

NB Distressed Debt Investment Fund Limited



Oriel Securities Limited:

Sole Financial Adviser, Joint Global Co-ordinator and Joint Bookrunner

RBS Hoare Govett Limited:

Joint Global Co-ordinator and Joint Bookrunner

Prospectus May 2010

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take or the contents of this document, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank, solicitor, accountant, or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (the “FSMA”) if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

A copy of this document, which comprises a prospectus relating to NB Distressed Debt Investment Fund Limited (the “Company”) in connection with the issue of Issue Shares in the Company, prepared in accordance with the Prospectus Rules of the UK Listing Authority made pursuant to section 73A of the FSMA, has been filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules. This document also constitutes a Listing Document for the purposes of seeking admission of the Company to the Official List of the CISX.

The Issue Shares are only suitable for investors (i) who understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company; (ii) for whom an investment in the Issue Shares is part of a diversified investment programme; and (iii) who fully understand and are willing to assume the risks involved in such an investment programme.

Application will be made to the London Stock Exchange for the Ordinary Shares and the bonus issue of Subscription Shares on a one for five basis to be issued in connection with the Issue to be admitted to trading on the Specialist Fund Market of the London Stock Exchange and to listing and trading on the Official List of the CISX. The Company and the Directors, whose names appear on page 47 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document includes particulars given in compliance with the Listing Rules of the CISX for the purpose of giving information with regard to the Company. The Company and the Directors, whose names appear on page 47 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Investment Managers accept responsibility for the information contained in this document pertaining to them. To the best of the knowledge of the Investment Managers, who have taken all reasonable care to ensure that such is the case, the information contained in this document pertaining to them is in accordance with the facts and contains no omission likely to affect its import.

Capitalised terms contained in this document shall have the meanings set out in Part IX of this document.

The attention of potential investors is drawn to the Risk Factors set out on pages 13 to 32 of this document. The latest time and date for applications under the Offer is 1200 hours on 3 June 2010. Further details of the Issue are set out in Part IV of this document.

NB DISTRESSED DEBT INVESTMENT FUND LIMITED

(a closed-ended investment company limited by shares incorporated under the laws of Guernsey with registered number 51774)

Placing and Offer for Subscription for a target issue in excess of 150,000,000 Ordinary Shares at an issue price of US\$1.00 per Ordinary Share and a bonus issue of Subscription Shares on a one for five basis

Investment Manager
Neuberger Berman Europe Limited

Sole Financial Adviser
Oriel Securities Limited

Sub-Investment Manager
Neuberger Berman Fixed Income LLC

Joint Global Co-ordinators and Joint Bookrunners
Oriel Securities Limited and RBS Hoare Govett Limited

This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Issue Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or the Investment Managers. The offer and sale of Issue Shares have not been and will not be registered under the applicable securities laws of the United States, Australia, Canada or Japan. Subject to certain exceptions, the Issue Shares may not be offered or sold within the United States, Australia, Canada or Japan or to any national, resident or citizen of the United States, Australia, Canada or Japan.

The Issue Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States and the Issue Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. There will be no public offer of the Issue Shares in the United States.

The Company has not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the “U.S. Investment Company Act”) and investors will not be entitled to the benefits of the U.S. Investment Company Act.

Neither the U.S. Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense in the United States.

The Issue Shares are being offered and sold outside the United States to non-U.S. Persons (as defined in Regulation S under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act. The Issue Shares may not be offered or sold within the United States, or to U.S. Persons (as defined in Regulation S under the U.S. Securities Act), except to persons who are (i) “accredited investors” as defined in Rule 501(a) of Regulation D under the U.S. Securities Act (“AIs” or “Accredited Investors”), and who are also (ii) “qualified purchasers” within the meaning of Section 2(a)(51) of the U.S. Investment Company Act (“QPs” or “Qualified Purchasers”).

In addition, prospective investors should note that, except with the express written consent of the Company given in respect of an investment in the Company, the Issue Shares may not be acquired by (i) investors using assets of (A) an “employee benefit plan” as defined in section 3(3) of ERISA that is subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”); (B) a “plan” as defined in Section 4975 of the United States Internal Revenue Code of 1986, as amended (the “Code”), including an individual retirement account or other arrangement that is subject to Section 4975 of the Code; or (C) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the Code or (ii) a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, unless its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

In addition, until 40 days after the commencement of the Issue, an offer, sale or transfer of the Issue Shares within the United States by any dealer (whether or not participating in the Placing) may violate the registration requirements of the U.S. Securities Act.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY:

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTE (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Investors may be required to bear the financial risks of their investment in the Issue Shares for an indefinite period of time. For a description of additional restrictions on offers, sales and transfers of the Issue Shares, see “Purchase and transfer restrictions” beginning on page 78 of this document.

The Issue Shares have certain limited voting rights, but are not eligible to vote in the election of Directors. Please refer to the section entitled “Election and Removal of Directors” in Part VI of this document for further information.

Neither the admission of the Issue Shares to the Official List of the CISX nor the approval of this document pursuant to the listing requirements of the CISX shall constitute listing and trading or a warranty or representation by the CISX as to the competence of the service providers to or any other party connection with the Company, the adequacy and accuracy of the information contained in this document or the suitability of the issuer for investment or for any other purpose.

The CISX has been recognised by the HMRC under Section 841 of the Income and Corporation Tax Act 1988 and the Financial Services Authority has approved the CISX as a Designated Investment Exchange within the meaning of the FSMA.

Oriel, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as Sole Financial Adviser, Joint Global Co-ordinator and Joint Bookrunner to the Company in connection with the matters described herein. Oriel is acting for the Company in relation to the Placing and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in relation to the Placing, the contents of this document or any transaction or arrangement referred to herein.

RBS Hoare Govett, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as Joint Bookrunner and Joint Global Co-ordinator to the Company in connection with the matters described herein. RBS Hoare Govett is acting for the Company in relation to the Placing and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in relation to the Placing, the contents of this document or any transaction or arrangement referred to herein.

Prospective investors should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Investment Managers, Oriel or RBS Hoare Govett. Without prejudice

to the Company's obligations under the Prospectus Rules, neither the delivery of this document nor any subscription or purchase of shares made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to, the date of this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on each of Oriel and RBS Hoare Govett by FSMA or the regulatory regime established thereunder, neither Oriel nor RBS Hoare Govett accepts any responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Investment Managers, the Issue Shares or the Issue. Each of Oriel and RBS Hoare Govett accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

The contents of this document are not to be construed as legal, financial, business, investment or tax advice. Prospective investors should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice. Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of the Issue Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of the Issue Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of the Issue Shares. Prospective investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, tax, investment, or any other related matters concerning the Company and an investment therein.

In connection with the Placing, each of Oriel and RBS Hoare Govett and any of their affiliates acting as an investor for its or their own account(s), may subscribe for the Issue Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities of the Company, any other securities of the Company or other related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Issue Shares being issued, offered, subscribed or otherwise dealt with, should be read as including any issue or offer to, or subscription or dealing by, Oriel, RBS Hoare Govett and any of their affiliates acting as an investor for its or their own account(s). Neither Oriel nor RBS Hoare Govett intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

This document is dated 5 May 2010.

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Summary

This summary should be read as an introduction to this prospectus and any decision to invest in the Issue Shares should be based on consideration of this prospectus as a whole. Where a claim relating to the information contained in this prospectus is brought before a court, a claimant investor may, under the national legislation of an EEA state, have to bear the costs of translating this prospectus before the legal proceedings are initiated. Civil liability attaches to the Company and its Directors, who are responsible for this summary, including any translation of this summary produced or commissioned by the Company, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus.

The Company

The Company is a closed-ended investment company registered and incorporated in Guernsey. The Company is managed by Neuberger Berman Europe Limited, an indirect wholly-owned subsidiary of NB Group. The Investment Manager has delegated certain of its responsibilities and functions to the sub-investment manager, Neuberger Berman Fixed Income LLC, also an indirect wholly-owned subsidiary of NB Group (together, the “**Investment Managers**”).

Following Admission, the Company will have an investment period of three years, after which the Company Portfolio will be placed into run-off and the proceeds (net of fees and expenses payable by the Company) of realising the Company’s investments will be distributed to Ordinary Shareholders over the remaining life of the Company.

The Company’s share capital is denominated in U.S. Dollars and consists of Ordinary Shares, Subscription Shares (both of which carry limited voting rights) and Class A Shares (which carry extensive voting rights). The Class A Shares will be held by the Trustee pursuant to a purpose trust established under Guernsey law. Under the Trust Deed, the Trustee holds the Class A Shares for the purpose of exercising the rights conferred by such shares in the manner it considers, in its absolute discretion, to be in the best interests of the Ordinary Shareholders as a whole.

The Ordinary Shares (and not the Subscription Shares or the Class A Shares) carry rights to receive all income and capital returns distributed by the Company.

Investment in the Company is only suitable for institutional, professional and high net worth investors, private client fund managers and brokers and other investors who understand the risks involved in investing in the Company, and/or who have received advice from their fund manager or broker regarding investment in the Company.

Investment objective, policy and strategy

The Company’s primary objective is to provide investors with attractive risk-adjusted returns through long-biased, opportunistic stressed, distressed and special situation credit-related investments while seeking to limit downside risk as set out below.

The Company intends that the Company Portfolio will be biased toward investing in stressed and distressed debt secured by asset collateral.

The Investment Managers will attempt to limit the Company’s downside risk by focusing on senior and senior secured debt with both collateral and structural protection and investing in situations in which the debt acquired by the Company can be converted to equity at a valuation multiple below comparable valuation multiples in its sector.

The Investment Managers intend to employ a disciplined research process that includes fundamental credit analysis, combined with a thorough understanding of the industry and market position of each of the entities in which the Company will invest.

The Company Portfolio may comprise both public and private securities and investments, which may include secured bank debt (first and second lien), senior unsecured bank debt, subordinated bank debt, investment grade and high-yield bonds, funded and unfunded bridge loans, trade claims, distressed securities, mezzanine securities, equity securities (including the equities of public and private issuers, listed and unlisted equities, U.S. and non-U.S. equities, American Depositary Receipts and preferred stock), convertible securities, options, warrants, when-issued securities, leases, and credit and other derivatives such as swaps, forward contracts and futures.

In certain situations, the Company may also invest in performing and non-performing real estate assets, including commercial (i.e. not single-family residential) mortgage loans and mortgage-backed securities as well as in other asset-backed securities, assets, businesses or any other type of financial claim that the Investment Managers identify as a compelling investment opportunity.

The Company may also hedge risk within its portfolio using single-name credit default swaps, credit default swap and loan credit default swap indexes, equity futures and equity indexes.

The Company intends to make a substantial number of control investments and/or investments in which it seeks a position of influence over management – in circumstances which the Investment Managers believe that doing so has the potential to facilitate value recognition.

Directors

The Directors, all of whom are non-executive directors, are: Robin Monro-Davies (chairman), Talmai Morgan, John Hallam, Christopher Sherwell, Michael Holmberg and Patrick Flynn. Michael Holmberg and Patrick Flynn are representatives of the Investment Managers. The Directors are responsible for managing the business affairs of the Company but have delegated certain functions to other parties including the Investment Managers as described below.

Investment Managers

The investment manager of the Company is Neuberger Berman Europe Limited. The Investment Manager has delegated certain of its responsibilities and functions to the sub-investment manager, Neuberger Berman Fixed Income LLC.

The Investment Managers are responsible for the discretionary management of the assets held in the Company Portfolio and will conduct the day-to-day management of the Company's assets (including un-invested cash). The Investment Managers are not required to and generally will not submit individual investment decisions for approval by the Board.

Investment Manager's fees

The Investment Manager will be entitled to the Management Fee, which shall accrue daily, and be payable monthly in arrears, at a rate of 0.125 per cent. per month of the Group's NAV.

In addition, the Investment Manager will be entitled to be paid a performance fee by the Company. The performance fee will only become payable once the Company has made aggregate distributions in cash to Ordinary Shareholders (which shall include the aggregate price of all Shares repurchased or redeemed by the Company) equal to the aggregate gross proceeds of issuing Ordinary Shares (whether pursuant to the Issue, the exercise of Subscription Rights or otherwise) (the **"Contributed Capital"**) plus such amount as will result in Ordinary Shareholders having received a realised (cash-paid) IRR in respect of the Contributed Capital equal to the Preferred Return, following which there will be a 100 per cent. catch up to the Investment Manager until the Investment Manager has received 20 per cent. of all amounts in excess of Contributed Capital distributed to Ordinary Shareholders and paid to the Investment Manager as a performance fee with, thereafter, all amounts distributed by the Company being split 20/80 per cent. between the Investment Manager's performance fee and the cash distributions to the Ordinary Shareholders respectively.

The Issue

The target size of the Issue is in excess of US\$150,000,000 with the actual size of the Issue being subject to global investor demand. The number of Ordinary Shares to be issued pursuant to the Issue, and therefore the Gross Issue Proceeds, is not known as at the date of this document but will be notified by the Company via a RIS announcement prior to Admission. The Issue will not proceed if the Net Issue Proceeds would be less than US\$100,000,000 (or such lesser amount as the Company, RBS Hoare Govett and Oriel may determine and notify to investors via publication of a supplementary prospectus).

The target size of the Issue should not be taken as an indication of the number of Ordinary Shares to be issued (or the number of Subscription Shares to be issued pursuant to the Bonus Issue).

Applications will be made to each of the London Stock Exchange and the CIXX for all of the Issue Shares to be issued pursuant to the Issue to be admitted to trading on the SFM and to listing and trading on the Official List of the CIXX respectively. It is expected that Admission will become effective and that dealings in such Issue Shares will commence at 0800 hours on 10 June 2010.

Subscription Shares

Investors will be issued one Subscription Share for every five Ordinary Shares allotted pursuant to the Issue. Each Subscription Share carries the right to subscribe for an Ordinary Share on the Subscription Share Exercise Date at the Subscription Price. The Company is restricted from taking any action that might prejudice the rights attaching to the Subscription Shares without the consent of a special resolution of the Subscription Shareholders, including any distribution of capital or issuing new shares in the Company carrying rights that are more advantageous than those attaching to the Subscription Shares.

The Subscription Share Exercise Date will be on or around 9 December 2011. The Subscription Price and number of Subscription Shares issued pursuant to the Bonus Issue are subject to adjustment by the Company in accordance with the Articles.

Discretionary tender offer and discount control provisions

Following the Subscription Share Exercise Date, but not more than one month from that date, the Directors are required to convene an extraordinary general meeting of the Company in order to propose an ordinary resolution that the Company continue its business as a closed-ended investment company (the “**Continuation Resolution**”). If the Continuation Resolution is not passed, the Directors are required to put proposals for the reconstruction or reorganisation of the Company to the Ordinary Shareholders for their approval.

On a date not later than seven days following the Continuation Resolution being passed, a board meeting will be held to consider whether it would be in the best interests of the Company and the Ordinary Shareholders as a whole to implement the Tender Offer. If the Directors determine to proceed with the Tender Offer, each Ordinary Shareholder will be entitled to tender up to 20 per cent. of their respective shareholdings.

The Class A Shareholder has granted the Directors general authority to purchase in the market up to 14.99 per cent. of the Ordinary Shares in issue immediately following Admission at a price not exceeding the prevailing NAV per Ordinary Share as at the time of purchase. The Directors intend to seek annual renewal of this authority from the Class A Shareholder.

