
Neuberger Berman Asia Limited

Non-SEC-Registered Advisers:

Neuberger Berman Europe Limited
Neuberger Berman Japan Limited
Neuberger Berman Australia Pty Limited

In providing investment management services to its clients, NBFI may draw upon the portfolio management, trading, research, operational and administrative resources of these affiliates. Subject to the written consent of the client, NBFI may engage one or more of these affiliates as subadvisors. Depending upon the strategy, investment professionals from such affiliates may have decision-making roles.

All personnel of the Non-SEC-Registered Advisers involved in NBFI’s advisory activities are deemed “associated persons” of NBFI with respect to such activities and are subject to certain NBFI policies and procedures as well as supervision and periodic monitoring.

A number of NBFI personnel involved in portfolio management at NBFI are also officers of some of these Advisory Affiliates and provide investment management services to clients of such affiliates. Neither NBFI nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular client. NBFI and its related persons intend to devote as much time as they deem necessary for the management of each client’s account and will allocate investment opportunities in accordance with NBFI’s trade allocation policy. See also Item 6 and Item 11.D.6. with respect to side-by-side management issues.

NBFI acts as sub-adviser to certain separately managed accounts of NB LLC and NB Alternative Fund Management LLC (“**NBAFM**”). NBFI also provides trade execution services for NBAFM. In addition, NBFI provides cash management services for certain NBAFM clients. NBFI also serves as sub-adviser to Separate Accounts and foreign investment vehicles (both private and regulated) advised by NB Europe. The Advisory Affiliates may act as sub-adviser to certain Separate Accounts of NBFI.

Certain employees of Neuberger Berman Europe Limited, Neuberger Berman Japan Limited, Neuberger Berman Australia Pty Limited and Neuberger Berman Asia Limited may provide marketing and/or client-related services in connection with NBFI products.

The views and opinions of NBF, and those of these Advisory Affiliates and their research departments, may differ from one another. See Item 11.B.7.

4. Futures commission merchant, commodity pool operator, or commodity trading advisor

NB LLC is registered as a Commodity Trading Advisor, Commodity Pool Operator and Futures Commission Merchant. See Item 10.C.1 and Item 10.C.3 for a description of NBF's relationship with NB LLC. NBF is registered as a Commodity Trading Advisor. See Item 10.C.3 for a description of NBF's relationship with NBF.

5. Banking or thrift institution

NBF is affiliated with Neuberger Berman Trust Company N.A. and Neuberger Berman Trust Company, Delaware NA (collectively the "**NB Trust Companies**"). The NB Trust Companies provide comprehensive wealth management, tax planning, trust and estate administration, custody, employee benefit plan administration and planned giving and philanthropic advisory services to high net worth individuals, families, businesses and charities. Certain portfolio managers of NBF are also officers of the Neuberger Berman Trust Company N.A. and, in such capacity, provide investment management services on behalf of the Neuberger Berman Trust Company N.A. NBF provides certain trade execution and administrative services to the Neuberger Berman Trust Company N.A. for such accounts.

6. Accountant or accounting firm

None.

7. Lawyer or law firm

None.

8. Insurance company or agency

None.

9. Pension consultant

None.

10. Real estate broker or dealer

None.

11. Sponsor or syndicator of limited partnerships

Affiliates of NBF act as the general partner with respect to certain Private Fund entities managed by NBF. See Item 10.C.2. Further information about the partnerships where affiliates

of NBFI serve as the general partner is available in Section 7.B of Schedule D of Part I of NBFI and its affiliated SEC-registered investment advisers' Form ADVs.

12. Administrator

An affiliate of NBFI acts as administrator to at least one of its Private Funds.

D. Selection of Other Investment Advisers

NBFI may engage other affiliated advisers to act as sub-advisers for its Separate Accounts or the Private Funds. In connection with the selection of potential sub-advisers, NBFI makes recommendations and/or selections of underlying investment managers for these accounts.

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

A. Code of Ethics

In order to address conflicts of interest, NBFi has adopted a Compliance Manual and the Neuberger Berman Code of Ethics and Code of Conduct (the “**Conflicts Procedures**”). The Conflicts Procedures are applicable to all of NBFi’s officers, members, and employees (collectively, “**Employees**”). The Conflicts Procedures generally set the standard of ethical and professional business conduct that the Firm and NBFi require of its Employees. The Conflicts Procedures consist of certain core principles requiring, among other things, that Employees: (1) at all times place the interests of clients first; (2) ensure that all personal securities transactions are conducted in such a manner as to avoid any actual or potential conflicts of interest or any abuse of an individual’s position of trust and responsibility; (3) refrain from taking advantage of their positions inappropriately; and (4) at all times conduct themselves in a manner that is beyond reproach and that complies with all applicable laws and regulations.

As discussed further below, the Conflicts Procedures include provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other topics. All Employees must acknowledge the terms of the Code of Ethics annually, or when they are amended.

In addition, the Conflicts Procedures impose certain additional requirements on Access Persons (as defined in the Conflicts Procedures) who are investment personnel. The Conflicts Procedures also require Access Persons to report personal securities transactions on at least a quarterly basis and provide the Firm with a detailed summary of certain holdings (initially upon becoming an Access Person and annually thereafter) over which such Access Persons have a direct or indirect beneficial interest.

Clients may obtain a copy of the Code of Ethics by contacting Brian Lord, NBFi’s Chief Compliance Officer, at 1-312-325-7707.

B. Participation or Interest in Client Transactions

NBFi may participate or have an interest in client transactions as described below. NBFi makes all investment management decisions in its clients’ best interests.