Principal risk factors

Prior to investing in the Issue Shares, prospective investors should consider the following risks, which could have a material adverse effect on the Company's business, results of operations, financial condition or prospects, or could impact the NAV per Ordinary Share, the trading price or liquidity of the Issue Shares, or the Company's ability to achieve its investment objective:

Risks relating to the Company

- The Company is a newly formed company incorporated under the laws of Guernsey with no operating history and no revenues, and investors have no basis on which to evaluate the Company's ability to achieve its investment objective
- Holders of Ordinary Shares and Subscription Shares have limited voting rights
- The Company's target total return (income and capital) of 20 per cent. per annum (gross of fees and expenses) is based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies, and the actual rate of return may be materially lower than the Target Return
- The Company may be unable to realise value from its investments and investors could lose all or part of their investment
- Global capital markets have been experiencing volatility, disruption and instability. Material changes affecting global debt and equity capital markets may have a negative effect on the Company's business, financial condition and results of operations
- The Ordinary Shares may trade at a discount to NAV and Shareholders may be unable to realise their investments through the secondary market at NAV
- The due diligence process that the Investment Managers plan to undertake in evaluating specific investment ideas for the Company may not reveal all facts that may be relevant in connection with an investment and any corporate mismanagement, fraud or accounting irregularities may materially affect the integrity of the Investment Managers' due diligence on investment opportunities

Risks relating to the Investment Managers

- The Company is dependent on the expertise of the Investment Managers and their key personnel to properly evaluate attractive investment opportunities and to implement its investment strategy
- The Investment Managers will source all of the Company's investments and affiliates of the Investment Managers may participate in some of those investments, which may result in conflicts of interest

Risks relating to the investment strategy and investment portfolio

- The success of the Company depends on the Investment Managers' ability to advise on, identify and realise investments in accordance with the Company's investment policy
- The Company Portfolio is concentrated in North America and is therefore sensitive to regional economic developments
- The Portfolio Companies in which the Company invests are expected to be highly leveraged
- There are a number of risks associated with senior loans including limited liquidity, limited protection and limited information
- The Company's investments in Portfolio Companies are subject to subordination, "cramdowns" and dilution

- The value of the Company's investments may be subject to jurisdiction-specific insolvency regimes
- The Company may be subject to lender liability and equitable subordination
- The Company will hold a passive investment position in a substantial number of its Portfolio Companies and other co-investments and investors with controlling interests may take actions that adversely affect the value of the Company's investment

Risks relating to investing in distressed securities

- The Company may hold a portion of its investment portfolio in equities that are uncollateralised
- The Company may acquire trade claims which do not have the protection of the securities laws and are highly illiquid
- The Company may acquire participation interests in bank loans and other debt obligations and will have limited rights with respect to the bank loans and debt obligations and be subject to additional risks

Risks relating to the Company's collateral

- The Company's investments will be based in part on valuations of collateral which are subject to assumptions and factors that may be incomplete, inherently uncertain or subject to change and the Company may be unable to realise value from its investments
- Certain secured instruments that the Company may purchase may be subject to repayment or bankruptcy plans and as a result the value of the collateral may decrease and adversely affect the Company's investment

Risks relating to regulation and taxation

- Greater regulation of the financial services industry, in particular with respect to regulation of hedge funds, which impose additional restrictions on the Company may materially affect the Company's business and its ability to carry out its investment objective and achieve its Target Return
- Changes in the Company's tax status or tax treatment may adversely affect the Company and if the Company becomes subject to the UK offshore fund rules there may be adverse tax consequences for certain UK resident Shareholders

Risks relating to the Issue

- Future issues of Ordinary Shares arising pursuant to the conversion of Subscription Shares may have a detrimental effect on the NAV of existing Ordinary Shares
- The existence of a liquid market in the Issue Shares cannot be guaranteed
- The Subscription Shares may expire worthless or may never be exercised
- The Company is not, and does not intend to become, registered in the United States as an investment company under the U.S. Investment Company Act and related rules
- The Issue Shares will be subject to significant transfer restrictions for investors in the United States and certain other jurisdictions as well as forced transfer provisions
- The Company expects to be treated as a "passive foreign investment company" for U.S. federal income tax purposes
- U.S. shareholders may be required to request an extension to file U.S. federal income tax returns in order to validly make QEF elections in respect of their investment in the Company

- U.S. shareholders that make a QEF election may need to fund their tax liabilities arising from their investment in the Company's Shares from sources other than cash distributions on the Company's Shares
- The Company may become subject to regulation under ERISA or Section 4975 of the U.S. Tax Code or any substantially similar law

The foregoing is not a comprehensive list of the risks and uncertainties to which the Company is subject. Existing and potential investors are advised to read carefully the detailed risk factors under the following section of this document.

Risk Factors

An investment in the Issue Shares carries a number of risks including the risk that the entire investment may be lost. In addition to all other information set out in this document, the following specific factors should be considered when deciding whether to make an investment in the Issue Shares. The risks set out below are those which are considered to be the material risks relating to an investment in the Issue Shares but are not the only risks relating to the Issue Shares or the Company. No assurance can be given that Shareholders will realise profit on, or recover the value of, their investment in the Issue Shares. It should be remembered that the price of securities and the income from them can go down as well as up.

The Issue Shares are only suitable for potential investors who understand the risk of capital loss and that there may be limited liquidity in the underlying investments of the Company and in the Issue Shares, for whom an investment in the Issue Shares would be of a long-term nature and constitutes part of a diversified investment portfolio and who understand and are willing to assume the risks involved in investing in the Issue Shares. Additional risks and uncertainties of which the Company is presently unaware or that the Company currently believes are immaterial may also adversely affect its business, financial condition, results of operations or the value of the Issue Shares.

Potential investors in the Issue Shares should review this document carefully and in its entirety and consult with their professional advisers prior to making an application to subscribe for Issue Shares. Defined terms used in the risk factors below have the meanings set out under the section headed “Glossary of Selected Terms” on pages 135 to 141 of this document.

Risks relating to the Company

The Company is a newly formed company incorporated under the laws of Guernsey with no operating history and no revenues, and investors have no basis on which to evaluate the Company’s ability to achieve its investment objective

The Company is a newly formed company with no operating results, and it will not commence operations until obtaining funding through the Issue. Because the Company lacks an operating history, investors have no basis on which to evaluate the Company’s ability to achieve its investment objective and provide a satisfactory investment return. In addition, the portfolio managers have not previously worked together as a group and there can be no assurance that they will be compatible with one another. The prior performance and investment profile of the Investment Managers are being provided for illustrative purposes only and may not be indicative of the likely performance or investment profile of the Company. The Investment Managers do not have an extensive performance track record relating to distressed assets and the Company’s portfolio managers have developed the performance track records over time at different institutions, which means that elements of such individual performance track record may not be directly comparable. The performance track record information in this document has not been reviewed or audited. Past performance is never indicative of future results.

The Company’s returns and operating cash flows will depend on many factors, including the price and performance of its investments, the availability and liquidity of investment opportunities falling within the Company’s investment objective and policy, the level and volatility of interest rates, readily accessible short-term and borrowings, conditions in the financial markets, real estate market and economy, the financial performance of Portfolio Companies, the timing of restructurings and exits and the Company’s ability to successfully operate its business and execute its investment strategy. There can be no assurance that the Company’s investment strategy will be successful.

The Company's target return of 20 per cent. per annum gross of fees and expenses is based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies, and the actual rate of return may be materially lower than the Target Return

The Company's Target Return set forth in this document is a target only and is based on estimates and assumptions about a variety of factors including, without limitation, asset mix, value, volatility, holding periods, performance of underlying Portfolio Companies, investment liquidity, changes in current market conditions, interest rates, government regulations or other policies, the worldwide economic environment, changes in law and taxation, natural disasters, terrorism, social unrest and civil disturbances or the occurrence of risks described elsewhere in this document, which are inherently subject to significant business, economic and market uncertainties and contingencies, all of which are beyond the Company's control and which may adversely affect the Company's ability to achieve its Target Return. Such Target Return is also based on the assumption that the Company will be able to implement its investment policy and strategy successfully as well as market conditions and the economic environment at the time of assessing the proposed target return, and is therefore subject to change. There is no guarantee or assurance that the Target Return or actual returns can be achieved at or near the levels set forth in this document. Accordingly, the actual rate of return achieved may be materially lower than the Target Return, or may result in a loss, which could have a material adverse effect on the Company's profitability, NAV and the price of the Ordinary Shares and Subscription Shares.

Potential investors should not place any reliance on the Target Return set forth in this document and should make their own determination as to whether the Target Return is reasonable or achievable in deciding whether to invest in the Company. The Company does not intend to regularly publish target returns or to update or otherwise revise its Target Return to reflect subsequent events or circumstances. A failure to achieve the Target Return set forth in this document may adversely affect the Company's business, financial condition and results of operations.

Holders of Ordinary Shares and Subscription Shares have limited voting rights

The Ordinary Shares and Subscription Shares do not carry voting rights in relation to the election of the Company's board of directors and generally have no voting rights, except: (i) that certain fundamental changes to the Company and the terms of the Ordinary Shares and certain other matters (such as the voluntary liquidation or winding-up of the Company; any change in the rights conferred upon any shares in the Company, or any amendment to the Articles adverse to the Ordinary Shareholders; merger, consolidation or the sale of substantially all of the assets of the Company; the change in domicile of the Company and the termination by the Company of the Investment Management Agreement) require the consent of the Ordinary Shareholders by ordinary resolution (such that the Ordinary Shareholders may veto, but cannot force the Company to take, any such actions); (ii) in the case of the Subscription Shares, with respect to the matters referred to in Part V of this document; and (iii) as may be required by Guernsey law. Further, Ordinary Shareholders cannot direct the Directors to redeem or repurchase any shares or return capital or liquidate the Company. The limited voting rights of the holders of the Ordinary Shares and Subscription Shares limit their ability to have an impact on Board decisions or Company policy and may adversely affect the value of such shares.

The Company may be unable to realise value from its investments and investors could lose all or part of their investment

Investments that the Company makes may not appreciate in value and, in fact, may decline in value. A substantial component of the Investment Managers' analysis of the desirability of making a given investment relates to the estimated residual or recovery value of such investments in the event of the insolvency of the issuer or the borrower. This residual or recovery value will be driven primarily by the value of the underlying assets constituting the collateral for such investment. The value of collateral can, however, be extremely difficult to predict and in certain market circumstances there could be little, if any, market for such assets. Moreover, depending upon the status of these assets at the time of an issuer's default, they may be substantially worthless. The types of collateral owned by the issuers in which the Company invests will vary widely, but are expected primarily to be hard assets such as aircraft, office buildings, power stations and commercial property. During times of recession and economic contraction, there may be little or no ability to realise value on any of these assets, or the value which can be realised may be substantially below the assessed value of the collateral.

Furthermore, due to the illiquid nature of many of the investments the Company expects to make, the Investment Managers are unable to predict with confidence, what, if any, exit strategy for a given investment will ultimately be available to the Company and the Company may be unable to realise value from these investments. Accordingly, there can be no assurance that the Company's investments will generate gains or income or that any gains or income that may be generated will be sufficient to offset any losses that may be sustained. As a result, investing in the Company is speculative and involves a high degree of risk. The Company's performance may be volatile and investors could lose all or part of their investment. Past performance is no indication of future results and there can be no assurance that the Company will achieve results comparable to any past performance achieved by the Investment Managers or any employee of the Investment Managers described in this prospectus.

Gains from the Company's investments may require significant time to materialise or may not materialise at all

There is likely to be a significant period between the date that the Company makes an investment and the date that any gain or loss on such investment is realised. Based on the Investment Managers' experience with investments generally comparable to those expected to be made by the Company, it is likely that no significant return, if any, from the disposition of any of the Company's investments will be realised until year four after Admission. Return on the Company's investments, therefore, is not likely to be realised for a substantial time period, if at all.

Global capital markets have been experiencing volatility, disruption and instability. Material changes affecting global debt and equity capital markets may have a negative effect on the Company's business, financial condition and results of operations

Global capital markets have been experiencing extreme volatility and disruption for more than two years as evidenced by a lack of liquidity in the equity and debt capital markets, significant write-offs in the financial services sector, the repricing of credit risk in the credit market and the failure of major financial institutions. Despite actions of government authorities, these events have contributed to worsening general economic conditions that have materially and adversely affected the broader financial and credit markets and reduced the availability of debt and equity capital.

Continued or recurring market deterioration may materially adversely affect the ability of a Portfolio Company to refinance its outstanding debt. Further, such financial market disruptions may have a negative effect on the valuations of the Company's investments, or the ability to restructure investments, and on the potential for liquidity events involving its investments. In the future, non-performing assets in the Company Portfolio may cause the value of its investment portfolio to decrease if the Company is required to write down the values of its investments. Adverse economic conditions may also decrease the value of collateral securing some of its loans. In the event of sustained market improvement, the Company may have access to only a limited number of potential investment opportunities, which also would result in limited returns to shareholders.

Depending on market conditions, the Company may incur substantial realised losses and may suffer additional unrealised losses in future periods, which may adversely affect its business, financial condition and results of operations.

With respect to investments that do not have a readily ascertainable market quotation in an active market, the Sub-Investment Manager will value such investments at fair value and such valuations will be inherently uncertain

With respect to investments comprised in the Company Portfolio that do not have a readily available market quotation, such as unquoted investments or investments which are listed but deemed to be illiquid, the Sub-Investment Manager will value such investments at fair value on each NAV Calculation Date in accordance with the customary valuation methods, policies and procedures of the Sub-Investment Manager. For further details please see the section entitled "Net Asset Value" in Part I of this document.

Because of the inherent uncertainty and subjectivity of determining the fair value of investments that do not have a readily ascertainable market quotation in an active market, the fair value of the Company's investments as determined in good faith by the Sub-Investment Manager may differ significantly from the values that would have been used had a ready market existed for such investments. The reliability of the NAV calculations published by the Company will be impacted accordingly.

The Ordinary Shares may trade at a discount to NAV and Shareholders may be unable to realise their investments through the secondary market at NAV

The Ordinary Shares may trade at a discount to NAV per Ordinary Share for a variety of reasons, including due to market conditions or to the extent investors undervalue the management activities of the Investment Managers or discount their valuation methodology and judgments. While the Directors may seek to mitigate any discount to NAV through discount management mechanisms they consider appropriate, there can be no guarantee that they will do so or that such mechanisms will be successful and the Directors accept no responsibility for any failure of any such strategy to effect a reduction in any discount.

The due diligence process that the Investment Manager plans to undertake in evaluating specific investment ideas for the Company may not reveal all facts that may be relevant in connection with an investment and any corporate mismanagement, fraud or accounting irregularities may materially affect the integrity of the Investment Managers' due diligence on investment opportunities

When conducting due diligence and making an assessment regarding an investment, the Investment Managers will be required to rely on resources available to it, including internal sources of information as well as information provided by existing and potential Portfolio Companies any equity sponsor(s), lenders and other independent sources. The due diligence process may at times be required to rely on limited or incomplete information particularly with respect to newly established companies for which only limited information may be available.

In addition, the Investment Managers will select investments for the Company in part on the basis of information and data relating to potential investments filed with various government regulators and publicly available or made directly available to the Investment Managers by such issuers or third parties. Although the Investment Managers will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, the Investment Managers will not be in a position to confirm the completeness, genuineness or accuracy of such information and data. The Investment Managers are dependent upon the integrity of the management of the entities filing such information and of such third parties as well as the financial reporting process in general. Recent events have demonstrated the material losses that investors such as the Company can incur as a result of corporate mismanagement, fraud and accounting irregularities.

In addition, investment analyses and decisions by the Investment Managers may be undertaken on an expedited basis in order to make it possible for the Company to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. Furthermore, the Investment Managers are unlikely to have sufficient time to evaluate fully such information even if it is available.

Accordingly, due to a number of factors, the Company cannot guarantee that the due diligence investigation it carries out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Any failure by the Company to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which may have a material adverse effect on the Company's business, financial condition, results of operations or the value of the Issue Shares.

Due diligence may also be costly, which will decrease the Company's overall profits from an investment.

Risks relating to the Investment Managers

The Company is dependent on the expertise of the Investment Managers and their key personnel to properly evaluate attractive investment opportunities and to implement its investment strategy

In accordance with the Investment Management Agreement and the Sub-Investment Management Agreement, the Investment Managers are responsible for the management of the Company's investments. The Company does not have employees and its Directors are appointed on a non-executive basis. All of its investment and asset management decisions will be made by the Investment Managers and not by the Company and accordingly, the Company will be completely reliant upon, and its success will depend exclusively on, the Investment Managers and their personnel, services and resources. The Investment Managers are not required to and generally will not submit individual investment decisions for approval to the Board.

Consequently, the future ability of the Company to successfully pursue its investment policy may depend on the ability of the Investment Managers to retain their existing staff and / or to recruit individuals of similar experience and calibre. Whilst the Investment Managers have endeavoured to ensure that the principal members of their management teams are suitably incentivised, the retention of key members of the teams cannot be guaranteed. Furthermore, in the event of a departure of a key employee of the Investment Managers, there is no guarantee that the Investment Managers would be able to recruit a suitable replacement or that any delay in doing so would not adversely affect the performance of the Company. Events impacting but not entirely within the Company's and the Investment Managers' control, such as its financial performance, its being acquired or making acquisitions or changes to its internal policies and structures could in turn affect their ability to retain key personnel.

The Investment Managers' strategy is resource- and time-intensive, particularly in those cases in which the Company takes a position of control or influence in a Portfolio Company. If the Investment Managers are unable to allocate the appropriate time or resources to the Company's investments, the Company may be unable to achieve its investment objectives. In addition, the Investment Management Agreement and Sub-Investment Management Agreement do not require the Investment Managers to dedicate specific personnel to the Company or to require personnel servicing the Company's business to allocate a specific amount of time to the Company.

The Company is also subject to the risk that the Investment Management Agreement may be terminated and that no suitable replacement will be found to manage the Company. If the Investment Management Agreement is terminated and a suitable replacement is not secured in a timely manner or key personnel of the Investment Managers are not available to the Company with an appropriate time commitment, the ability of the Company to execute its investment strategy or achieve its investment objective may be adversely affected.

The obligations of the Investment Managers are not guaranteed by any other person.

An Ordinary Shareholder may not receive aggregate cash distributions from the Company equal to the amount of capital invested by such Ordinary Shareholder in the Company before a Performance Fee is payable to the Investment Manager

The Investment Manager will be entitled to be paid a performance fee by the Company. The Performance Fee will only become payable once the Company has made aggregate distributions in cash to Ordinary Shareholders (which shall include the aggregate price of all Shares repurchased or redeemed by the Company) equal to the aggregate gross proceeds of issuing Ordinary Shares (whether pursuant to the Issue, the exercise of Subscription Rights or otherwise) (the "**Contributed Capital**") plus such amount as will result in the Ordinary Shareholders having received a realised (cash-paid) IRR in respect of the Contributed Capital equal to the Preferred Return, following which there will be a 100 per cent. catch up to the Investment Manager until the Investment Manager has received 20 per cent. of all amounts in excess of Contributed Capital distributed to Ordinary Shareholders and paid to the Investment Manager as a performance fee with, thereafter, all amounts distributed by the Company being split 20/80 per cent. between the Investment Manager's performance fee and the cash distributions to the Ordinary Shareholders respectively.

As any amounts paid out by the Company in respect of any shares repurchased or redeemed by the Company are included when determining the amount of capital which has been returned to Ordinary Shareholders for the purposes of calculating when the Investment Manager begins to receive a Performance Fee, the Investment Manager may receive a Performance Fee before each Ordinary Shareholder has received from the Company an amount equal to the aggregate purchase price of the Ordinary Shares held by him plus the hurdle IRR.

The Investment Managers will source all of the Company's investments and affiliates of the Investment Managers may participate in some of those investments, which may result in conflicts of interest

The Company is subject to a number of actual or potential conflicts of interest involving the Investment Managers and their respective affiliates, which are summarised below.

The Investment Managers and/or companies with which they are associated may from time to time act as manager, sponsor, investment manager, trustee, custodian, sub-custodian, registrar, broker, administrator, investment advisor or dealer in relation to, or be otherwise involved with, other clients, including other investment funds and client accounts, including those which follow an investment program substantially similar to that of the Company (such other clients, funds and accounts, collectively the “**Other Accounts**”). The Company will not have an interest in these Other Accounts. Conflicts of interest among the Company and these Other Accounts may exist, which include, but are not limited to, those described herein. These Other Accounts may have investment objectives that are similar to, or overlap to a greater or lesser extent, with those of the Company as well as investment guidelines that differ from those applicable to the Company's investments. The Investment Managers may determine that an investment opportunity in the Company is appropriate for an Other Account but not for the Company or that the allocation to the Company should be of a different proportion than that of an Other Account.

It is the policy of the Investment Managers to allocate investment opportunities fairly and equitably among the Company and Other Accounts, where applicable, to the extent possible over a period of time. The Investment Managers, however, will have no obligation to purchase, sell or exchange any investment for the Company which the Investment Managers may purchase, sell or exchange for one or more Other Accounts if the Investment Managers believe in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for the Company. As a general policy, investment opportunities will be allocated among those accounts for which participation in the respective opportunity is considered appropriate pro rata based on the relative capital size of the accounts. In addition, the Investment Managers may also take into consideration other factors such as the investment programs of the accounts, tax consequences, legal or regulatory restrictions, including those that may arise in various different international jurisdictions, the relative historical participation of an account in the investment, the difficulty of liquidating an investment for more than one account, new accounts with a substantial amount of investable cash and such other factors considered relevant. Such considerations may result in allocations among the Company and one or more Other Accounts on other than a *pari passu* basis (which may result in different performances among them).

The Investment Managers and their officers and employees will devote as much of their time to the activities of the Company as they deem necessary and appropriate. The Investment Managers and their affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may be in competition with the Company and/or may involve substantial time and resources. These activities may be viewed as creating a conflict of interest in that the time and effort of the Investment Managers and their officers and employees will not be devoted exclusively to the business of the Company but will be allocated between the business of the Company and such other activities. Future activities by the Investment Managers and their affiliates, including the establishment of other investment funds, may give rise to additional conflicts of interest.

NB Affiliates are actively engaged in transactions in the same securities, currencies and instruments in which the assets of the Company may be invested. Subject to applicable law, NB Affiliates may purchase or sell securities of, or otherwise invest in or finance, issuers in which the Company has an interest. NB Affiliates also may manage or advise other accounts or investment funds that have investment objectives similar or dissimilar to those of the Company and which engage in transactions in the same type of securities, currencies and instruments as the Company. Trading activities of NB Affiliates

are carried out without reference to positions held directly or indirectly by the Company and may have an effect on the value of the positions so held or may result in NB Affiliates having an interest adverse to that of the Company. NB Affiliates are not under any obligation to share any investment opportunity, idea or strategy or other relevant information about an investment with the Company or a portfolio manager and/or may not be able to share such information with the Investment Managers because of informational walls, confidentiality obligations or other disclosure constraints. As a result, NB Affiliates may compete with the Company for appropriate investment opportunities.

The Investment Managers may be prevented from taking control positions in certain issuers, or positions adverse to their management, due to other business commitments and relationships of Neuberger Berman Group or decisions of its management. In such cases, the Investment Managers will be compelled to act other than in the best interests of the Company due to conflicts of interest with the Neuberger Berman Group organisation, which may adversely affect the Company's ability to achieve its investment objectives.

Access to material non-public information may restrict the ability of the Investment Managers to take action with respect to some investments

The Investment Managers have established policies and procedures reasonably designed to prevent the misuse by the Investment Managers and their personnel of material information regarding particular issuers that has not been publicly disseminated (“**material non-public information**”) in accordance with applicable legal and regulatory requirements. In general, under such policies and procedures and applicable law, when the Investment Managers are 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 Investment Managers nor their 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 Investment Manager has is no longer deemed to be material non-public information.

The Investment Managers have procedures that outline the process by which it will determine whether to elect to receive material non-public information, or whether it will determine not to receive material non-public information, in any given case. This determination will be made on an issuer-by-issuer basis using objective criteria established by the Investment Managers. It should be noted that the Investment Managers' determination regarding whether or not to receive material non-public information regarding a specific issuer may have implications for the services the Investment Managers are able to provide to certain clients in certain situations, including the Company.

For example, where the Investment Managers have determined to receive material non-public information regarding an issuer or a borrower in connection with its clients' potential investments in distressed debt situations or loan assets of such issuer, it will be prohibited from rendering investment advice to clients, including the Company, regarding the public securities of such issuer, thereby potentially limiting the universe of public securities that the Investment Managers may purchase or potentially limiting the ability of the Investment Managers to sell particular securities. Similarly, where the Investment Managers decline access to (or otherwise does not receive) material non-public information regarding an issuer, it may base its investment decisions for its clients, including the Company, with respect to the distressed debt opportunities of such issuer solely on public information, thereby limiting the amount of information available to it in connection with such investment decisions.

U.S. restrictions on the use of material non-public information are often materially more stringent than those in other jurisdictions. The Investment Managers will be subject to these U.S. restrictions even if a majority of the investments in the Company are made by non-U.S. persons. The Investment Managers may determine not to elect to receive any material non-public information.

In deciding whether to accept material non-public information in distressed debt situations, the Investment Managers will need to weigh (i) the risks of being “frozen” in a position due to the receipt of material non-public information against (ii) the profit potential of the investment. In making its determinations whether or not to elect to receive material non-public information, the Investment Managers will endeavour to act fairly to its clients as a whole. A miscalculation of the risk by the Investment Managers may lead to major losses which the Investment Managers are unable to control and which may adversely affect the Company's business, financial condition, results of operations and the price of the Ordinary Shares.

Risks relating to the investment strategy and investment portfolio

The success of the Company depends on the Investment Managers' ability to advise on, identify and realise investments in accordance with the Company's investment policy

The activity of identifying, completing and realising attractive distressed debt investments is highly competitive and involves a high degree of uncertainty. The availability of suitable investment opportunities generally will be subject to market conditions, competition from other investment managers, as well as to the prevailing regulatory and political climate. A number of entities will compete with the Company to invest in the types of companies that the Investment Managers aim to include in the Company Portfolio. The Company will compete with public and private funds, commercial and investment banks and commercial finance companies. This increases competition for attractive investments and may make it more difficult for the Investment Managers to secure a sufficient number of suitable investment opportunities.

The ability and success of the Investment Managers to realise investments may be affected by a number of reputational issues. In particular, litigation, misconduct, operational failures, negative publicity and press speculation, whether valid or not, may harm the reputation of the Investment Managers. Such negative publicity could be based on misconduct by a client, allegations that it does not fully comply with regulatory requirements or anti-money laundering rules, publicity about politically exposed persons in its client base, allegations that a regulator is conducting investigations involving it, or the conduct of business of introducers or third party managers linked to them. Any damage to the reputation of the Investment Managers may result in potential counterparties and their parties being unwilling to deal with the Investment Managers and by extension, with the Company. This may have an adverse effect on the ability of the Company to pursue successfully its investment policy.

Further, the performance fees, payable to the Investment Managers may materially affect their ability to advise on, identify and realise investments in accordance with the Company's investment policy. The existence of such performance fees may create an incentive for the Investment Managers to make riskier or more speculative investments than it would otherwise make in the absence of such fees, which may adversely affect the Company's business, financial condition and results of operations.

The Company Portfolio is concentrated in North America and is therefore sensitive to regional economic developments

The Company Portfolio will be heavily concentrated in North America. The North American economies (the U.S. and Canada) tend to be highly correlated and inter-connected. Prolonged adverse economic conditions in North America could materially adversely affect the Portfolio Companies in which the Company invests as well as the value of the collateral securing its investments.

The Portfolio Companies in which the Company invests are expected to be highly leveraged

The Company's investment strategy is expected to include investments in Portfolio Companies that are in or near default on their borrowings, and that may be unable to generate sufficient cash flow to meet the principal and interest payments on their outstanding indebtedness, highly leveraged and unable to obtain financing from traditional sources. Numerous factors may affect a Portfolio Company's performance, including the failure to meet its business plan, a rise in interest rates or a downturn in the economy generally or further deterioration in the condition of a particular Portfolio Company and/or its market sector. A Portfolio Company's failure to satisfy financial or operating covenants imposed by the Company or other investors or lenders may lead to defaults and, potentially, termination of a Portfolio Company's loans or foreclosure on its secured assets, which may trigger cross defaults under other agreements and jeopardise the Portfolio Company's ability to meet its obligations under the loans or debt securities or loans that the Company holds. In addition, the Portfolio Companies may have, or may be permitted to incur, other debt that ranks senior to or equally with loan securities held by the Company. This means that payments on such senior-ranking securities may have to be made before

the Company receives any payments on its subordinated debt securities or loans. The value of the Company's investment in such a Portfolio Company may also be significantly reduced or even eliminated as a result of any further deterioration which may have a negative effect on the Company's business, financial condition and results of operations.

There are a number of risks associated with senior loans including limited liquidity, limited protection and limited information

The Company may invest directly in Portfolio Companies by means of senior loans. Senior loans are generally incurred by the obligors thereunder in connection with highly leveraged transactions, often to finance internal growth, acquisitions, mergers and/or stock purchases. The obligor under a leveraged loan often provides the lenders thereunder with extensive information about its business, which is not generally available to the public. Because of the provision of such confidential information, the unique and customised nature of a loan agreement, and the private syndication of the loan, leveraged loans are generally not as easily resold as publicly traded securities, and historically the trading volume in the loan market has been small relative to, for example, the high yield bond market. In addition, the unique nature of the loan documentation may involve a degree of complexity in negotiating a secondary market purchase or sale which may not exist, for example, in the bond market. There can be no assurance that future levels of supply and demand in loan trading will provide a sufficient degree of liquidity in the market. This means that such assets may be subject to greater disposal risk in the event that the Company wishes to sell such assets.

Although any particular senior loan often will share features with other loans and obligations of its type, its actual terms will have been a matter of negotiation and will thus be unique. Any particular loan or obligation may contain terms that are not standard and that provide less protection to creditors than might be expected, including in respect of covenants, events of default, security or guarantees.

There is limited historical data available as to the levels of defaults and/or recoveries that may be experienced on senior loans and no assurance can be given as to the levels of default and/or recoveries that may apply to any senior loans purchased by the Company. Recoveries on senior loans will be affected by the particular circumstance of the borrower and its owners and creditors, its assets and other factors and may also be affected by the different bankruptcy regimes applicable in different jurisdictions and the enforceability of claims against obligors thereunder. Ultimate recovery rates are difficult to predict and may not achieve the Company's investment return objectives.

The Company's special situations investments are subject to the risk of non-consummation

The Company may invest in special situations, which will subject it to the risk of the non-consummation of the reorganisation, asset or business unit sale, merger, or other event. that created the special situation in question. A special situation investment will typically incur material losses in the event of non-consummation. While the Investment Managers will attempt to limit this risk by the timing of the Company's investments, the profitability of the Company's special situation investments will primarily depend on successful consummation. Therefore, in the event of non-consummation, the Company's investments in special situations may suffer material losses, which may materially adversely affect the Company's business, financial condition and results of operations.

The Company's hedging arrangements may not be successful

The Company's economic risks cannot be effectively hedged. However, in connection with the financing of certain investments, the Company may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and/or currency exchange rates. While such transactions may reduce certain risks, they create others.

The Company may utilise certain derivative instruments (such as using single-name credit default swaps, credit default swap and loan credit default swap indexes, equity futures and equity indexes) for hedging purposes. However, even if used primarily for hedging purposes, the price of derivative instruments is highly volatile, and acquiring or selling such instruments involves certain leveraged and unusual risks. The low initial margin deposits normally required to establish a position in such instruments permits an unusually high degree of leverage. As a result, a relatively small movement in the price of a contract may result in substantial losses to the Company (which may not be offset by increases in the value of

the instrument being hedged). There may be an imperfect correlation between the instrument acquired for hedging purposes and the investments or market sectors being hedged, in which case, a speculative element is added to the highly leveraged position acquired through a derivative instrument primarily for hedging purposes.

In addition, although short sales are not a major component of its strategy, it may engage in the short sales of a security which involves the risk of a theoretically unlimited increase in the market price of a security, which could result in an inability to cover the short position and a theoretically unlimited loss.

In connection with its non-U.S. dollar denominated investments, the Company may, but is not required to, engage in currency hedging. In the case of investors for which the dollar is not their functional currency, any non-dollar/dollar hedging in which the Company engages with respect to its portfolio may constitute an additional expense without any prospect of reducing currency risk.

The Company may benefit from the use of these hedging strategies; however, such strategies may also result in losses and overall poorer performance than if the Company had not entered into such hedging transactions.

The Company's acquisition of whole loans will subject the Company to the contractual obligations of the lender

The Investment Managers may cause the Company to acquire whole loans, as opposed to commercial pass-through securities (such as mortgage-backed or asset-backed securities), whose payment flows are dependent on payments of the underlying loans. When the Company holds a whole loan, the Investment Managers will be responsible for dealing directly with the issuer, consuming valuable resources of the Investment Managers, which may be more profitably employed in other investments as well as subjecting the Company to all the uncertainties, expenses and adversary proceedings which surround foreclosures in general.

The acquisition of whole loans often involves “engaging in a U.S. trade or business” for U.S. tax purposes, with the result that the Company (as opposed to a U.S. Company) may be subject to U.S. taxation of its income attributable to such activities.

The acquisition of whole loans may subject the Company to the contractual obligations of the lender and to U.S. taxation implications, all of which may adversely affect the Company's business, financial condition and results of operations.

The Company's investments in Portfolio Companies are subject to subordination, “cramdowns”, and dilution

The Company as the senior secured creditor of an issuer can find itself subordinated to otherwise junior creditors. For example, in certain jurisdictions a bankrupt issuer may apply to a bankruptcy court for “Debtor in Possession” financing in order to obtain new capital for its operations. The persons who invest such new capital will take a senior position to the Company, even though the Company was previously senior to such persons. Although the Company would likely be given an opportunity to participate in such “Debtor in Possession” financings, the Company might not have the resources or be permitted under its diversification policies to do so.

A reorganisation plan approved by a bankruptcy court may result in a number of different creditors, which may include the Company, being compelled to accept materially adverse changes to the terms of the debt that they hold, including reduced interest rates, extended maturities and reduced acceleration rights. Such “cramdowns” may be imposed in the discretion of the bankruptcy court in order to give the issuer a better chance of remaining economically viable.

In a reorganisation or liquidation case relating to an issuer in which the Company invests, the Company may lose its entire investment, may be required to accept cash or substantial amounts of equity in the issuer in extinguishment of the issuer's debt with a value less than the Company's original investment and/ or may be required to accept payment over an extended period of time. This can result in, among other things, substantial dilution to an equity position previously acquired in the issuer by the Company, either directly or through the acquisition of convertible debt. In addition, the issuance of such equity can cause the Company to own well in excess of the maximum 10 per cent. of a given issuer's equity which the Company may acquire as Original Issue Equity.

Participating as a creditor of an issuer subjects the Company to subordination and “cramdowns”, and investing in issuers subject to reorganisation or liquidation may result in the dilution of the Company’s equity interest in such issuers, all of which may materially affect the Company’s business, financial condition and results of operations.

The foreclosure process is subject to uncertainties

The Investment Managers concentrate on acquiring debt that is secured by assets that the Investment Managers believe 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 the Company, significant uncertainty may arise as to the outcome of the proceeding. Bankruptcy judges in the United States 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. The Company may make investments in restructurings and workouts that involve Portfolio Companies that are experiencing, or are expected to experience, severe financial difficulties, which may never be overcome and may lead to uncertain outcomes. The U.S. bankruptcy courts have broad discretion to control the terms of a reorganisation, and political factors may be of significant importance in the more high profile bankruptcies. Consequently, the Company may be prohibited from liquidating investments that are declining in value and such a prohibition may adversely affect the value of certain of the Company’s investments as well as its financial condition and results of operations.