1. *Principal and Agency Transactions:*

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from, or sells any security

to, an advisory client. A principal transaction would occur if NBFI bought securities for its own inventory from an NBFI advisory client or sold securities from its inventory to an NBFI advisory client.

If an adviser, its affiliates or their respective principals own a substantial equity interest in an account managed by the adviser, transactions involving that account and another client could be characterized as a principal transaction. For example, if NBFI, its affiliates or principals have a substantial equity interest in a Private Fund, the transfer of securities from such Private Fund's account to an NBFI Separate Account could be a principal transaction.

A principal transaction presents conflicts of interest which may include the adviser or affiliate earning a fee or earning (or losing) money as a result of the transaction.

NBFI and its related persons do not generally engage in principal transactions with NBFI's clients. Subject to the rules and regulations under the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), if NBFI were to engage in such affiliated principal transactions for Separate Accounts, NBFI would disclose the transaction to the client and obtain the client's consent in accordance with Section 206-3 of the Advisers Act. With respect to Private Funds, NBFI may engage in such transactions as described in each fund's particular offering documents. In such instances, NBFI will comply with applicable federal law, as well as any requirements imposed by the funds themselves. The potential conflicts of interest are disclosed in the fund's offering documents.

An "agency cross transaction" is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. An agency cross trade would occur if securities are purchased or sold between one of NBFI's discretionary client accounts through NB LLC and a non-discretionary account client for which NB LLC acts as broker. NBFI does not intend to engage in agency cross transactions.

2. *Cross Transactions*

Generally, with the exceptions set forth below, it is NBFI's policy not to engage in buying or selling of securities from one client account to another (typically referred to as a "cross trade"). The vast majority of trades made for client accounts will be executed through the open market. NBFI may engage in cross trading under limited circumstances. However, NBFI will only do so when it believes it is in the best interest of both clients. In such circumstances, neither NBFI nor its affiliates will receive transaction-based compensation from the trade. In certain situations, specific consent for each such transaction may be required from both parties to the transaction. Where an NB Registered Fund or a Third-Party Mutual Fund is involved, the transaction will be executed in accordance with the provisions of Rule 17a-7 under the Investment Company Act.

3. *Affiliated Brokers*

NBFI is affiliated with NB LLC and NBM. NBFI does not generally execute transactions for its clients' accounts through NB LLC or NBM. In the event NBFI were to execute a transaction on

behalf of its clients with NB LLC or NBM, NBFI would only do so if it had received prior written authorization from the client and only in accordance with all applicable laws and regulations, including ERISA. Such transaction would only be executed if NB LLC or NBM provided best price and best execution under the circumstances. See Item 12.A.

4. *Financial Interests in Securities or Investment Products*

From time to time, employees of NBFI and its related persons who are registered representatives of NB LLC, a registered investment adviser and broker-dealer, may recommend to NBFI's clients that they buy or sell securities in which NBFI or a related person has a financial interest or may recommend to make an investment in an Affiliated Fund.

Furthermore, NBFI may invest Client Accounts in securities or other assets of companies with which NBFI or its affiliates has a business relationship, whether client, broker, vendor or investment consultant.

NBFI has a conflict of interest to the extent that it recommends or invests Client Accounts in the Affiliated Funds (rather than in unaffiliated mutual funds or private funds) because the Firm may benefit from increased subscriptions to the Affiliated Funds (i.e., larger funds) and, with respect to investing Client accounts in the NB Registered Funds, certain affiliates of NBFI receive commission revenue for distributing such Funds. See Item 5.C. and Item 10.C.2.

NBFI's policies and procedures together with its investment process seek to ensure that all accounts are managed consistent with their investment objectives and guidelines and consistent with NBFI's fiduciary obligations.

5. *Employee Investment in NBFI Products*

Employees of NBFI or its affiliates may be investors in the Private Funds and/or the NB Registered Funds or Third-Party Mutual Funds managed by NBFI or an affiliate. Any such investments are made in conformity with the Conflicts Procedures (see below) which have procedures regarding the use of confidential information and personal investing. The Firm may waive fees for employees.

6. *Buying and Selling Securities That Are Recommended to Clients:*

NBFI may recommend to clients investments in which Neuberger Berman, its affiliates or employees are also invested. Key personnel of NBFI may be invested directly in the Private Funds and the performance fee distributions and management fee payable by such Private Funds may be separately negotiated by NBFI.

NBFI provides investment advisory services to various clients which may differ from the advice given, or the timing and nature or action taken, with respect to any one account. NBFI, its affiliates, and employees (to the extent not prohibited by the Code of Ethics), and other clients may have, acquire, increase, decrease, or dispose of securities or interests at or about the same time that NBFI is purchasing or selling securities or interests for an account which are or may be deemed to be inconsistent with the actions taken by such persons.

7. *Other Interests in Client Transactions*

NBFI employees and officers may also be officers, employees and/or registered representatives of NB LLC, NBM or any of the Advisory Affiliates. In such capacity, they may sell or provide similar services as the services offered by NBFI. The views and opinions of NBFI, NB LLC, NBM or any of the Advisory Affiliates and their research departments, may differ from one another. As a result, client accounts may hold securities or other investment products for which each of these entities may have a different investment opinion or outlook at the time of their acquisition or subsequent thereto.

NBFI provides Consulting Services and licenses and supports the NBFI Software to clients (“**Consulting Services Clients**”). See Item 4.B. During the consulting period and for the term of any license, NBFI and/or its affiliates may use similar or identical information derived from their independent use of the NBFI Software to advise Client Accounts with respect to investments in mortgage loans and/or securities backed by or based upon, directly or indirectly (including synthetically), mortgage loans or other asset-backed securities held or insured by Consulting Services Clients or in which the Consulting Services Clients otherwise have an interest (an “**Interest**”). NBFI and/or its affiliates may place orders to buy and sell such positions for Client Accounts, or give advice and recommendations with respect to positions where a Consulting Services Client may have an Interest, based on NBFI’s and/or its affiliates’ independent use of the NB Software prior to or simultaneously with any report or other work product generated or provided by NBFI to any Consulting Services Client, or by such Consulting Services Client through its use of the NB Software, or any action or decision made by such Consulting Services Client in reliance upon such reports and other work product. Such orders placed by NBFI and/or its affiliates may compete or be inconsistent with orders or actions taken by the Consulting Services Clients in reliance on such reports or work product generated by NBFI and the NBFI Software, or may result in a Client Account of NBFI or an affiliate taking the opposite side of a Consulting Services Client order. In addition, NBFI and its affiliates may give advice and recommendations to, and act as agent, including with respect to efforts to commute exposure on behalf of, Client Accounts holding positions in which Consulting Services Clients have an Interest, and take actions on behalf of such Client Accounts that may differ from or be the same as or similar to, any advice and/or recommendations which NBFI or any of its affiliates may provide to Consulting Services Clients.

C. Personal Trading

NBFI, or one or more of its affiliates, including employees, from time to time, may invest for their own account directly or through a Private Fund or NB Registered Fund in equity, fixed income, derivatives or other investments in which NBFI may also invest on behalf of Client Accounts. Moreover, NBFI and its affiliates and their respective employees may buy, sell or hold securities while entering into different investment decisions for one or more Client Accounts. All such investments are made in accordance with the Conflicts Procedures.

It is the Firm’s policy to monitor and in some cases prohibit personal securities transactions for NBFI, its affiliates and their respective employees. The Conflicts Procedures contain employee

trading policies and procedures that are closely monitored by the Legal and Compliance Department. Key aspects of the employee trading policies and procedures include:

- (a) a requirement for securities accounts to be maintained at NB LLC or other approved entities;
- (b) an employee price switch/disgorgement policy;
- (c) prohibitions against employee participation in certain IPOs and trading on the basis of material non-public information;
- (d) pre-approval requirements for certain security transactions such as private placement offerings;
- (e) a minimum holding period of 30 days for most personal securities transactions; and
- (f) annually affirming in writing that (i) all transactions occurring during the year were reported to the Firm; (ii) all reportable positions were disclosed; (iii) all newly opened securities accounts and/or private placements were disclosed; and (iv) that the employee has read, understood and complied with the Code of Ethics.

The price switch/disgorgement policy attempts to address the potential conflict that could arise from employees owning the same securities as clients, or where the accounts of both enter the market at the same time. Subject to certain exclusions, employee trades that are executed on the same day and in the same security as a client's account are reviewed to ensure that the employee does not receive a better price than the client. In the event that the employee does receive a better price, the employee's price is "switched" to that of the client's and the cash difference in the execution price is disgorged from the employee account. Disgorged proceeds are generally donated to charity.

As stated in the Conflicts Procedures, it is the policy of Neuberger Berman for its SEC-registered advisers to prohibit insiders, that is, the employees of such advisers and certain of their close relatives, from effecting transactions in anticipation of transactions in such securities by Client Accounts.

D. Other Conflicts of Interest

1. Non Public Material Inside Information/Insider Trading

The Firm has implemented policies and procedures (the "**MNPI Procedures**") that are reasonably designed to prevent the misuse by the Firm and its personnel of material information regarding issuers of securities that has not been publicly disseminated ("**material non-public information**"). The MNPI Procedures are designed to be in accordance with the requirements of the Advisers Act and other federal securities laws. In general, under the MNPI Procedures and applicable law, when the Firm is in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither the Firm nor its personnel are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information that the Firm has is no longer deemed to be material non-public information.

In the ordinary course of operations, certain businesses within the Firm may seek access to material non-public information. For instance, the loan and distressed debt businesses within NBFI may utilize material non-public information in purchasing loans and other debt instruments. From time to time, NBFI portfolio managers may be offered the opportunity on behalf of applicable clients to participate on a creditors or other similar committee in connection with restructuring or other “work-out” activity, which participation may provide access to material non-public information.

The MNPI Procedures address the process by which material non-public information may be acquired intentionally by the Firm. When considering whether to acquire material non-public information, the Firm will attempt to balance the interests of all clients, taking into consideration relevant factors, including, but not limited to, the extent of the prohibition on trading that may occur, the size of the Firm’s existing position in the issuer, if any, and the value of the information as it relates to the investment decision-making process. The intentional acquisition of material non-public information may give rise to a potential conflict of interest since NBFI may be prohibited from rendering investment advice to clients regarding the public securities of such issuer and thereby potentially limiting the universe of public securities that NBFI may purchase or potentially limiting the ability of NBFI to sell such securities. Similarly, where the Firm declines access to (or otherwise does not receive) material non-public information regarding an issuer, NBFI may base its investment decisions with respect to loan assets of such issuer solely on public information, thereby limiting the amount of information available to NBFI in connection with such investment decisions. In determining whether or not to elect to receive material non-public information, the Firm will endeavor to act fairly to its clients as a whole. The Firm reserves the right to decline access to material non-public information, including to decline to join a creditors or similar committee.