In addition foreclosures and reorganisations are contentious and the threat of, as well as actual litigation may be used as a negotiating technique which may be costly to defend and result in settlements or judgements borne by the Company.

The value of the Company’s investments may be subject to jurisdiction-specific insolvency regimes

The value of the investments held by the Company may be impacted by various laws enacted for the protection of creditors in the jurisdictions of incorporation of the obligors thereunder and, if different, the jurisdictions from which the obligors conduct their business and in which they hold their assets, which may adversely affect such obligors’ abilities to make payment on a full or timely basis.

In particular, it should be noted that a number of continental European and emerging market jurisdictions operate “debtor-friendly” insolvency regimes which could result in delays in payments where obligations, debtors or assets thereunder are subject to such regimes. The different insolvency regimes applicable in the different European and emerging market jurisdictions result in a corresponding variability of recovery rates for senior loans, high yield bonds and other debt obligations entered into or issued in such jurisdictions.

Jurisdiction-specific insolvency regimes may negatively impact borrowers’ or issuers’ ability to make payments to the Company, or the Company’s recovery in a restructuring or insolvency, which may adversely affect the Company’s business, financial condition and results of operations.

The Company may be subject to lender liability and equitable subordination

The Company may invest directly in Portfolio Companies by making direct loans to issuers. 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. The Company may become subject to allegations of lender liability. The Company cannot provide assurance that these claims will not arise or that it will not be subject to significant liability if a claim of this type arises.

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 undercapitalisation 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 shareholder 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”.

As a lender, the Company may be subject to additional liability such as liability resulting from the breach of fiduciary duty or duty of good faith and fair dealing, or its claims may be subject to equitable subordination, which may materially affect the Company's business, financial condition and results of operations.

The Company may be subject to losses on investments as a result of fraudulent conveyance findings by courts

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 may 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 the Company) 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 the Company has an investment becomes insolvent, any payment made on such investment may be subject to cancellation 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 the Company, the resulting loss will be borne by the investors in the Company.

The Company is subject to risks associated with participation in control situations

From time to time, the Investment Managers will take control positions in an issuer in an effort to maximise value. Not only can control investments take an inordinately long period to exit, but also the Investment Managers' position of control can be highly resource-intensive and contentious. The Investment Managers and the Company may be particularly vulnerable to being named as defendants in litigation relating to their actions while in control of an issuer.

Risks relating to investing in distressed securities

The Company may hold a portion of its investment portfolio in equities that are uncollateralised

Although the Investment Managers do not expect that the Company will invest to a meaningful extent directly in equity securities (not more than 10 per cent. of the expected proceeds of the Issue may be used for Original Issue Equity investments), the Company may come to have significant equity holdings as a result of participating in reorganisation or bankruptcy proceedings. In fact, it is possible that substantially all of the Company Portfolio will, from time to time, consist of equity acquired as a result of reorganisations.

Equity held by the Company will not have any underlying collateral supporting its value and will be subject to all the risks of the success of the reorganised issuer.

The Company may acquire trade claims which do not have the protection of the securities laws and are highly illiquid

The Company may acquire trade claims, which are amounts due from a company to its suppliers. Trade claims are not "securities" for regulatory purposes, and the Company, 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. In addition, there may be defences to trade claims, for example, in circumstances where the services or products furnished did not meet specifications that may result in the devaluation of

the trade claim, of which the Investment Managers may not be aware at the time of the Company's acquisition of such claims. If the Company is unable to receive a payment under, or dispose of, such trade claims, this may adversely affect the Company's business and results of operations.

The Company may acquire participation interests in bank loans and other debt obligations and will have limited rights with respect to the bank loans and debt obligations and be subject to additional risks

The Company may acquire interests in bank loans and other debt obligations either directly (by way of sale or assignment) or indirectly (by way of participation or sub-participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes entitled to the benefit of the loans and other rights the lender under the loan agreement with respect to the debt obligation.

By contrast, a participation interest in a portion of a debt obligation typically results in a contractual relationship with only the institution acting as a lender under the loan agreement, not with the borrower under such loan. As a holder of a participation interest, the Company would have the right to receive payments of principal and interest to which it is entitled only upon receipt by the institution selling the participation under the loan agreement (the "**Selling Institution**") of such payments from the obligor, but will have limited other rights against the borrower.

In addition, the Company will assume the credit risk of both the borrower under the loan and credit risk of the institution selling the participation. In the event of the insolvency of the Selling Institution, the Company may experience delays in receiving payments made to the Selling Institution by the borrower and may be treated as a general creditor of the Selling Institution.

Assignments and participations are sold strictly without recourse to the Selling Institution and the Selling Institution will generally make no representations or warranties about the underlying loan, the borrowers thereunder, the documentation or any collateral securing the loans. Further, the Company will be bound by provisions of the underlying loan agreements, if any, that require the preservation of the confidentiality of information provided by the borrower.

In addition, the Company may invest directly or through participations in loans with revolving credit features or other commitments or guarantees to lend funds in the future. A failure by the Company to advance requested funds to a borrower may result in claims against the Company and in possible assertions of offsets against amounts previously lent.

The Company will hold a passive investment position in a substantial number of its Portfolio Companies and other co-investments and investors with controlling interests may take actions that adversely affect the value of the Company's investment

The Company will hold a passive investment position in a substantial number of the Portfolio Companies in which it invests. In addition, the Investment Managers will be authorised to offer co-investment opportunities to other investors, even in situations in which the Company is not fully invested in the applicable investment opportunity, if, in the opinion of the Investment Managers, the amount invested by the Company is sufficient for its purposes, or such co-investment may (i) encourage reciprocal investment offers to the Company, (ii) enhance the investment opportunity, or (iii) allow the Company to participate in transactions that, if entered into without co-investors, would exceed the limits set forth in the Company's risk management guidelines on compliance, internal audit, legal and business controls.

The investors with the controlling interests in such investments—which may often be competitors of the Company—may be able to take actions that adversely affect the value of the Company's investment and the Company's business.

Risks relating to the Company's collateral

The Company's investments will be based in part on valuations of collateral which are subject to assumptions and factors that may be incomplete, inherently uncertain or subject to change and the Company may be unable to realise value from its investments

A substantial component of the Investment Managers' analysis of the desirability of making a given investment relates to the estimated residual or recovery value of such investments in the event of the insolvency of the borrower or issuer. This residual or recovery value will be driven primarily by the value of the underlying assets constituting the collateral for such investment. The value of collateral can, however, be extremely difficult to predict as in certain circumstances market quotations and third party pricing information may not be available. Thus, valuation of such investments will be based, in part, on complex models that incorporate a range of different inputs.

As valuations, and in particular, valuations of investments for which market quotations are not readily available, are inherently uncertain, these may fluctuate over short periods of time and may be based on estimates. Even if market quotations are available for certain of the Company's investments, such quotations may not reflect the value that would actually be realised because of various factors, including the illiquidity of the investments held in the portfolio, future price volatility, foreign exchange fluctuations or the potential for a future loss in value based on poor industry conditions or overall company and management performance or market conditions.

For example, depending upon the status of underlying assets at the time of an issuer's default, they may be substantially worthless. The types of collateral owned by the borrowers and issuers in whom the Company invests will vary widely, but will generally all be hard assets such as aircraft, office buildings, power stations, and commercial property. During times of recession and economic contraction, there may be little or no ability to realise on any of these assets, or the value which can be realised may be substantially below the assessed value of the collateral.

Inadequate or incorrect factual information, misstated assumptions, as well as unforeseeable changes in economic and political factors may cause these models to yield materially inaccurate valuations, even if the model is fundamentally sound. Moreover, there can be no assurance that the Investment Managers' models are fundamentally sound, or more accurate than its competitors' models. Particularly given the high level of illiquidity currently prevalent in the markets, there is a substantial risk of valuations differing from realisable values, which may materially adversely affect the Company's business, financial condition and results of operations.

Certain secured instruments that the Company may purchase may be subject to repayment or bankruptcy plans and as a result the value of the collateral may decrease and adversely affect the Company's investment

Certain of the instruments that the Company may purchase may include collateral that is subject to repayment or bankruptcy plans, under which prior delinquent payments and advances must be paid during a specified period after the plan is instituted. In addition, certain collateral may have arrearages that are not subject to plans and must be discharged before the collateral can be of any value to the Company itself. As a result, such collateral will be forced to generate larger payments until the obligations under the plans or under the arrearages are paid in full, which may degrade the value of such collateral as security for investments made by the Company and adversely affect the Company's results of operations.

Risks relating to regulation and taxation

Greater regulation of the financial services industry, in particular with respect to regulation of hedge funds, which impose additional restrictions on the Company may materially affect the Company's business and its ability to carry out its investment objective and achieve its Target Return

Legislation proposing greater regulation of the financial services industry, including hedge funds, is being actively pursued by U.S. Congress, as well as the governing bodies of non-U.S. jurisdictions, in the wake of the ongoing financial crisis of 2008-2010 and the dramatic losses incurred both by private funds and their counterparties from trading in substantially unregulated markets. The U.S. government "bailout" of financial institutions that began in 2008 and has continued into 2010 is the largest governmental intervention in the history of the U.S. financial markets. In connection with this "bailout," U.S. Congress likely will require that new restrictions be applied to the U.S. financial markets.

There can be no assurance that future regulatory action will not result in additional market dislocation. It is impossible to predict the nature, timing and scope of future changes in laws and regulations applicable to the Company, the Investment Managers, the markets in which they trade and invest or the counterparties with which they do business. Any such changes in laws and regulations may have a material adverse effect on the ability of the Company to carry out its business, to successfully pursue its investment policy and to realise its profit potential, and may include a requirement of increased transparency as to the identity of investors in the Company. Any such event may materially adversely affect the investment returns of the Company.

Changes in the Company's tax status or tax treatment may adversely affect the Company and if the Company becomes subject to the UK offshore fund rules there may be adverse tax consequences for certain UK resident Shareholders

Any change in the Company's tax status, or in taxation legislation or practice in either Guernsey, the United States or the United Kingdom or any jurisdiction in which Portfolio Companies are held or resident, or in the Company's tax treatment (for example, due to the disposition of equity accepted in settlement for debt) may affect the value of the investments held by the Company or the Company's ability to successfully pursue and achieve its investment objectives, or alter the after-tax returns to Shareholders. Statements in this document concerning the taxation of Shareholders are based upon current United Kingdom, United States and Guernsey tax law and published practice, any aspect of which law and practice is, in principle, subject to change (potentially with retrospective effect) that may adversely affect the ability of the Company to successfully pursue its investment policy or meet its investment objectives, and which may adversely affect the taxation of Shareholders.

In respect of the UK offshore fund rules, the statements contained in this prospectus have been confirmed by HM Revenue & Customs following an application for non-statutory clearance made by the Company's advisers on behalf of the Company.

Potential investors are urged to consult their tax advisers with respect to their particular tax situations and the tax effect of an investment in the Company.

Failure by the Company to maintain its non-UK tax resident status may subject the Company to additional taxes which may materially adversely affect the Company's business, results of operations and the value of the Shares

In order to maintain its non-UK tax resident status, the Company is required to be controlled and managed outside the United Kingdom. The composition of the board of Directors of the Company, the place of residence of the individual Directors and the location(s) in which the board of Directors of the Company makes decisions will be important in determining and maintaining the non-UK tax resident status of the Company. Although the Company is established outside the United Kingdom and a majority of the Directors live outside the United Kingdom, continued attention must be given to ensure that major decisions are not made in the United Kingdom or the Company may lose its non-UK tax resident

status. As such, management errors may potentially lead to the Company being considered UK tax resident which may adversely affect the Company's financial condition, results of operations, the value of the Shares and/or the after-tax return to the Shareholders.

Individual Shareholders may have conflicting investment, tax and other interests with respect to their investments in the Company

Shareholders are expected to include taxable and tax-exempt entities and persons or entities organised and residing in various jurisdictions, including outside of the United States, who may have conflicting investment, tax and other interests with respect to their investments in the Company. The conflicting interests of individual Shareholders may relate to or arise from, among other things, the nature of investments made by the Company, the structuring of the acquisition of investments, the timing of disposition of investments and the manner in which income and capital generated by the Company is distributed to Shareholders. The structuring of investments and distributions may result in different returns being realised by different Shareholders. As a consequence, conflicts of interest may arise in connection with decisions made by the Investment Managers, including the selection of Portfolio Companies, which may be more beneficial for one investor than for another investor, especially with respect to investors' individual situations. In selecting and structuring investments appropriate for the Company and in determining the manner in which distributions shall be made to Shareholders, the Investment Managers and the Directors, respectively, will consider the investment and tax objectives of the Company and Shareholders as a whole, not the investment, tax or other objectives of any Shareholder individually, which may adversely affect the investment returns of individual Shareholders.

The AIFM Directive, if implemented, may impair the ability of the Investment Managers to manage the investments of the Company which may materially adversely affect the Company's ability to implement its investment strategy and achieve its investment objective

On 30 April 2009 the European Commission published a draft AIFM Directive which is currently due to be implemented in 2012. In its current form, the draft AIFM Directive seeks to regulate alternative investment fund managers (in this paragraph, "AIFM") based in the EU and prohibits such managers from managing any alternative investment fund (in this paragraph, "AIF") or marketing shares in such funds to EU investors unless authorisation is granted to the AIFM. Under the draft, in order to obtain such authorisation, and be able to manage the AIF, an AIFM would need to comply with various obligations in relation to the AIF which may create significant additional compliance costs that may be passed to investors in the AIF. Furthermore, as currently drafted, the marketing of shares or units in an AIF to EU investors would not be permitted if the AIFM were not authorised and, in the case of an AIF (such as the Company) domiciled outside the EU, the AIF's host country were not to meet certain conditions (although the current draft of the AIFM Directive envisages that the restrictions on marketing the shares or units of an AIF domiciled in a non-EU state would not come into force until three years after implementation of the AIFM Directive, during which period it is likely, although not guaranteed, that EU AIFM will be able to market the shares of third country AIF under existing domestic private placement rules).

From the Company's perspective, if implemented as currently drafted, the AIFM Directive would require the Investment Managers to seek the authorisation to manage the Company and/or for the country of domicile of the Investment Managers to meet certain requirements. If the Investment Managers were to fail to, or be unable to, obtain such authorisation or if their country of domicile were not to meet such requirements, they may be unable to continue to manage the Company or their ability to manage the Company may be impaired.

The AIFM Directive may change considerably before it is adopted and the Board will continue to monitor the position and react appropriately which may include putting proposals to Shareholders to redomicile the Company. However, any regulatory changes arising from implementation of the AIFM Directive (or otherwise) that impair the ability of the Investment Managers to manage the investments of the Company, or limit the Company's ability to market future issuances of its Ordinary Shares, may materially adversely affect the Company's ability to carry out its investment strategy and achieve its investment objective.

Risks relating to the Issue

The existence of a liquid market in the Issue Shares cannot be guaranteed

The Company will apply for the Issue Shares to be admitted to trading on the SFM and to listing and trading on the Official List of the CISX, and expects the Issue Shares to be traded on these exchanges on or about 10 June 2010.

The market price of the Issue Shares may rise or fall rapidly; investors should carefully consider, among other things, the following factors before dealing in Issue Shares:

- the prevailing market price of the Issue Shares;
- the Subscription Price of the Subscription Shares;
- the net asset value, market price volatility and liquidity of the Ordinary Shares and the Subscription Shares;
- the time remaining to the Subscription Share Exercise Date;
- any related transaction costs; and
- the Company's creditworthiness.

In addition, general movement in local and international stock markets, prevailing and anticipated economic conditions and interest rates, investor sentiment and general economic conditions may all affect the market price of the Issue Shares.

The SFM is a relatively new market and likely liquidity and price volatility levels are relatively unknown. Liquidity experienced on the SFM to date may not be a suitable indicator for liquidity levels in the future. The Company is not required to appoint a market maker or make a market for Issue Shares traded on the SFM or the CISX. There can be no guarantee that a liquid market in the Issue Shares will develop or that the Ordinary Shares will trade at prices close to their underlying NAV. Accordingly, Shareholders may be unable to realise their investment at NAV or at all.

The Company has been established as an authorised closed-ended vehicle. Accordingly, Shareholders will have no right to have their Issue Shares redeemed or repurchased by the Company at any time. While the Directors retain the right to effect repurchases of Issue Shares and to return capital in the manner described in this document, they are under no obligation to use such powers at any time and Shareholders should not place any reliance on the willingness of the Directors to do so. Shareholders wishing to realise their investment in the Company will therefore be required to dispose of their Issue Shares through the secondary market. Accordingly, Shareholders' ability to realise their investment at NAV or at all is dependent on the existence of a liquid market for the Issue Shares.

The number of Issue Shares to be issued pursuant to the Issue is not yet known, and, following the Issue, there may be a limited number of holders of Issue Shares. Limited numbers and/or holders of Issue Shares may mean that there is limited liquidity in such Issue Shares which may affect (i) an investor's ability to realise some or all of his investment, and/or (ii) the price at which such investor can effect such realisation, and/or (iii) the price at which such Issue Shares trade in the secondary market.