In connection with loan assets held by NBFI’s clients, NBFI may engage a third-party vendor to administer the loan amendment process with respect to issuers for which NBFI will not accept material non-public information.

2. *Gifts/Gratuities/Entertainment*

Firm employees, wherever located, are prohibited from providing business gifts or entertainment that are excessive or inappropriate or intended to inappropriately influence recipients.

Subject to applicable law, the Firm allows personnel to provide limited business gifts and entertainment to personnel/representatives of clients or prospective clients as detailed in more specific Firm policies and procedures. However, the Firm prohibits providing business gifts or entertainment that are excessive or inappropriate or intended to cause such personnel/representatives to act against the best interests of their employer, the client they represent or those to whom they owe a fiduciary duty.

In addition to the above prohibitions, the Firm imposes restrictions on providing gifts and entertainment to particular types of clients or client representatives, such as government officials at all levels and representatives of U.S. Labor Organizations. Furthermore, other public,

as well as private, institutions may have their own internal rules regarding the acceptance of gifts or entertainment by their personnel and other representatives. Neuberger Berman personnel are reminded to be aware that institutions with whom they deal may have certain additional restrictions.

In addition to these requirements, which apply to all Firm personnel, different regions may have regulatory rules and requirements relating to business gifts and entertainment specific to their region. Separate Firm policies and procedures specify how personnel subject to this requirement are to comply with it.

Accepting gifts or entertainment from clients, prospective clients, employees or agents of clients, outside vendors, suppliers, consultants, and other persons or entities with whom the Firm does business may also create actual or apparent conflicts of interest. Subject to applicable law, the Firm does not prohibit personnel from accepting all business-related gifts or entertainment. However, neither Firm personnel, immediate family members, nor other household members may accept any gift or entertainment that is significant in value or impairs, or appears to impair, employee ethics, loyalty to the Firm, or ability to exercise sound judgment. Furthermore, Firm personnel may not accept gifts or entertainment that are, or may be perceived as being, compensation from someone other than the Firm. Firm personnel may not solicit gifts or entertainment, and may not give any gifts or entertainment to anyone who solicits them.

3. *Political Contributions*

Due to the potential for conflicts of interest, the Firm has established procedures relating to political contributions which are designed to comply with applicable federal and state law. All employees are required to seek preapproval before making any political contribution.

4. *Outside Business Activities*

Certain types of outside affiliations or other activities may pose a conflict of interest or regulatory concern to the Firm. Therefore, the Firm prohibits certain activities, and requires employees to disclose outside activities to the Firm in writing so that responsible personnel may assess the compatibility of the outside affiliation or activity with their role at the Firm. "Outside affiliations" include relationships in which Neuberger Berman personnel serve as an employee, director, officer, partner or trustee of a public or private organization or company other than the Firm (paid or unpaid), including joint ventures, portfolio investment companies, non-profit, charitable, civic or educational organizations. These relationships may or may not be related to employment with the Firm. Employees registered in the U.S. may also have to update their regulatory filings to reflect outside affiliations. Generally, Firm employees do not have to disclose affiliations which involve little or no personal responsibility or exposure on their part and have minimal potential for adversely affecting the Firm's image or creating conflicts of interest. Firm personnel are not required to disclose affiliations of family members unless they are aware that an immediate family member's affiliation with a company or organization may result in a conflict of interest between the employee and the Firm or the employee and a client of the Firm.

Firm personnel are generally prohibited from being employed by another company or from engaging in other activities that could interfere or conflict with their service at the Firm. Firm personnel are prohibited from being employed by, or serving on a board or in an advisory position with, any public company or with other firms in the financial services industry. Furthermore Firm personnel are prohibited from entering into independent non-Firm related business relationships with clients, vendors, or co-workers. Exceptions to these prohibitions may only be made in writing on a case-by-case basis by the Legal and Compliance Department.

Firm personnel may serve as an executor, trustee, guardian or conservator in a personal capacity, provided such relationship is with a party who is not a co-worker, client, vendor or business partner of the Firm. If the party is in one of these categories, the relationship requires prior approval. Brokerage accounts under control of the employee as a result of their service as an executor, trustee, guardian or conservator must be disclosed in accordance with the Firm's Code of Ethics, even if the relationship is personal or family-related. With the exception of service for a public charity, Firm personnel are generally not permitted to represent the Firm as an executor, trustee, guardian or conservator.

5. *Outsourcing/Service Providers*

The Firm conducts appropriate due diligence on any outside vendor that provides products or services to the Firm and enters into an appropriate contract. The Firm's relationships with outside vendors are managed so that appropriate controls and oversight are in place to protect the Firm's interests, including safeguarding of private and confidential information regarding the Firm's clients and employees.

6. *Side by Side Management of Different Types of Accounts*

NBFI and its personnel may have differing investment or pecuniary interests in different accounts managed by NBFI, and its personnel may have differing compensatory interests with respect to different accounts. Similarly, NBFI personnel who are dual employees with an Advisory Affiliate may have different interests with respect to accounts managed for NBFI and accounts managed for the Advisory Affiliate.

NBFI faces a potential conflict of interest when (i) the actions taken on behalf of one account may impact other similar or different accounts (e.g., where accounts have the same or similar investment strategies or otherwise compete for investment opportunities, have potentially conflicting investment strategies or investments, or have differing ability to engage in short sales and economically similar transactions) and/or (ii) NBFI and its personnel have differing interests in such accounts (e.g., where NBFI or its related persons are exposed to different potential for gain or loss through differential ownership interests or compensation structures) because NBFI may have an incentive to favor certain accounts over others that may be less profitable. Such conflicts may present particular concern when, for example, NBFI places, or allocates, securities transactions that NBFI believes could more likely result in favorable performance, engages in cross trades or executes potentially conflicting or competing investments.

To mitigate these conflicts, NBF's policies and procedures seek to ensure that investment decisions are made in accordance with the fiduciary duties owed to such accounts and without consideration of NBF's (or such personnel's) pecuniary, investment or other financial interests. NBF has policies and procedures designed to allocate investment opportunities fairly among Client Accounts.

In addition, certain side-by-side managed accounts or portfolios may acquire both long and short positions in securities of an issuer (i.e., "long/short" strategies). A short sale involves the sale of a security that the acquirer does not own in the expectation of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. To make delivery to the buyer, the acquirer must borrow the security, and the acquirer is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the acquirer. In contrast to taking a long position in a security, when a manager sells a security short, he/she is typically doing so with the expectation that the security will decline in value. Depending on a number of conditions, including, but not limited to, the security's liquidity and general economic conditions, shorting a security may also have the added consequence of adversely impacting its market price. As a result, managers who manage long/short products may have potential conflicts of interest were they to short a security in which they were also long for another client and/or in another product. NBF has adopted policies and procedures which would permit such transactions, under certain circumstances.

Notwithstanding the above, the views and opinions of NBF, its portfolio managers and other employees and those of its affiliates and research departments may differ from one another. As a result, products managed by NBF or its affiliates may hold securities or pursue strategies that reflect differing investment opinions or outlooks at the time of their acquisition or subsequent thereto.

See Item 12.B regarding trade allocation and aggregation policies.

Item 12: Brokerage Practices

A. Criteria for Selection of Broker-Dealers

In General—Brokerage Selection

Generally, where NBFI has discretionary authority for an account, NBFI has discretion to purchase and sell securities and to select the broker-dealer. NBFI looks to the overall quality of service provided by the broker and will consider many factors when making a selection for execution. It is NBFI's policy to use its best efforts to obtain the best price on every trade given all the relevant circumstances. In addition to price, traders will also consider the size of the transaction, liquidity of both the security and the market, the broker's ability to provide and/or find liquidity, time limitations, and confidentiality of the transaction. NBFI will also utilize electronic trading networks when they can provide liquidity and price improvement over and above what is available through traditional methods for execution.

Wrap Accounts: NBFI may utilize the relevant Wrap Sponsor for brokerage, as use of the Wrap Sponsor may achieve best execution due to certain lower negotiated fees (i.e., brokerage fees are often included in the overall fee paid by Wrap Program Clients to the Wrap Sponsor and therefore no additional brokerage fees may be incurred when brokerage is directed to the Wrap Sponsor). NBFI receives no additional compensation for such referrals. NBFI will only direct such brokerage where it believes it can achieve best execution (although there can be no assurance that it can be obtained) taking into account any lower fees due to the Wrap Program. Wrap Program Clients should consider whether or not the participation in a Wrap Program may or may not result in certain costs or disadvantages to the client as a result of possible less favorable executions.

NBFI may enter into agreements with certain Wrap Sponsors whereby NBFI will only provide its model portfolio to the program sponsor. The Wrap Sponsor would be responsible for executing portfolio transactions for the accounts of the Wrap Program Clients.

When recommending orders for discretionary Wrap Program Clients or providing the model portfolio to the Wrap Sponsors, NBFI rotates its order entry in what it deems to be a fair and orderly manner.

Research and Other Soft Dollar Benefits

Soft dollars refers to the practice of using a portion of the commissions generated when executing client transactions to acquire useful research and brokerage services from broker-dealers. In general, NBFI's policy is to not direct soft dollar credits to individual brokers or dealers on behalf of its clients. However, certain Client Accounts may indirectly benefit from soft dollar arrangements that NB LLC has in place.

Brokerage for Client Referrals

NBFI does not enter into agreements with, or make commitments to, any broker-dealer that would bind NBFI to compensate that broker-dealer, directly or indirectly, for client referrals (or sale of fund interests) through the placement of brokerage transactions.

Directed Brokerage

Clients may have particular brokerage requirements or requests including directed brokerage, use of emerging brokers, or prohibition of specific brokers. NBFI will review all requests to determine whether NBFI believes such proposals may be disadvantageous to the client. NBFI will discuss any concerns with the client. As a general practice, NBFI does not engage in directed brokerage transactions. Any brokerage requirements or requests may have an adverse impact on NBFI's ability to achieve best execution for such client. In addition, such request may prevent the client from trade aggregation, which may allow more favorable execution.

Other Fees in Connection with Trading

In an effort to achieve best execution of portfolio transactions, NBFI may trade securities for client accounts by utilizing electronic marketplace or trading platforms. Some of these electronic systems may impose additional service fees or commissions. NBFI may pay these fees directly to the provider of the service or these fees may be included in the execution price of a security. NBFI's intention is that it will only use such systems and incur such fees if it believes that doing so helps it to achieve best execution for the applicable transaction, taking into account all relevant factors under the circumstances. For example, NBFI may consider the speed of the transaction, the price of the security, the research it receives and its ability to effect a block transaction.

Trade Errors

NBFI has adopted policies and procedures for correcting trade errors. The policies and procedures require that all errors affecting a client's account be resolved promptly and fairly. The intent of the policy is to restore a client account to the appropriate financial position considering all relevant circumstances surrounding the error.