The Subscription Shares may expire worthless or may never be exercised

The Subscription Shares will have a limited life and will expire after the Subscription Share Exercise Date. After this date, Subscription Shares can no longer be traded or exercised. Holders of Subscription Shares should note that Subscription Shares experience time decay or erosion of their value over time, throughout their life. This rate of decay accelerates as the Subscription Shares near expiry and the Subscription Shares may be worthless when they expire. In addition, the Ordinary Shares may never trade in excess of the Subscription Price and as a result the Subscription Shares may never be exercised.

The Company is not, and does not intend to become, registered in the United States as an investment company under the U.S. Investment Company Act and related rules

The Company has not, does not intend to, and may be unable to, become registered in the United States as an investment company under the U.S. Investment Company Act. The U.S. Investment Company Act provides certain protections to U.S. investors and imposes certain restrictions on companies that are registered as investment companies. As the Company is not so registered, and does not intend to register, none of these protections or restrictions is or will be applicable to the Company.

The Issue Shares will be subject to significant transfer restrictions for investors in the United States and certain other jurisdictions as well as forced transfer provisions

The Issue Shares have not been registered and will not be registered in the United States under the U.S. Securities Act or under any other applicable securities laws and are subject to restrictions on transfer contained in such laws. There are restrictions on the purchase and resale of Issue Shares by Shareholders who are located in the United States or who are U.S. Persons (as defined in Regulation S under the U.S. Securities Act) and on the resale of Shares by any Shareholders to any person who is located in the United States or is a U.S. Person (see “Selling restrictions” beginning on page 36 and “Purchase and transfer restrictions” beginning on page 78 of this document).

In order to avoid being required to register under the U.S. Investment Company Act, the Company has imposed significant restrictions on the transfer of the Issue Shares which may materially affect the ability of Shareholders to transfer Issue Shares in the United States or to U.S. Persons. The Issue Shares may not be resold in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act, the U.S. Investment Company Act and applicable state securities laws. There can be no assurance that Shareholders or U.S. Persons will be able to locate acceptable purchasers in the United States or obtain the certifications required to establish any such exemption. These restrictions may make it more difficult for a U.S. Person or a Shareholder in the United States to resell the Shares and may have an adverse effect on the market value of the Issue Shares.

The transferability of the Issue Shares is subject to certain restrictions as set out in the “Selling restrictions” and “Purchase and transfer restrictions” sections of this prospectus. The Company may require any U.S. Person or any person within the United States who is required under the “Selling restrictions” and the “Purchase and transfer restrictions” sections of this prospectus to be a Qualified Purchaser, to provide the Company within 30 calendar days with sufficient satisfactory documentary evidence to satisfy the Company that such Investor shall not cause the Company to be required to be registered as an “investment company” under the U.S. Investment Company Act. The Company may require any U.S. Person or any person within the United States who is required under the “Selling restrictions” and the “Purchase and transfer restrictions” sections of this prospectus to be a Qualified Purchaser, but is not, to transfer the Issue Shares within 30 calendar days with satisfactory evidence of such sale or transfer in a manner consistent with the restrictions set forth in this prospectus, and if either of the obligations in this paragraph are not met, such Issue Shares shall be deemed forfeited and the Company is irrevocably authorised, without any obligation, to follow the procedure provided for in the Articles with respect to forfeited shares.

Shareholders do not have pre-emption rights

Under the laws of Guernsey, to which the Company is subject, there are no rules restricting the ability of the Directors to issue additional Ordinary Shares on a non pre-emptive basis at any time. However, the Company does not intend to issue additional Ordinary Shares, other than Ordinary Shares issued in connection with the exercise of the Subscription Rights.

Shareholders in certain jurisdictions may not be eligible to participate in any discretionary Tender Offer and to receive the cash proceeds thereof

The securities laws of certain jurisdictions, particularly the United States, may restrict the Company’s ability to allow Shareholders to participate in any discretionary Tender Offer. There can be no assurance that the Company will be able to conduct any discretionary Tender Offer in a manner that would enable participation therein or receipt of the cash proceeds thereof by Shareholders in such jurisdictions. Shareholders who have a registered address in or who are resident or located

in (as applicable) countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to participate in any discretionary Tender Offer.

The Company expects to be treated as a “passive foreign investment company” for U.S. federal income tax purposes

Based on projected income, assets and activities, the Company expects to be treated as a “passive foreign investment company” (“**PFIC**”) for U.S. federal income tax purposes for the current taxable year and taxable years thereafter. In addition, the Company may invest, indirectly, in equity securities of other non-U.S. entities that are treated as PFICs (“**Subsidiary PFICs**”). The U.S. federal income tax rules applicable to investments in PFICs are very complex and the Company’s U.S. taxable shareholder may suffer adverse U.S. federal income tax consequences as a result of these rules.

A U.S. taxable shareholder may be able to mitigate the adverse tax consequences of the PFIC rules by making “qualified electing fund” (“**QEF**”) elections to be taxed currently on the investor’s proportionate share of the Company’s ordinary earnings and net capital gain (and the ordinary earnings and net capital gain of any Subsidiary PFIC). However, even if a U.S. taxable shareholder makes QEF elections in respect of its investment in the Company, losses, if any, that the Company realises will not be available to offset the investor’s share of ordinary income and net capital gain attributable to any other such entity. The Company may not be able to provide information to enable U.S. taxable shareholders to make QEF elections in respect of each Subsidiary PFIC in which the Company invests. Moreover, a QEF election is not available with respect to a U.S. Shareholder’s Subscription Shares until Ordinary Shares are purchased for the Subscription Price.

A U.S. taxable shareholder may also be able to mitigate the adverse tax consequences of the PFIC rules by making a “mark-to-market election” in respect of its investment in the Company (provided such investment consists of “marketable stock” for U.S. federal income tax purposes). If a U.S. taxable shareholder does not make a QEF election or, alternatively, a “mark to market election,” in respect of its investment in the Company or any Subsidiary PFIC, such shareholder will be subject to certain adverse tax rules with respect to any “excess distribution” made by the Company or any Subsidiary PFIC (for these purposes, any gain realised by a U.S. taxable shareholder upon disposition of its investment in the Company will generally be characterised as an “excess distribution”). The tax payable by a U.S. taxable shareholder on an excess distribution will be determined by allocating such excess distribution ratably to each day of the U.S. taxable shareholder’s holding period for its Ordinary Shares or Subscription Shares. The amount of excess distribution allocated to the taxable year of such distribution will be included as ordinary income for that taxable year. The amount of excess distribution allocated to any other period included in the shareholder’s holding period cannot be offset by any net operating losses of the shareholder and will be taxed at the highest marginal rates applicable to ordinary income for each such period and, in addition, an interest charge will be imposed on the amount of tax for each such period. See “Taxation—United States—Taxation of U.S. Holders—No Qualified Electing Fund Election and No Mark-to-Market Election.”

U.S. shareholders may be required to request an extension to file U.S. federal income tax returns in order to validly make QEF elections in respect of their investment in the Company

The Company intend to provide each U.S. shareholder that makes QEF elections with respect to its investment in the Company with a PFIC Annual Information Statement prior to the due date for a calendar year U.S. shareholder’s U.S. federal income tax return, determined taking into account extensions. Since the Company do not expect to provide a PFIC Annual Information Statement on or before the due date for a calendar year U.S. shareholder’s federal income tax return, determined without taking into account extensions, U.S. shareholders generally will be required to request an extension of time to file such tax returns in order to make and maintain timely QEF elections with respect to their investments in the Company. See “Taxation—United States—Taxation of U.S. Holders—Filing of QEF Election, Timing of QEF Election.”

U.S. shareholders that make a QEF election may need to fund their tax liabilities arising from their investment in the Company's Shares from sources other than cash distributions on the Company's Shares

If a U.S. shareholder validly makes a QEF election in respect of its investment in the Company or any Subsidiary PFIC, the U.S. shareholder will generally be required to include in gross income its proportionate share of the Company's ordinary earnings and net capital gain, or the ordinary earnings and net capital gain of such subsidiary PFIC, as the case may be, regardless of whether or not such shareholder receives any distributions. The Company will not necessarily make cash distributions to the Company's shareholders in a sufficient amount to fund any resulting tax liabilities and, accordingly, U.S. shareholders that have made a QEF election may have to satisfy any tax obligation arising from their investments in the Company's Ordinary Shares in part from sources other than distributions from the Company. See "Taxation—United States."

The Company may become subject to regulation under ERISA or Section 4975 of the U.S. Tax Code or any substantially similar law

If 25 per cent. or more of any class of equity in the Company is owned, directly or indirectly, by U.S. Plan Investors that are subject to Title I of ERISA or Section 4975 of the U.S. Tax Code, the assets of the Company will be deemed to be "plan assets", subject to the constraints of ERISA and Section 4975 of the U.S. Tax Code. This would result, among other things, in: (i) the application of the prudence and fiduciary responsibilities standards of ERISA to investments made by the Company, and (ii) the possibility that certain transactions that the Company and its subsidiaries might enter into, or may have entered into in the ordinary course of business, might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA and/or Section 4975 of the U.S. Tax Code and might have to be rescinded. A non-exempt prohibited transaction may also result in the imposition of an excise tax under the U.S. Tax Code upon a "party in interest" (as defined in ERISA) or "disqualified person" (as defined in the U.S. Tax Code), with whom a plan engages in the transaction. The Company will use commercially reasonable efforts to limit ownership by U.S. Plan Investors of equity in the Company. However, no assurance can be given that investment by U.S. Plan Investors will not exceed 25 per cent. or more of any class of equity in the Company.

Important Notices

Investors should rely only on the information contained in this prospectus. No person has been authorised to give any information or to make any representations other than those contained in this prospectus in connection with the Issue and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company or the Investment Managers. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G(1) of FSMA, neither the delivery of this prospectus nor any subscription or sale made under this prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult their own solicitor, financial adviser or tax adviser for legal, financial or tax advice in relation to the purchase of Issue Shares.

An investment in the Issue Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear losses (which may equal the whole amount invested) that may result from such an investment. An investment in the Issue Shares should constitute part of a diversified investment portfolio. Accordingly, typical investors in the Company are expected to be institutional, professional and high net worth investors, private client fund managers and brokers and other investors who understand the risks involved in investing in the Company and/or who have received advice from their fund manager or broker regarding investment in the Company.

General

Prospective investors should rely only on the information contained in this document. No broker, dealer or other person has been authorised by the Company, the Directors, Neuberger Berman LLC, Oriel or RBS Hoare Govett to issue any advertisement or to give any information or to make any representation in connection with the offering or sale of the Issue Shares other than those contained in this document and, if issued, given or made, any such advertisement, information or representation must not be relied upon as having been authorised by the Company, the Directors, Neuberger Berman LLC, Oriel or RBS Hoare Govett.

Prospective investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Issue Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Issue Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Issue Shares. Prospective investors must rely upon their own representatives, including their own legal advisers, financial advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the law and practice currently in force and are subject to changes therein.

This document should be read in its entirety before making any application for Issue Shares.

Application will be made to the London Stock Exchange for all the Issue Shares to be issued pursuant to the Issue to be admitted to trading on the SFM. Application will also be made for all the Issue Shares to be issued pursuant to the Issue to be admitted to listing and trading on the Official List of the CISX. It is expected that such admissions will become effective and that dealings in such Issue Shares will commence at 0800 hours on 10 June 2010.

The Sub-Investment Manager is registered with the U.S. Securities and Exchange Commission (the “SEC”) as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “**U.S. Investment Advisers Act**”). Further information regarding the Sub-Investment Manager is contained in Part II of its Form ADV, which will be provided to prospective investors, upon written request to the Sub-Investment Manager, prior to their investment in the Company. The Investment Manager is not registered with the SEC as an investment adviser under the Investment Advisers Act.

All times and dates referred to in this document are, unless otherwise stated, references to London times and dates and are subject to change without further notice.

Restrictions on Distribution and Sale

The distribution of this document and the offering and sale of securities offered hereby in certain jurisdictions may be restricted by law. Persons in possession of this document are required to inform themselves about and observe any such restrictions. This document may not be used for, or in connection with, and does not constitute, any offer to sell, or solicitation to purchase, any such securities in any jurisdiction in which solicitation would be unlawful.

For a description of restrictions on offers, sales and transfers of Issue Shares, see “Selling restrictions” on pages 36 to 44 and “Purchase and transfer restrictions” in Part IV of this document.

In addition, prospective investors should note that, except with the express written consent of the Company given in respect of an investment in the Company, the Issue Shares may not be acquired by (i) investors using assets of (A) an “employee benefit plan” as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (B) a “plan” as defined in Section 4975 of the Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Code; or (C) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in preceding clause (A) or (B) in such entity pursuant to the U.S. Plan Asset Regulations or (ii) a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code and its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

If 25 per cent. or more of any class of equity in the Company is owned, directly or indirectly, by U.S. Plan Investors that are subject to Title I of ERISA or Section 4975 of the U.S. Tax Code, the assets of the Company will be deemed to be “plan assets”, subject to the constraints of ERISA and Section 4975 of the U.S. Tax Code. This would result, among other things, in: (i) the application of the prudence and fiduciary responsibilities standards of ERISA to investments made by the Company, and (ii) the possibility that certain transactions that the Company and its subsidiaries might enter into, or may have entered into in the ordinary course of business, might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA and/or Section 4975 of the U.S. Tax Code and might have to be rescinded. A non-exempt prohibited transaction may also result in the imposition of an excise tax under the U.S. Tax Code upon a “party in interest” (as defined in ERISA) or “disqualified person” (as defined in the U.S. Tax Code), with whom a plan engages in the transaction. The Company will use commercially reasonable efforts to limit ownership by U.S. Plan Investors of equity in the Company. However, no assurance can be given that investment by U.S. Plan Investors will not exceed 25 per cent. or more of any class of equity in the Company.

No Incorporation of Website

The contents of the Company’s website at www.nbddif.com do not form part of this document. Investors should base their decision to invest on the contents of this document alone and should consult their professional advisers prior to making an application to subscribe for Issue Shares.

Enforceability of Judgments

The Company is incorporated under the laws of Guernsey. All or substantially all of the assets of the Company are expected to be in the United States. The Investment Manager is incorporated in the United Kingdom. As a result, it may not be possible for investors to effect service of process within jurisdictions other than the United Kingdom and Guernsey upon the Company, the Investment Manager or any of their respective directors, or to enforce in such other jurisdictions judgments obtained against the Company, the Investment Manager or any of their respective directors in the courts of such other jurisdictions, including, without limitation, judgments based upon the civil liability provisions of the laws of any state or territory other than the United Kingdom and Guernsey. There is doubt as to the enforceability in the United Kingdom and Guernsey, in original actions or in actions for enforcement of judgments of courts outside the United Kingdom and Guernsey, of civil liabilities predicated solely upon the laws of jurisdictions other than the United Kingdom and Guernsey. In addition, awards for punitive damages in actions brought outside the United Kingdom and Guernsey may be unenforceable in the United Kingdom and Guernsey.

Forward-looking Statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Company concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, prospects, and dividend policy of the Company and the markets in which it, and its portfolio of investments, invest and/or operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company’s actual investment performance, results of operations, financial condition, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the investment performance, results of operations, financial condition of the Company, and the development of its financing strategies, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to:

- changes in economic conditions generally and the Company’s ability to achieve its investment objective and returns on equity for investors;
- the Company’s ability to invest the cash on its balance sheet and the proceeds of the Issue in suitable investments on a timely basis;
- foreign exchange mismatches with respect to exposed assets;
- changes in interest rates and/or credit spreads, as well as the success of the Company’s investment strategy in relation to such changes and the management of the uninvested proceeds of the Issue;
- impairments in the value of the Company’s investments;
- the availability and cost of capital for future investments;
- the departure of key personnel employed by the Investment Managers;
- the failure of the Investment Manager to perform its obligations under the Investment Management Agreement with the Company or the termination of the Investment Manager;
- the failure of the Sub-Investment Manager to perform its obligations under the Sub-Investment Management Agreement with the Investment Manager or the termination of the Sub-Investment Manager;

- changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to the Company or Portfolio Companies; and
- general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. Prospective investors should carefully review the “Risk Factors” section of this document for a discussion of additional factors that could cause the Company’s actual results to differ materially before making an investment decision. Forward-looking statements speak only as at the date of this document. Although the Company and the Investment Managers undertake no obligation to revise or update any forward looking statements contained herein (save where required by the Prospectus Rules or Disclosure and Transparency Rules or rules of the CISX), whether as a result of new information, future events, conditions or circumstances, any change in the Company’s or the Investment Managers’ expectations with regard thereto or otherwise, Shareholders are advised to consult any communications made directly to them by the Company and/or any additional disclosures through announcements that the Company may make through a RIS.