B. Aggregation of Orders/Allocation of Trades

Aggregation:

NBFI will frequently aggregate trades (buys and sells) for a client with other NBFI clients when it determines that such aggregation should result in more favorable trade execution.

This aggregation of orders could lead to a conflict of interest in the event an order cannot be entirely fulfilled and NBFI is required to determine which accounts should receive executed shares and in what order.

NBFI will aggregate and allocate orders only in a manner designed to ensure that no client or account is favored over time and that participating clients are treated in a fair and equitable manner. No account will be favored over any other account.

Allocation of Investment Opportunities:

NBFI strives to add value in client accounts while minimizing return dispersion across accounts with similar investment mandates. The NBFI Trade allocation policy requires that all clients are treated in a fair and equitable manner throughout the trade allocation process and each client has the ability to participate in investment decisions when deemed appropriate.

There are no specific limitations on the securities to be bought or sold or the amount of such securities to be bought or sold for a particular account, unless a client's guidelines state otherwise. When determining allocations, and ultimately the amount of securities to be bought or sold, considerations are given to client suitability and guidelines, cash availability, strategy and/or product considerations, issuer and/or sector exposure, and de minimis allocation.

NBFI may face conflicts of interest when allocating investment opportunities among its various clients. For example: (i) NBFI receives different advisory fees from different clients; (ii) the performance records of some clients are more public than the performance records of other clients; and (iii) NBFI and its affiliates, owners, officers and employees have invested substantial amounts of their own capital in some client accounts (notably the Private Funds), but do not invest their own capital in every client's account. The majority of NBFI's clients pursue specific investment strategies, many of which are similar. NBFI expects that, over long periods of time, most clients pursuing similar investment strategies should experience similar, but not identical, investment performance. Many factors affect investment performance, including but not limited to: (i) the timing of cash deposits to, and withdrawals from, an account; (ii) the fact that NBFI may not purchase or sell a given security on behalf of all clients pursuing similar strategies; (iii) price and timing differences when buying or selling securities; and (iv) the clients' differing investment restrictions. NBFI's trading policies are designed to minimize possible conflicts of interest in trading for its clients.

NBFI considers many factors when allocating securities among clients, including, but not limited to, the client's investment objectives, applicable restrictions, the type of investment, the number of shares purchased or sold, the size of the account, and the amount of available cash or the size of an existing position in an account. Clients are not assured of participating equally or at all in particular investment allocations. The nature of a client's investment style may exclude it from participating in many investment opportunities, even if the client is not strictly precluded from participation based on written investment restrictions.

NBFI attempts to allocate limited investment opportunities, including initial public offerings ("IPOs"), among clients in a manner that is fair and equitable when viewed over a considerable period of time and involving many allocations. NBFI maintains policies and procedures to allocate securities in fixed income IPOs and in secondary offerings. The factors taken into account in allocating of IPO securities include whether the account's investment objectives fall primarily within the market capitalization of the issuer of securities to be allocated, cash

available and legal restrictions on the account. Once those requirements are met, the securities are generally allocated on a *pro rata* basis based on the assets under management of each account. NBFJ normally does not participate in IPOs for its Wrap Fee Program Clients, which may cause these accounts to be invested differently than similarly individually Separate Accounts.

The Legal and Compliance Department is responsible for monitoring and interpreting these policies. Any exceptions to these policies require the prior approval of the Legal and Compliance Department.

Item 13: Review of Accounts

A. Periodic Reviews

NBFI's portfolio managers review accounts on a periodic basis, consistent with an account's needs. Certain accounts may require daily review, while others may require less frequent review. In reviewing accounts, portfolio managers take into consideration both client objectives and goals, and the manager's investment thesis for the total portfolio, as well as for particular securities and other assets.

Portfolio managers and traders are responsible for ensuring that the portfolio is in compliance with internal guidelines, as well as guidelines established by the client. As such, the investment professionals responsible for trading are the first step in maintaining compliance with investment guidelines and investment policy. Because portfolio managers can access online portfolio data, which is updated daily for each portfolio, they are able to "drill down" from sector to individual security in order to assess compliance with client guidelines.

While NBFI looks to the portfolio managers as the first step in the compliance process, NBFI recognizes the need for additional, independent oversight. The Firm's Asset Management Guideline Oversight (AMGO) Department serves as an independent supervisory group responsible for ensuring that portfolios are managed in accordance with client investment guidelines.

The number of Client Accounts supervised by each portfolio manager varies depending upon a particular manager's workload and can change from time to time. A portfolio manager may be responsible for managing Separate Accounts, Private Funds, Sub-Advised Accounts and Non-Discretionary Accounts of NBFI or an affiliated advisory firm. The process relating to the review of the accounts would be governed by the policies of the affiliated advisory firm.

In addition to the practices outlined above, the Firm's Legal and Compliance Department perform periodic reviews of the portfolio activities as well as coordinate, where necessary, with the Sub-Advised Account client or its fund accounting designee to provide periodic reviews and reporting to the client as required.

B. Non-Periodic Reviews

Other than the periodic review of accounts described above, a review of individual accounts will also be triggered by anomalies (e.g., performance of an account is not in line with composite performance or abnormal market conditions).

C. Client Reports

Separate Accounts and Non-Discretionary Accounts NBFi will provide periodic reports to its Separate Account, and Non-discretionary Account clients regarding the status of their accounts based on the needs of the individual client. Such reports may vary among client accounts based on size and type of account or client. Clients will generally also receive reports from their respective qualified custodians no less frequently than quarterly. When required by the client, a confirmation is sent to such client on the next business day following the execution of a transaction in the client's account. Statements are also sent each month in which there is activity in the account. In addition to the reports described above, clients may periodically meet with their NBFi representative.