Selling Restrictions

This prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to apply for any Issue Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation. The distribution of this prospectus and the offering of Issue Shares in certain jurisdictions may be restricted. Accordingly, persons into whose possession this document comes are required to inform themselves about and observe any restrictions as to the offer or sale of Issue Shares and the distribution of this document under the laws and regulations of any jurisdiction in connection with any applications for Issue Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such jurisdiction. No action has been taken or will be taken in any jurisdiction by the Company that would permit a public offering of Issue Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where action for that purpose is required.

European Economic Area

In relation to each member state of the EEA that has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), an offer of Issue Shares described in this document may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Issue Shares that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of securities may be offered to the public in that Relevant Member State at any time:

- to any legal entity that is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; or
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of Issue Shares described in this document located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any offer of Issue Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Issue Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Issue Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

This document may not be used for, or in connection with, and does not constitute, any offer of Issue Shares or an invitation to purchase or subscribe for Issue Shares in any Relevant Member State or jurisdiction in which such an offer or invitation would be unlawful.

United States

The Issue Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and the Issue Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. There will be no public offer of the Issue Shares in the United States.

The Company has not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the “**U.S. Investment Company Act**”) and investors will not be entitled to the benefits of the U.S. Investment Company Act.

The Issue Shares are being offered and sold outside the United States to non-U.S. Persons (as defined in Regulation S) in reliance on Regulation S under the U.S. Securities Act. The Issue Shares may not be offered or sold within the United States, or to U.S. Persons (as defined in Regulation S), except to persons who are (i) “accredited investors” as defined in Rule 501(a) of Regulation D (“**AIs**” or “**Accredited Investors**”) and who are also (ii) “qualified purchasers” as defined in the U.S. Investment Company Act (“**QPs**” or “**Qualified Purchasers**”).

For a description of restrictions on offers, sales and transfers of Issue Shares, see “Selling restrictions” beginning on page 36 and “Purchase and transfer restrictions” in Part IV of this document.

In addition, until 40 days after the commencement of the Issue, an offer, sale or transfer of the Issue Shares within the United States by any dealer (whether or not participating in the Placing) may violate the registration requirements of the U.S. Securities Act.

Australia

The Issue Shares may not be offered to the public in Australia.

This offer is made in Australia pursuant to section 708 of the Corporations Act 2001 (Australia) and as such no prospectus or other form of disclosure document in relation to the Issue Shares has been lodged with the Australian Securities and Investments Commission. This document does not constitute an offer in Australia other than in the circumstances described in section 708 of the Corporations Act 2001 (Australia). In addition, by subscribing for Issue Shares potential investors undertake to the Company, the Investment Managers, RBS Hoare Govett and Oriel that, for a period of 12 months from the date of issue of the Issue Shares, they will not transfer any interest in Issue Shares to any person in Australia other than a person to whom an exemption in section 708 of the Corporations Act 2001 (Australia) applies. By submitting an application for Issue Shares potential investors represent and warrant to the Company, the Investment Managers, RBS Hoare Govett and Oriel that an exemption in section 708(8) (sophisticated investor), 708(10) (offer through a financial services licensee) or 708(11) (professional investor) of the Corporations Act 2001 (Australia) applies to them.

Bahrain

This document has not been approved by the Central Bank of Bahrain which takes no responsibility for its contents. No offer to the public to purchase the Issue Shares will be made in the United Kingdom of Bahrain and this document is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

Bailiwick of Guernsey

The Company is a registered closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission (the “**Commission**”). The Commission, in granting registration, has not reviewed this document but has relied upon specific warranties provided by BNP Paribas Fund Services (Guernsey) Limited, the Company’s designated manager.

The Commission takes no responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it.

A registered collective investment scheme is not permitted to be directly offered to the public in Guernsey but may be offered to regulated entities in Guernsey or offered to the public by entities appropriately licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended.

If potential investors are in any doubt about the contents of this document they should consult their accountant, legal or professional adviser or financial adviser.

The directors of the Company have taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of fact or of opinion. All the directors accept responsibility accordingly.

Brazil

The Issue Shares may not be offered or sold to the public in Brazil. Accordingly, the Issue Shares have not been nor will they be registered with the Brazilian Securities Commission, CVM, nor has this document been submitted to the foregoing agency for approval. Documents relating to the Issue Shares as well as the information contained therein, may not be supplied to the public in Brazil, as the offering of the Issue Shares is not a public offering of securities in Brazil, nor used in connection with any offer for subscription or sale of securities to the public in Brazil.

Canada

As no prospectus relating to the Issue Shares has been filed in any Canadian jurisdiction, the Issue Shares may only be sold to investors resident in a Canadian province or territory pursuant to an exemption from the requirement to file such a prospectus provided by National Instrument 45-106 Prospectus and Registration Exemptions of the Canadian Securities regulatory authorities or other available exemption under the securities laws of the province or territory in which the investor resides.

Chile

This document has not been and will not be approved or authorised by, and the Issue Shares have not been and will not be registered with, the *Superintendencia de Valores y Seguros* (Chilean Securities and Insurance Commission) pursuant to *Ley 18,045 de Mercado de Valores* (Securities Market Law), as amended, of the Republic of Chile. Accordingly, this document may not be distributed or circulated, and the Issue Shares may not be offered or sold, directly or indirectly, in the Republic of Chile, except in circumstances which have not resulted and will not result in a public offering or securities intermediation within the meaning of such terms under Chilean law.

Colombia

The offer of Issue Shares described in this document does not constitute an invitation to invest or a public offer in Colombia pursuant to Resolution 400 of 1995. The Issue Shares have not been and will not be registered with the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the Superintendence of Finance of Colombia (“SFC”) and will not be listed on the Colombia Stock Exchange (*Bolsa de Valores de Colombia*). No prospectus or other form of disclosure in relation to the Issue Shares has been filed with the SFC. Accordingly, the Issue Shares are not being, and will not be, offered or sold in Colombia, except under circumstances which do not constitute a public offering of securities under, and which are in full compliance with, applicable Colombian securities laws and regulations. The Issue shares are issued solely on the basis of information set out in this document, which is available free of charge at the Company’s registered offices. This material is provided to potential investors at their sole request for information purposes only and does not constitute a solicitation. The Issue Shares may not be promoted or marketed in Colombia or to Colombian residents unless such promotion and marketing is made in compliance with decree 2558 of 2007 and other applicable rules and regulations related to the promotion of financial products or services in Colombia.

Denmark

This document does not constitute a prospectus under any Danish laws or regulations and has not been filed with or approved by the Danish Financial Supervisory Authority as this document has not been prepared in the context of a public offering of securities in Denmark within the meaning of the Danish Securities Trading etc. Act no. 479/2006 as amended from time to time or any Executive Orders issued in connection thereto.

Finland

This Issue Shares may not be offered or sold, directly or indirectly, to any resident of the Republic of Finland or in the Republic of Finland, except pursuant to applicable Finnish laws and regulations. Specifically, the Issue Shares may not be offered or sold, directly or indirectly, to the public in the Republic of Finland as defined in the Finnish Securities Market Act of 1989; (“**FSMA 1989**”). This document may not be distributed in the Republic of Finland, other than: (i) to a limited number of pre-selected investors; (ii) to an unlimited number of qualified investors as defined under the FSMA 1989; or (iii) provided that the Issue Shares may only be acquired for a consideration of not less than €50,000 or in denominations of not less than €50,000 per investor, to an unlimited number of pre-selected investors, wherefore the offering of the Issue Shares does not constitute a public offering as defined in the FSMA 1989.

France

This document and related documents have not been approved by the competent regulatory authority in France and are not intended to constitute, and may not be construed as, a public offer in France. The Issue Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France, provided that offers, sales and distributions may be made in France only to: (a) providers of the investment service of portfolio management for the account of third parties; (b) qualified investors (*investisseurs qualifiés*); and/or (c) to a restricted circle of investors, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French Code monétaire et financier.

The Issue Shares may be resold directly or indirectly only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Code monétaire et financier.

Hong Kong

This document has not been registered as a “prospectus” as defined in the Companies Ordinance of Hong Kong (Cap.32). Accordingly, this document does not constitute an offer to the public for the purposes of the Companies Ordinance of Hong Kong (Cap.32) nor of the Securities and Futures Ordinance (Cap.571). The contents of this document have not been

reviewed by any regulatory authority in Hong Kong. Potential investors are advised to exercise caution in relation to the Issue. If potential investors are in any doubt about any of the contents of this document, they should obtain independent professional advice.

Please note that: (i) Issue Shares may not be offered or sold in Hong Kong by means of this document or any other document other than to “professional investors” as defined in Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571) and any rules made thereunder, or in other circumstances which do not result in this document being a “prospectus” as defined in the Companies Ordinance of Hong Kong (Cap. 32) or which do not constitute an offer or invitation to the public for the purposes of the Companies Ordinance; and (ii) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to Issue Shares which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Issue Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571) and any rules made thereunder.

Japan

The Issue Shares have not and will not be registered under the Financial Instruments and Exchange Law of Japan (the “FIEL”). The Issue Shares may not be offered or sold in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan to, for the benefit of, any resident of Japan or to others for offering or re-sale, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan. As used in this paragraph the term “resident of Japan” means any natural person having his place of domicile or residence in Japan, or any corporation or other entity organised under the laws of Japan or having its main office in Japan.

Korea

Neither the Company nor the Investment Managers are making any representation with respect to the eligibility of any recipients of this document to acquire the Issue Shares under the laws of Korea, including but without limitation the Foreign Exchange Transaction Act and Regulations thereunder. The Issue Shares have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the Issue Shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea. Furthermore, Issue Shares may not be re-sold to Korean residents unless the purchaser of the Issue Shares complies with all applicable regulatory requirements (including but not limited to governmental approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with purchase of the Issue Shares.

Mexico

The Issue Shares have not been and will not be registered with the National Registry of Securities, maintained by the Mexican National Banking Commission and, as a result, may not be offered or sold publicly in Mexico. The fund and any underwriter or purchaser may offer and sell the Issue Shares in Mexico, to Institutional and Accredited Investors, on a private placement basis, pursuant to Article 8 of the Mexican Securities Market Law.

Netherlands

The Issue Shares will not be offered or sold, directly or indirectly, in the Netherlands, other than: (i) for a minimum consideration of €50,000 or the equivalent in another currency per investor; (ii) to fewer than 100 individuals or legal entities other than qualified investors; or (iii) solely to qualified investors, all within the meaning of article 4 of the Financial Supervision Act Exemption Regulation (*Vrijstellingsregeling Wet op het financieel toezicht*).

In respect of the Offer, the Company is not required to obtain a license as a collective investment scheme pursuant to the Netherlands Financial Supervision Act (*Wet op het financiële toezicht*) and is not subject to supervision of the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*).

Norway

In relation to each Relevant Member State, an offer to the public of the Issue Shares may only be made once this prospectus has been passported in such Relevant Member State in accordance with the Prospectus Directive as implemented by such Relevant Member State. For the other Relevant Member States an offer to the public in that Relevant Member State of any Issue Shares may only be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more, and in the case of offers to legal entities in Norway who in addition to fulfilling at least two of the criteria has also registered as “Professional Investor” (Norwegian: “Profesjonell investor”) with the Oslo Stock Exchange, of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Issue Shares shall result in a requirement for the publication by the Company or its financial advisers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any offer of Issue Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Issue Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Issue Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

During the period up to but excluding the date on which the Prospectus Directive is implemented in member states of the EEA, this document may not be used for, or in connection with, and does not constitute, any offer of Issue Shares or an invitation to purchase or subscribe for any Issue Shares in any member state of the EEA in which such offer or invitation would be unlawful.

The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions.

People’s Republic of China

The information contained in this document does not constitute an offer to the public pursuant to the PRC Securities Law. By accepting this document, the recipient agrees to maintain all such information in the strictest confidence and not to reproduce, publish, transmit or otherwise disclose to any third party the contents presented herein without the prior express written consent of the Company.

Peru

The products referred to this document have not been registered before the Comisión Nacional Supervisora de Empresas y Valores (“CONASEV”) and are being placed by means of a private offer. CONASEV has not reviewed the information provided to the investor. This document is only for the exclusive use of institutional investors in Peru and is not for public distribution.

Portugal

No offer or sale of Issue Shares may be made in Portugal except under circumstances that will result in compliance with the rules concerning marketing of such Issue Shares and with the laws of Portugal generally.

No notification has been made nor has any been requested from the Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) for the marketing of the Shares referred to in this document, therefore the same cannot be offered to the public in Portugal.

Accordingly, no Issue Shares have been or may be offered or sold to unidentified addressees or to 100 or more non-qualified Portuguese resident investors and no offer has been preceded or followed by promotion or solicitation to unidentified investors, public advertisement, publication of any promotional material or in any similar manner.

In particular, this document and the offer of the Issue Shares is only intended for Qualified Investors acting as final investors. Qualified Investors within the meaning of the Securities Code (*Código do Valores-Mobiliários*) includes credit institutions, investment firms, insurance companies, collective investment institutions and their respective managing companies, pension funds and their respective pension fund-managing companies, other authorised or regulated financial institutions, notably securitisation funds and their respective management companies and all other financial companies, securitisation companies, venture capital companies, venture capital funds and their respective management companies, financial institutions incorporated in a state that is not a member state of the EU that carry out activities similar to those previously mentioned, entities trading in financial instruments related to commodities and regional and national governments, central banks and public bodies that manage debt, supranational or international institutions, namely the European Central Bank, the European Investment Bank, the International Monetary Fund and the World Bank, as well as entities whose corporate purpose is solely to invest in securities and any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, all as shown in its last annual or consolidated accounts.

Qatar

The Issue Shares are only being offered to a limited number of investors who are willing and able to conduct an independent investigation of the risks involved in an investment in such Issue Shares. This document does not constitute an offer to the public and is for the use only of the named addressee and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof). No transaction will be concluded in your jurisdiction.

Singapore

The offer or invitation which is the subject of this document is only allowed to certain persons and institutions and not to the retail public. Moreover, this document or any written materials issued in connection with the offer is not a prospectus as defined in the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, statutory liability under the SFA in relation to the contents of prospectuses would not apply. Investors should consider carefully whether the investment is suitable for them.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any security or interest may not be circulated or distributed, nor may any security or interest be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) pursuant to, and in accordance with the conditions of, the private placement exemption specified in Section 272B of the SFA; (ii) to an institutional investor (as defined in Section 4A of the SFA) in accordance with the conditions specified in Section 274 of the SFA; (iii) to a relevant person (as defined in Section 275(2) of the SFA) in accordance with the conditions specified in Section 275(1) of the SFA; (iv) to any person in accordance with the conditions specified in Section 275(1A) of the SFA; or (v) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where any security or interest is acquired pursuant to an offer made in reliance on an exemption under Section 274 or Section 275 of the SFA, it is a condition of the offer that each person who agrees to acquire any security or interest is acquiring such securities or interests for investment purposes only and not with a view to distribute or resell such securities or interests and that it will not offer for sale, resell or otherwise distribute or agree to distribute such securities or interests within six months of such acquisition to any person other than to:

- (i) an institutional investor;
- (ii) a relevant person; or
- (iii) any person pursuant to an offer referred to in Section 275(1A) of the SFA.

Where any security or interest is acquired pursuant to an offer made in reliance on an exemption under Section 275 of the SFA by a relevant person which is a corporation (other than a corporation which is an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, securities of that corporation shall not be transferred within six months after that corporation has acquired the securities or interests unless such transfer is made in accordance with the conditions specified in Section 276(3) of the SFA.

Where any security or interest is acquired pursuant to an offer made in reliance on an exemption under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that trust has acquired the securities or interests unless such transfer is made in accordance with the conditions specified in Section 276(4) of the SFA.

Investors should therefore ensure that their own transfer arrangements comply with the above restrictions.

Spain

The Issue Shares may not be offered, sold or distributed in the Kingdom of Spain except in accordance with the requirements of Law 24/1988, of 28 July on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) as amended and restated, and Royal Decree 1310/2005, of 4 November 2005 partially developing Law 24/1988, of 28 July on the Securities Market in connection with listing of securities in secondary official markets, initial purchase offers, rights issues and the prospectus required in these cases (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 Julio, del Mercado de Valores, en material de admision a negociación de valores en mercados secundarios oficiales, de ofertas publicas de venta o suscripción y del folleto exigible a tales efectos*) and the decrees and regulations made thereunder. Neither the Issue Shares nor this prospectus have been verified or registered in the administrative registries of the National Stock Exchange Commission (*Comisión Nacional de Mercado de Valores*).

Switzerland

This prospectus may only be communicated in and from Switzerland to a limited number of investors who are qualified investors as defined in the Swiss Federal Act on Collective Investment Schemes (the “**Swiss CIS Act**”).

The Company qualifies as a foreign closed-end collective investment scheme pursuant to art. 119 para. 2 Swiss CIS Act, which entered into force on 1 January 2007 and replaced the Swiss Federal Act on Investment Funds of 18 March 1994. The Issue Shares will not be licensed for public distribution in and from Switzerland and they may only be offered and sold to so-called “qualified investors” as defined in, and in accordance with, the private placement requirements set forth by the new law (in particular art. 10 para. 3 Swiss CIS Act and art. 6 of the ordinance to Swiss CIS Act). The Issue Shares have not been licensed for public distribution with the Swiss Federal Banking Commission and the Company is not subject to the supervision of the Swiss Federal Banking Commission. Therefore investors in the Issue Shares do not benefit from the specific investor protection provided by Swiss CIS Act and the supervision by the Swiss Federal Banking Commission.