Private Funds Investors in Private Funds receive such reports as described in the Private Fund's Offering Memorandum (or as otherwise negotiated with NBFi). Generally, annual audited financial statements of the Private Fund will be prepared in accordance with Generally Accepted Accounting Principles (or "GAAP") and distributed to investors. Investors may also receive quarterly reports containing information on the Private Fund's portfolio holdings, valuation of their interests in the Private Fund and cash distributions. These reports may include or be accompanied by information with respect to the performance of the Private Fund, other information about the investor's account, certain tax-reporting information (e.g., Form K-1) and general market information.

Sub-Advised Accounts Investors and/or the client receive such reports as required by the intermediary investment adviser to the account and as required by applicable law or regulation.

Wrap Fee Accounts Wrap Fee Clients receive such reports as provided by the Wrap Fee Sponsors.

Item 14: Client Referrals and Other Compensation

A. Compensation by Non-Clients

Not Applicable.

B. Compensation for Client Referrals

Subject to applicable law, certain employees of NBFI and its affiliates are eligible to earn an account referral commission for referring a potential client to NBFI that engages NBFI to provide investment management services.

From time to time, in accordance with applicable law, NBFI may retain and compensate third parties for introducing new investment advisory clients to NBFI. The compensation to such parties generally represents a percentage of the management and incentive fees (if any) paid by the client to NBFI. Clients do not pay a higher fee than they would otherwise pay due to the solicitor's involvement in the introduction.

NBFI sponsors educational events where its representatives meet with institutional consultants and/or their clients. Typically, NBFI neither charges a participation fee nor pays for the expenses of the participants. NBFI may also participate in educational programs sponsored by consultants. NBFI may pay a fee to participate in such programs. Both of these types of events provide NBFI with an opportunity to meet with consultants and/or their clients. Any fees paid by NBFI are from its own resources, which include the management fees received from its clients. Clients should confer with their consultant regarding the details of the payments their consultant may receive from NBFI. In addition, affiliates of NBFI actively seek to educate broker-dealers and other financial intermediaries in connection with the firm's registered fund business. NBFI may benefit from such activity as it subadvises NB Registered Funds.

Item 15: Custody

Separate Accounts, Non-Discretionary Accounts

Generally, neither NBFI nor its affiliates will maintain physical possession of the funds or securities that a client maintains in a Separate Account or Non-Discretionary Account. The assets in a Separate Account or Non-Discretionary Account typically are deposited with a bank, trust company, broker-dealer or other qualified custodian (“**Qualified Custodian**”) selected by the client. Under the investment management agreement, NBFI generally invoices the Separate Account or Non-Discretionary Account client and the client directs its custodian to pay NBFI. In limited circumstances, NBFI will have custody due to certain control it may have over a client’s custodial account with a Qualified Custodian. In those instances, the Qualified Custodian will send quarterly, or more frequently, account statements directly to the client. Clients should carefully review those statements. NBFI provides quarterly account statements to its clients. Clients should carefully read and compare any account statements received from NBFI against account statements received from their Qualified Custodian.

Private Funds

Neither NBFI nor its affiliates will maintain physical possession of the funds or securities of any Private Fund. Physical custody of the assets of a Private Fund will be maintained with a Qualified Custodian selected by NBFI, an affiliate or the third-party adviser to such Private Funds (as applicable), in its exclusive discretion, which selection may change from time to time generally without the consent of investors in the Private Fund.

Although NBFI or its affiliates will not have physical possession or custody of any Private Fund assets, under Rule 206(4)-2 of the Advisers Act (the “**Custody Rule**”), an adviser has “constructive” custody if it has the authority to possess client assets by withdrawing funds on a client’s behalf. With respect to affiliated Private Funds, NBFI or its affiliates, by virtue of acting as general partner or managing member of such fund or similar capacity, has the authority to withdraw funds or securities from the Private Fund. Accordingly, NBFI is deemed to have “constructive” custody over the assets in an affiliated Private Fund.

In order to comply with the Custody Rule, generally these affiliated Private Funds undergo an annual audit performed by an independent accounting firm registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB). The audited financial statements, prepared in accordance with GAAP, are distributed to all investors in each Private Fund within 120 days of the end of the fund’s fiscal year.

Sub-Advised Accounts Sub-Advised Accounts are custodied in accordance with the particular type of client (e.g., Separate Accounts, Private Funds).

Wrap Programs--NBFI does not maintain physical possession of the funds or securities that a Wrap Program Client transfers to a Wrap Program. The assets in a Wrap Program Client’s

account are typically custodied with the Wrap Sponsor or a Qualified Custodian selected by the Wrap Sponsor.

NBFI's services do not include participation in the Wrap Sponsor's selection of the Qualified Custodian, the structuring of custody arrangements, or supervision of the Qualified Custodian. NBFI assumes no liability with respect to the acts, omissions or other conduct of the Qualified Custodian of the Wrap Sponsor. If the Qualified Custodian invests otherwise uninvested cash in a Wrap Program Client custodial account, NBFI does not participate in such investment decisions and is not liable with regard to such investments.

Item 16: Investment Discretion

Discretionary—Subject to any investment guideline as a client may from time to time communicate to NBFI, NBFI enters into investment management agreements with its clients that give NBFI authority, without obtaining specific client consent, to buy, sell, hold, exchange, convert or otherwise trade in any fixed income securities, loans and other financial instruments, including, without limitation, derivatives. NBFI's discretionary authority is derived from an express grant of authority under each Separate Account's or Private Fund's investment advisory agreement with NBFI and each sub-advisory agreement for a Sub-Advised Account. With respect to many of such agreements, NBFI is also given the authority to execute agreements or other documents on behalf of the client to effectuate NBFI's duties under the investment management agreement. In addition, NBFI's discretionary authority generally allows NBFI to exercise any right incident to any securities or other assets (e.g., the right to vote) held in the account and to issue instructions to the client's custodian for the account for such purposes, as NBFI deems necessary and appropriate in the management of the account. From time to time, NBFI may be engaged to provide limited investment management services such as liquidating a client account.

Purchases and sales must be suitable for the particular client and limitations may be imposed as a result of instructions from the client. Clients may limit NBFI's authority by prohibiting or limiting the purchasing of certain securities or other assets or industry groups. In addition, clients may further limit NBFI's authority by restricting the use of certain brokers or by requiring that a portion of client's transactions be executed through a client's designated broker. See Item 12.A.

The Firm, itself, may place restrictions on trading in certain securities or other assets in client accounts. Legal or regulatory considerations or Firm risk management policies may necessitate that the Firm restrict trading in certain issuers. NBFI will not be able to trade in any securities on the Firm restricted list on behalf of any client accounts, except with approval by the Firm's Legal and Compliance Department.

For example, pursuant to the Firm's policies and procedures on the handling of material non-public information, when the Firm is in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither the Firm nor its personnel are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information that the Firm has is no longer deemed to be material non-public information. As such, there may be circumstances which will prevent the purchase or sale of securities for Client Accounts for a period of time. See Item 11.D.1.

Wrap Account—Please refer to Item 4.B for a discussion of NBFI's discretionary authority for wrap accounts.

Non-Discretionary—With respect to a small number of clients, NBFI has ongoing responsibility to select securities or other investments that the account may purchase and sell based upon the client's needs, however, at the client's request, NBFI may be required to consult with the client before effecting any such purchases or sales for the client's account.

Item 17: Voting Client Securities

NBFI generally has voting power with respect to securities in all of its accounts other than Non-Discretionary Accounts. With respect to some Separate Accounts and Sub-Advised Accounts, the client has not delegated voting power to NBFI. NBFI and certain of its affiliates (the “**NB Proxy Group**”) have implemented written Proxy Voting Policies and Procedures (the “**Proxy Voting Policy**”) that are designed to reasonably ensure that the NB Proxy Group votes proxies prudently and in the best interest of its advisory clients for whom the NB Proxy Group has voting authority. The Proxy Voting Policy also describes how the NB Proxy Group addresses any conflicts that may arise between its interests and those of its clients with respect to proxy voting.

The NB Proxy Group is responsible for developing, authorizing, implementing and updating the Proxy Voting Policy, overseeing the proxy voting process, and engaging and overseeing any independent third-party vendors as voting delegate to review, monitor and/or vote proxies. In order to apply the Proxy Voting Policy noted above in a timely and consistent manner, the NB Proxy Group utilizes Glass, Lewis & Co. LLC (Glass Lewis) to vote proxies in accordance with the NB Proxy Group’s voting guidelines.

For socially responsive clients, the NB Proxy Group has adopted socially responsive voting guidelines. For non-socially responsive clients, the NB Proxy Group’s guidelines adopt the voting recommendations of Glass Lewis. The NB Proxy Group retains final authority and fiduciary responsibility for proxy voting. The NB Proxy Group believes that this process is reasonably designed to address material conflicts of interest that may arise between the NB Proxy Group and a client as to how proxies are voted.

In the event that an investment professional at Neuberger Berman believes that it is in the best interest of a client or clients to vote proxies in a manner inconsistent with the NB Proxy Group’s proxy voting guidelines or in a manner inconsistent with Glass Lewis recommendations, the NB Proxy Group will review information submitted by the investment professional to determine that there is no material conflict of interest between Neuberger Berman and the client with respect to the voting of the proxy in that manner.

If the NB Proxy Group determines that the voting of a proxy as recommended by the investment professional presents a material conflict of interest between Neuberger Berman and the client or clients with respect to the voting of the proxy, the NB Proxy Group shall: (i) take no further action, in which case Glass Lewis shall vote such proxy in accordance with the proxy voting guidelines or as Glass Lewis recommends; (ii) disclose such conflict to the client or clients and obtain written direction from the client as to how to vote the proxy; (iii) suggest that the client or clients engage another party to determine how to vote the proxy; or (iv) engage another independent third party to determine how to vote the proxy.

Class Action Lawsuits—From time to time a security held in a client’s Separate Account may become the subject of a class action lawsuit. Generally, the custodian for the Separate Account

handles any decision to file a claim to participate in a class action settlement. From time to time, NBFI may directly receive notice of a class action relating to a security held in a Separate Account. NBFI will determine based on the Separate Account investment management agreement whether it has authority to act with respect to the class action process.

With respect to registered or unregistered funds, unless otherwise agreed with NBFI, typically the fund's custodian or other third-party agent engaged by for the fund will handle the class action process and file claims.

NBFI will not act on behalf of its clients as a lead plaintiff in a class action lawsuit.

Item 18: Financial Information

A. Prepayment of Fees (Six or more months in advance)

Not Applicable

B. Impairment of Contractual Commitments

NBFI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

C. Bankruptcy Petitions

NBFI has not been the subject of a bankruptcy proceeding.