Taiwan

The offer of the Issue Shares has not been and will not be registered with or approved by the competent authorities of Taiwan pursuant to relevant securities laws and regulations and the Issue Shares may not be offered or sold within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the securities law and regulations of Taiwan that requires a registration or approval of the competent authorities of Taiwan.

Purchasers of Issue Shares within Taiwan under the global offering may not resell such Issue Shares except in accordance with applicable laws in Taiwan.

United Arab Emirates and the Dubai International Finance Centre

This information does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase, any securities or investment products in the UAE (including the Dubai International Financial Centre) and accordingly should not be construed as such. Furthermore, this information is being made available on the basis that the recipient acknowledges and understands that the entities and securities to which it may relate have not been approved, licensed by or registered with the UAE Central Bank, the Dubai Financial Services Authority or any other relevant licensing authority or governmental agency in the UAE. The content of this document has not been approved by or filed with the UAE Central Bank or Dubai Financial Services Authority.

Expected Timetable

Latest time and date for receipt of Application Forms under the Offer	1200 hours on 3 June 2010
Latest time and date for placing commitments under the Placing	1600 hours on 4 June 2010*
Result of Issue announced	0800 hours on 7 June 2010
Admission to listing and trading on the Official List of the CISX	0800 hours on 10 June 2010
Admission to trading and unconditional dealings commence on the SFM	0800 hours on 10 June 2010
Crediting of CREST stock accounts in respect of the Issue Shares	0800 hours on 10 June 2010
Share certificates despatched	Week beginning 21 June 2010

The dates and times specified are subject to change without further notice. References to times are London times unless otherwise stated.

* Or such earlier time as may be notified in writing by the Company to a particular placee.

Issue Statistics

Issue Price*	US\$1.00
Subscription Share Exercise Price**	US\$1.00
Number of Ordinary Shares being issued***	150,000,000
Number of Subscription Shares being issued	1 Subscription Share for each 5 Ordinary Shares issued
Estimated gross proceeds of the Issue***	US\$150,000,000
Net Asset Value per Ordinary Share****	US\$0.98

* The minimum subscription per investor pursuant to the Offer is US\$50,000 and the minimum subscription per investor pursuant to the Placing is US\$100,000.

** The Subscription Share Exercise Price is subject to alteration at the discretion of the Directors in accordance with the Articles.

*** The target size of the Issue is in excess of US\$150,000,000 with the actual size of the Issue being subject to global investor demand. The number of Ordinary Shares to be issued pursuant to the Issue, and therefore the Gross Issue Proceeds, is not known as at the date of this document but will be notified by the Company via a RIS announcement prior to Admission. The Issue will not proceed if the Net Issue Proceeds would be less than US\$100,000,000 (or such lesser amount as the Company, RBS Hoare Govett and Oriel may determine and notify to investors via publication of a supplementary prospectus).

If the Issue does not proceed, subscription monies received will be returned without interest at the risk of the applicant.

**** NAV per Ordinary Share immediately following Admission. The costs of the Issue borne by the Company will not exceed 2 per cent. of the Gross Issue Proceeds.

Directors, Manager and Advisers

Directors

Robin Monro-Davies (*Chairman*)
Talmai Morgan
John Hallam
Christopher Sherwell
Michael Holmberg
Patrick Flynn

All c/o the Company's registered office.

Investment Manager

Neuberger Berman Europe Limited
57 Berkeley Square
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United Kingdom

Sole Financial Adviser, Joint Global Co-ordinator and Joint Bookrunner

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Solicitors to the Company (as to English law and U.S. securities law)

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Advocates to the Company (as to Guernsey law)

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Registered Office

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Guernsey
GY1 1WA

Sub-Investment Manager

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United States of America

Joint Global Co-ordinator and Joint Bookrunner

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Solicitors to the Sole Financial Adviser, Joint Global Co-ordinators and Joint Bookrunners (as to English law and U.S. securities law)

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United Kingdom

Registrar

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Longue Hougue House
St Sampson
Guernsey
GY1 3US

Administrator, Custodian and Company Secretary

BNP Paribas Fund Services (Guernsey) Limited
BNP Paribas House
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St. Peter Port
Guernsey
GY1 6BH

Reporting Accountant

Pricewaterhouse Coopers CI LLP
National Westminster House
Le Truchot
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Guernsey
GY1 4ND

Auditors

KPMG Channel Islands Limited
20 New Street
St. Peter Port
Guernsey
GY1 4AN

Receiving Agent

Capita Registrars
Corporate Actions
The Registry
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BR3 4TU

Principal Bankers

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BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 6BH

Part I Information on the Company

Introduction

The Company is a closed-ended investment company limited by shares registered and incorporated in Guernsey under the Companies Laws on 20 April 2010, with registration number 51774. The Company is managed by Neuberger Berman Europe Limited, an indirect wholly-owned subsidiary of NB Group. The Investment Manager has delegated certain of its responsibilities and functions to the sub-investment manager, Neuberger Berman Fixed Income LLC, also an indirect wholly-owned subsidiary of NB Group.

Further information in relation to the Investment Manager, Sub-Investment Manager and NB Group is set out in Part III of this document.

Following Admission, the Company will have an investment period of three years, after which the Company Portfolio will be placed into run-off and the proceeds (net of the fees and expenses payable by the Company) of realising the Company's investments will be distributed to Ordinary Shareholders over the remaining life of the Company.

The Company's share capital is denominated in U.S. Dollars and consists of Ordinary Shares, Subscription Shares (both of which carry limited voting rights) and Class A Shares (which carry extensive voting rights). The Class A Shares will be held by the Trustee pursuant to a purpose trust established under Guernsey law. Under the terms of the Trust Deed, the Trustee holds the Class A Shares for the purpose of exercising the rights conferred by such shares in the manner it considers, in its absolute discretion, to be in the best interests of the Ordinary Shareholders as a whole.

The Ordinary Shares (and not the Subscription Shares or the Class A Shares) carry rights to receive all income and capital returns distributed by the Company.

Investment in the Company is only suitable for institutional, professional and high net worth investors, private client fund managers and brokers and other investors who understand the risks involved in investing in the Company and/or who have received advice from their fund manager or broker regarding investment in the Company.

Applications will be made to each of the London Stock Exchange and the CISX for all of the Issue Shares to be issued pursuant to the Issue to be admitted to trading on the SFM and to listing and trading on the Official List of the CISX respectively. It is expected that Admission will become effective and that dealings in such Issue Shares will commence at 0800 hours on 10 June 2010.

Investment Objective

The Company's primary objective is to provide investors with attractive risk-adjusted returns through long-biased, opportunistic stressed, distressed and special situation credit-related investments while seeking to limit downside risk by, amongst other things, focussing on senior and senior secured debt with both collateral and structural protection.

Targeted Return

The Company aims to generate a target total return (income and capital) of 20 per cent. per annum (gross of fees and expenses).

The Target Return should not, however, be taken as an indication of the Company's expected or actual current or future performance or results. The Target Return is a target only for the Company over the long term. There is no guarantee that the Target Return can or will be achieved and it should not be seen as an indication of the Company's expected or actual return. Accordingly, investors should not place any reliance on the Target Return in deciding whether to invest in the Issue Shares.

Furthermore, the future performance of the Company may be materially adversely affected by the risks discussed in the section of this document entitled “Risk Factors”.

Highlights

- **Market opportunity** – Increased supply of distressed debt and rising default rates have created what the Directors and the Investment Managers believe is a compelling investment opportunity.
- **Attractive target return** – Target total return (income and capital) of 20 per cent. per annum (gross of fees and expenses) without the use of leverage.¹
- **Risk management** – The Company intends to invest in approximately 40 to 50 holdings diversified across distressed, stressed and special situations investments, with a focus on senior debt backed by hard assets to attempt to limit downside risk.
- **Limited life** – Investment/reinvestment period of three years following which the Company Portfolio will be placed into run-off and distributions of capital proceeds of realising investments will commence.
- **Capital deployed quickly** – At least one third of the Net Issue Proceeds is expected to be invested in the first one to three months following Admission, with the aim to be fully invested in three to nine months.
- **Highly experienced portfolio management team** – The Company Portfolio will be managed by the distressed debt team within what the Directors and the Investment Managers believe is one of the largest and most experienced credit teams in the industry.
- **Proprietary database** – Comprehensive proprietary information and commentary on over 2,000 companies, providing extensive private and public financial and capital structure information on issuers.
- **Discount control** – Continuation Resolution and discretionary Tender Offer approximately 18 months after Admission, separate authority to buy back up to 14.99 per cent. of the Ordinary Shares.

Investment Policy

The Investment Managers will seek to identify mispriced or otherwise overlooked securities or assets that they believe have the potential to produce attractive absolute returns while seeking to limit downside risk through collateral and structured protection where possible.

The Company intends that the Company Portfolio will be biased toward investing in stressed and distressed debt securities secured by asset collateral. In investing on behalf of the Company, the Investment Managers intend to focus on companies with significant tangible assets they believe are likely to maintain long-term value through a restructuring. The Company will seek to avoid “asset-light” companies, as their value tends to be degraded in distressed scenarios. The Investment Managers will also aim to concentrate on companies with stressed balance sheets whose low implied enterprise value multiples – often calculated off currently depressed cash flows – offer a discount to current comparable market valuations.

The Investment Managers will attempt to limit the Company’s downside risk by focusing on senior and senior secured debt with both collateral and structural protection. The Investment Managers will attempt further to limit the Company’s downside risk by investing in situations in which the debt acquired by the Company can be converted to equity at a valuation multiple below comparable valuation multiples in its sector. Such investments may include companies that are currently involved in a court-supervised or out-of-court restructuring or reorganisation, a liquidity crisis, a merger, a divestiture or another corporate event conducive to a mispricing of intrinsic value.

¹ This is a target only for the Company over the long term. There is no guarantee that the Target Return can or will be achieved and it should not be seen as an indication of the Company’s expected or actual return. Accordingly, investors should not place any reliance on the Target Return in deciding whether to invest in the Issue Shares.

The Investment Managers will seek to achieve the Company's investment objective primarily by investing in: bankruptcy situations; out-of-court restructurings and workouts; as well as in special situations. The Investment Managers from time to time may, however, also make opportunistic investments that are neither distressed nor related to a special situation.

The Company Portfolio may comprise both public and private securities and investments, which may include secured bank debt (first and second lien), senior unsecured bank debt, subordinated bank debt, investment grade and high-yield bonds, funded and unfunded bridge loans, trade claims, distressed securities, mezzanine securities, equity securities (including the equities of public and private issuers, listed and unlisted equities, U.S. and non-U.S. equities, American Depositary Receipts and preferred stock), convertible securities, options, warrants, when-issued securities, leases, and credit and other derivatives such as swaps, forward contracts and futures.

In certain situations, the Company may also invest in performing and non-performing real estate assets, including commercial (i.e. not single-family residential) mortgage loans and mortgage-backed securities as well as in other asset-backed securities, assets, businesses and any other type of financial claim that the Investment Managers identify as a compelling investment opportunity. The Company may also participate in the origination of loans. The Investment Managers may take short positions (either outright or through the use of derivatives) for what the Investment Managers believe to be hedging and general risk reduction rather than speculative purposes.

The Company may also hedge risk within its portfolio using single-name credit default swaps, credit default swap and loan credit default swap indexes, equity futures and equity indexes.

The Company intends to make a substantial number of control investments and/or investments in which it seeks a position of influence over management – in circumstances which the Investment Managers believe that doing so has the potential to facilitate value recognition.

Diversification policies

The Investment Managers will be subject to diversification policies limiting the maximum amount of capital – as a percentage of the NAV of the Company's Portfolio – that may (without the prior approval of the Board) be invested in a given issuer (or group of affiliated issuers), industry or geography as well as in Original Issue Equity:

By issuer:	maximum per issuer (or group of affiliated issuers) – 5 per cent.;
By industry:	maximum single industry market value exposure – 20 per cent.;
By geography (as determined by the issuer's headquarters):	minimum North American (U.S. and Canada) – 90 per cent.;
	maximum international – 10 per cent.
Original Issue Equity:	maximum – 10 per cent.

Compliance with the foregoing thresholds will be measured at the time of each investment made by the Company. No investment shall be made (without the prior approval of the Board) if as a result of such investment any of the above thresholds would be exceeded.

For the avoidance of doubt, the Company will not be required to liquidate any portion of its portfolio to remain within such thresholds. In particular, given the distressed financial condition of the issuers in which the Company will focus its portfolio, the Company may receive substantial amounts of equity (which could come to represent substantially all of its portfolio at certain times) in the course of reorganisations.

Leverage

The Company will not leverage its market exposure.

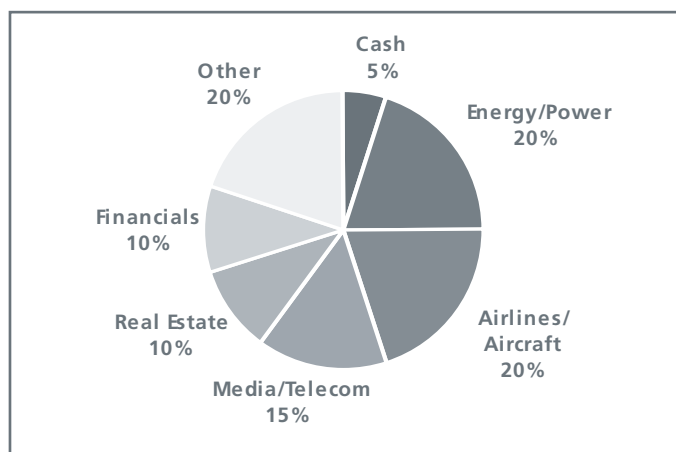
The limitations on the Company's own borrowing will not limit the borrowings by the Portfolio Companies, certain of which will be highly leveraged.

Changes to the Company's investment policy

Any material change to the Company's investment policy will be made only with the approval of the Ordinary Shareholders.

Portfolio Composition

The Investment Managers intend the Net Issue Proceeds to be fully invested within three to nine months of Admission. The chart below outlines the Investment Managers' current expectation of the Company Portfolio's composition once fully invested, although the actual breakdown of the Company Portfolio could be significantly different from that set out below. The sectors listed are asset intensive and sectors in which the Investment Managers possess a certain level of familiarity and expertise. The Investment Managers anticipate investing in 40 to 50 holdings with each issuer representing, on average, 2.5 per cent. of the Company Portfolio but not more than 5.0 per cent. of the Company Portfolio at the time of any investment. Additionally, it is anticipated that no single industry will exceed 20 per cent. of the Company Portfolio at the time of any investment based on net market value exposure.



Investment Strategy

The Investment Managers intend to employ a disciplined research process that includes fundamental credit analysis, combined with a thorough understanding of the industry and market position of each of the entities in which the Company invests. The Investment Managers also intend to assess the applicable process risks (for example, the likely forum for any dispute resolution and whether such forum is likely to be pro-issuer or pro-investor, the likelihood of a formal dispute arising and the time likely to be required for its resolution should it do so) prior to making an investment.

The Investment Managers expect to generate investment ideas for the Company through industry research and company-specific due diligence as well as from access to the NB LAM platform, a business group within the Sub-Investment Manager. The NB LAM platform invests on behalf of the Sub-Investment Manager's clients in the debt of over 450 companies, thereby facilitating – through the detailed information that debt holders are generally entitled to receive – ongoing due diligence on those companies, their peers and their industries. The NB LAM platform also provides the Investment Managers with broad access to a network of management teams, advisers and consultants.

In evaluating specific investment ideas for the Company, the Investment Managers intend to draw upon their substantial investing experience to analyse and assess each prospective Portfolio Company's value, capital structure, corporate structure, liquidity position, financial performance and competitive environment in an attempt to identify mispriced opportunities.

In general, the Company is expected to acquire its assets in the secondary market. However, in certain circumstances the Company may invest directly in Portfolio Companies – for example, making direct loans in circumstances in which the Investment Managers believe that the risk/reward parameters are compelling.

Bankruptcy situations

It has been the experience of NB Distressed Credit, a part of the NB LAM platform, that situations in which a Portfolio Company is involved, heading into or emerging from a reorganisation process governed by the United States Bankruptcy Code (or similar laws in other countries) often present opportunities to purchase assets at prices that are depressed in

relation to their intrinsic value and/or estimated recovery proceeds. The Investment Managers believe that these depressed prices are often a result of investors and/or lenders selling securities when a company they own enters, or emerges from, a bankruptcy proceeding or displays signs of severe financial distress. In addition, the Investment Managers believe that these sales are often driven by macro balance sheet concerns and can be consummated without an in-depth analysis of intrinsic value or potential recovery scenarios and/or dictated by certain laws, mandates, policies or restrictions compelling the sellers to dispose of the securities in question.

The Company intends to invest primarily in Bankruptcy Investments. The Company intends, however, only to make Bankruptcy Investments when NB Distressed Credit's analysis suggests that: (i) the price of the securities in question has declined to a level that the potential for post- "reorganisation" value presents an attractive return; and (ii) there is sufficient "quality" collateral supporting such securities to prevent a loss of principal (except in extraordinary circumstances).

The Company intends to focus on Bankruptcy Investments in Portfolio Companies which NB Distressed Credit believes have substantial asset values or business franchises and operate in indispensable "staple" market sectors (for example, power plants as opposed to video games). NB Distressed Credit identifies companies with public and private debt that show signs of financial distress, have recently entered bankruptcy proceedings or are close to emerging from bankruptcy protection. Additionally, companies that have defaulted on debt securities but have not yet filed for bankruptcy protection are also potential investment candidates. The Investment Managers may also cause the Company to invest in Portfolio Companies that NB Distressed Credit does not identify as a Bankruptcy Investment but whose securities have declined materially in price due to a general market expectation of a bankruptcy proceeding.

While the Company's primary focus is on senior and senior secured debt, the form and amount of the Company's investment in any given Portfolio Company will be dictated by a number of factors, including, but not limited to: (i) the capital and corporate structure of the prospective Portfolio Company; (ii) identification of the "fulcrum security" within its capital structure, ownership or control of which can lead to control of any reorganisation; (iii) the relative prices of its debt and equity securities; (iv) the terms of its available debt securities (collateral, seniority, accrued interest); and (v) NB Distressed Credit's view on valuation and recovery outcomes. NB Distressed Credit will also analyse a potential Bankruptcy Investment's balance sheet, historical financial performance, cash flow, management and the competitive environment as well as potential, contingent and legacy liabilities. The financial incentives and other motivations of key constituencies (banks, trade creditors, general unsecured creditors, unions, employees, retirees and equity holders), the estimated time to consummate any required reorganisation and any related legal or financial issues will also be considered in determining whether to invest.

Out-of-court restructurings/workouts

From time to time, the Company may invest in an out-of-court restructuring or a workout scenario in which the Investment Managers believe that there is an opportunity to exert influence on the process in an attempt to increase value. These investments may be made before or after formal restructuring or reorganisation efforts have been announced, and may be sold at any time during the restructuring or workout process. Out-of-court restructurings and workout opportunities will generally be identified and evaluated in the same manner as Bankruptcy Investments.

Special situations

While the majority of the Company's assets are expected to be invested in stressed and distressed debt, the Company may from time to time invest in certain non-distressed opportunities. These investments will typically involve event-driven situations in which NB Distressed Credit identifies potentially significant under-valuations. These investments may take the form of either debt or equity. The profitability of such investments will generally depend on the consummation of the "event creating the special situation (for example, reorganisation, substantial asset or business unit sale and/or merger), and the Investment Managers will have little ability to hedge effectively against the risk of non-consummation.

Non-distressed investments

In the course of seeking to identify desirable stressed, distressed and special situation investment opportunities, the Investment Managers may identify what they believe to be a compelling outright investment (for example, long or short Original Issue Equity). The Investment Managers are permitted, and intend, to make such investments – subject to the general diversification policies of the Company.

Direct investments

From time to time the Company, instead of acquiring securities in the secondary market, may act as a direct lender to distressed companies through syndicated or bilateral credit facilities, including “rescue financings”, bridge financings and debtor-in-possession loans extended within the context of a Chapter 11 (U.S. Bankruptcy Code) process. These investments will likely take the form of debt and will be identified and evaluated in the same manner as any other Company investment, but with the difference that the Investment Managers will typically deal directly with the Portfolio Companies in question in structuring the Company’s investments and have greater flexibility to structure the terms of such investments to the particular circumstances involved (whereas in acquiring securities in the secondary market, the Investment Managers have little, if any, ability to negotiate their terms). The timing of these investments – in other words, at what stage of the “distressed debt cycle” the Portfolio Company is in when the Company invests – will vary based on the individual circumstances of each Portfolio Company. In these situations, the Company will attempt to manage its exposure to issuer-specific idiosyncratic risk by structuring the terms of its investment (for example, requiring additional collateral and/or “put” rights), conducting ongoing due diligence, holding regular meetings with management and, in certain cases, syndicating portions of its investment to third parties.

Investment Process

Disciplined fundamental credit analysis and the integrated resources of NB LAM will drive the team’s investment process, which will typically include: (i) identifying attractively priced securities and assets of distressed or special situation enterprises, utilising both proprietary analytical resources and an established network of advisers; (ii) performing comprehensive due diligence to determine an investment’s value proposition and downside risks; (iii) reviewing the target size of the specific investment in question as well as the effect of such investment on the risk profile of the Company’s overall portfolio; (iv) establishing appropriate broker relationships to ensure effective trade execution; (v) ongoing monitoring for deal specific progress, deviation from investment assumptions, milestones and related market events; and (vi) exiting through either (A) a sale in the secondary market, or (B) a refinancing, recapitalisation, merger, sale or liquidation of the underlying Portfolio Company or asset.

Sourcing

In generating specific investment ideas within the team given the broad set of opportunities potentially offered by current market conditions, the Investment Managers intend to analyse the macro trends, dislocations and general characteristics of certain industries and asset classes by leveraging research and company-specific due diligence from the NB LAM platform, as well as consulting with the team’s established network of distressed advisers. NB LAM maintains a proprietary credit database with comprehensive financial and capital structure information for over 2,000 companies, which offers real-time analytics and commentary. The team believes that the scale and resources of NB LAM provides the team with extensive information on the management, customers, competitors and suppliers of prospective Portfolio Companies – a combination of resources that the Investment Managers believe have the potential to provide a distinct competitive advantage.

Security selection

NB Distressed Credit’s due diligence will draw upon its substantial resources and investing experience to evaluate: (i) an issuer’s competitive position, relationships with customers and suppliers, ability to generate free cash flow, liquidity and financial profile (including corporate and capital structures); (ii) the value of the collateral pledged to secure the

Company's prospective investment, including such collateral's original and current replacement cost; (iii) the ability to dispose of such collateral upon foreclosure; (iv) industry characteristics such as barriers to entry, threat of product substitution, commodity risks, complexity and environmental hazards; (v) key provisions of the applicable credit documents; (vi) process risk, including the composition of respective creditor groups, the financial incentives and other motivations of key players and bankruptcy professionals, the presence and likely support or objections of unionised employees and the potential for government intervention; (vii) applicable law and the implications of such law for regulatory, tax or other considerations (for example, non-U.S. Bankruptcy Code insolvency standards may be materially different from those under the U.S. Bankruptcy Code and may not give effective protection to creditors); (viii) the quality and incentives of management; and (ix) potential signs of fraud. Incorporating these factors and other considerations into a probability-weighted scenario analysis should allow the team to assess (but always subject to the risks of general market and individual Portfolio Company uncertainty) the intrinsic value, potential return and downside risk of a prospective Company investment.

Management and disposition of outstanding investments

The team will attempt to maximise investor value through ongoing due diligence and active management of the Company Portfolio. In addition to monitoring the progress, deviations from investment assumptions, milestones and related market events, the team anticipates opportunistically working with inter-creditor groups, financial advisers and management teams to influence outcomes.

When an investment held by the Company has achieved its objective or is no longer considered suitable for the Company Portfolio, the team may cause the Company to exit the position via: (i) direct sale of the investment in the secondary market; (ii) refinancing, recapitalisation or equity offering of the underlying Portfolio Company or asset; or (iii) merger, sale or liquidation of the Portfolio Company or asset.

Michael Holmberg's Track Record

Michael Holmberg has over 17 years' experience investing in opportunistic stressed, distressed and special situation credit-related investments, having spent 6 years as a portfolio manager at Bank of America/Continental Bank (where he was employed from 1987-1999), 3 years as portfolio manager at Ritchie Capital Management (2003-2006) and most recently at Newberry Capital Management where Mr. Holmberg was founding partner and portfolio manager (2006-2008). Details of what the Investment Manager believes to be his performance track record at each institution are set out below. The notes to the tables below contain important information about the sources and calculation of Mr. Holmberg's performance track record.

The performance information below has been calculated by the Investment Manager based on what the Investment Manager believes to be unaudited internal management reports relating to trades decided upon by Mr. Holmberg while at Bank of America/Continental Bank, Ritchie Capital Management and Newberry Capital Management. When considering the performance information below, potential investors should note that, in each case, the respective firms provided research and administrative support to Mr. Holmberg's investment activities. Potential investors should also note that, in the case of Bank of America/Continental Bank and Ritchie Capital Management, Mr. Holmberg was responsible for only part of a larger diversified portfolio and the relevant performance information set out below relates only to the part of the respective portfolios for which he was entirely responsible. **Although the Investment Manager believes that the information set out below fairly represents Mr. Holmberg's investment performance over the relevant periods, potential investors should note that this information has not been reviewed or audited nor, in the case of Bank of America/Continental Bank and Ritchie Capital Management, have the internal management reports from which this information is derived been checked against the relevant internal accounting records of or confirmed as accurate, genuine or complete by the respective firms, although the Investment Manager believes this to be the case.** Potential investors should further note that the rates of return presented below have been calculated differently by each of the respective firms, as described in more detail in the notes to the tables below.

The rates of return presented below (which are gross of advisory fees and operating expenses such as employee compensation and administrative overhead) have been calculated using the actual capital deployed by Mr. Holmberg over the relevant periods. There were no cash components in Mr. Holmberg's previous portfolios (as cash from internal sources was used only when needed to make an investment and returned internally when an investment was exited), which may understate assets under management, increase rates of return (both positive and negative) and increase performance volatility as compared to portfolios which do maintain a cash reserve. The Company will maintain a cash reserve for working capital purposes. Annual returns for Ritchie Capital Management and Newberry Capital Management have been calculated as the compounded monthly returns over the period, whereas the Bank of America returns have been calculated on a weighted average basis.

Mr. Holmberg's track record, as set out below, is not indicative of the returns the Company will, or is likely to, generate going forward, and potential investors should be aware that investment in the Company is speculative, involves a high degree of risk, and could result in the loss of all or substantially all of their investment. Mr. Holmberg's past performance is no guide to or guarantee of future returns.

Bank of America/Continental Bank

Over the 6 year period that Mr. Holmberg was a proprietary trading portfolio manager at Bank of America/Continental Bank he achieved an average annual return (gross of advisory fees and operating expenses) of 16.6 per cent. His quarterly and annual gross returns are set out below.

Year	Q1	Q2	Q3	Q4	Gross Annual Return
1994	27.6%	-1.4%	10.0%	3.6%	24.9%
1995	4.4%	6.0%	8.2%	7.3%	28.5%
1996	6.3%	4.1%	3.0%	3.4%	14.9%
1997	5.3%	5.4%	6.6%	5.0%	22.3%
1998	4.5%	3.5%	-2.2%	-4.0%	0.7%
1999	2.1%	3.4%	0.2%	2.1%	8.5%

NOTES:

- (1) Quarterly and annual returns equal gross income plus realised and unrealised gains and minus realised and unrealised losses in the period divided by average cash invested over the period, measured by settlement date accounting (which is an accounting method used to record transactions on the date when a trade, purchase or sale is settled and funded).
- (2) The above returns were calculated using reports containing certain details of the trades decided upon by Mr. Holmberg which the Investment Manager believes were generated for internal reviews and business planning, supplemented by deal summary reports showing the cash invested and profit for each trade, none of which have been reviewed or audited or checked against the relevant internal accounting records of or confirmed as accurate, genuine or complete by Bank of America.
- (3) Unrealised gains and losses in the above table have been derived from portfolio valuations which were based on the lower of cost or market value in 1994 and on mark-to-market value from 1995 to 1999. Continental Bank/Bank of America switched the portfolio valuation accounting methodology to mark-to-market accounting on 31 January 1995.
- (4) Continental Bank was acquired by BankAmerica in September of 1994, BankAmerica merged with NationsBank in September of 1998 and became Bank of America.

Moore Strategic Value Partners

During the period 2000 to 2003, Mr. Holmberg was a Managing Director at Moore Strategic Value Partners, but was not a portfolio manager and as such, no track record performance data for this period has been included.

Ritchie Capital Management

During the period when Mr. Holmberg was a portfolio manager at Ritchie Capital Management, his annualised returns (using compounded monthly returns gross of advisory fees and operating expenses) were 32.3 per cent. per annum over the period shown.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Gross Annual Return
2003									23.1%	8.0%	6.4%	2.3%	N/A
2004	3.1%	3.5%	-2.0%	-0.4%	-1.0%	-2.5%	-1.0%	1.5%	0.8%	2.1%	3.3%	6.0%	13.9%
2005	3.0%	1.0%	0.9%	0.6%	-0.1%	1.0%	2.4%	2.8%	1.6%	-0.9%	0.2%	1.3%	14.7%
2006	4.4%	3.1%	3.7%	1.9%	1.2%	1.6%							N/A

NOTES:

- (1) Monthly returns equal gross income plus realised and unrealised gains and minus realised and unrealised losses in the period divided by assets under management for the period, measured by trade date accounting (which is an accounting method used to record transactions on the date when an agreement, trade, purchase or sale is entered into). Gross annual returns are calculated as the compounded monthly returns over the period.
- (2) Save for the June 2006 return, the above returns were calculated using reports compiled on a portfolio basis which the Investment Manager believes were generated for purposes of determining compensation for Mr. Holmberg and his team, none of which have been reviewed or audited or checked against the relevant internal accounting records of or confirmed as accurate, genuine or complete by Ritchie Capital Management. The return for June 2006 is not included in the reports but was recorded in what the Investment Manager believes are work papers relating to Mr. Holmberg's time at Ritchie Capital Management.
- (3) Partial year results in the above table are not annualised.

Newberry Capital Management

Mr. Holmberg founded Newberry Capital Management in 2006. Following a period of significant instability in the global financial and credit markets, which has led to the opportunity which the Directors and Investment Managers believe currently exists in the distressed debt market, the fund managed by Newberry Capital Management was wound down in the fourth quarter of 2008. Mr. Holmberg's annualised returns (using compounded monthly returns gross of advisory fees and operating expenses) were -10.0 per cent. per annum over the period shown.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Gross Annual Return
2006											0.1%	2.8%	N/A
2007	3.3%	0.8%	-0.7%	1.1%	3.3%	-1.2%	-4.2%	-3.7%	-0.7%	2.3%	-1.0%	-0.9%	-1.9%
2008	-5.5%	1.4%	-0.7%	0.8%	-0.1%	0.6%	0.3%	-3.5%	-13.4%				N/A

NOTES:

- (i) Monthly returns equal gross income plus realised and unrealised gains and minus realised and unrealised losses in the period divided by the average investment over the period, measured by trade date accounting. In this context, "average investment" is the market value of the investment at the start of the period adjusted by Newberry for time weighted capital inflows and outflows during the period (i.e., a purchase or sale earlier in the period would have a greater impact on average investment than a purchase or sale later in the period). Gross annual returns are calculated as the compounded monthly returns over the period.
- (2) The above returns were calculated using internal month-end performance and position reports generated using third-party portfolio management software, supplemented in certain instances by third-party pricing information to support market value determinations (subject to judgements made by Newberry), none of which have been reviewed or audited.
- (3) Partial year results in the above table are not annualised.

Cash Uses and Cash Management Activities

In accordance with the Company's investment policy, the Company's principal use of cash (including the net proceeds of the Issue) will be to fund investments sourced by the Investment Managers, as well as initial expenses related to the Issue, ongoing operational expenses and payment of dividends and other distributions to Shareholders, in accordance with the Company's dividend policy as discussed in the section entitled "Distribution policy" in Part I of this document.

Suitable acquisition opportunities may not be immediately available. It is likely, therefore, that for a period following Admission and at certain other times (for example, following the disposal of an acquired investment), the Company will have surplus cash. It is expected that surplus cash will be temporarily invested in cash, cash equivalents, money market instruments, government securities and other investment grade securities pending its use to make acquisitions. Subject to this investment mandate, the Company's investment policy does not impose any fixed requirements relating to the allocation of the Company's excess capital among various types of temporary investments. The temporary investments that the Company will make will almost certainly have returns that are significantly lower than the Target Return.

Borrowing Powers

Whilst the Company will not employ leverage or gearing for investment purposes, the Company may, from time to time, use borrowings for share buy backs and short-term liquidity purposes, including for bridging purposes, prior to the sale of investments. Save for such bridging borrowings, the Directors intend to restrict borrowing to an amount not exceeding 10 per cent. of the NAV of the Company at the time of drawdown.

The Company at present has no borrowings.

Hedging Transactions and Currency Risk Management

The Company may utilise derivative instruments for the purposes of efficient portfolio management and to hedge risk within the Company Portfolio using single-name credit default swaps, credit default swap and loan credit default swap indexes, equity futures and equity indexes. In addition, from time to time and in the furtherance of its investment policy, the Company may also invest in such derivatives for investment purposes. As part of their overall portfolio management obligations and, in any event, prior to entering into a derivative transaction on behalf of the Company, the Investment Managers will consider whether and to what extent it is appropriate to diversify the counterparty risk which results from the use of such derivatives and will monitor overall counterparty exposure within the Company Portfolio.

The Company does not intend to engage in currency risk hedging, although it may do so in certain circumstances. Any hedging of currency exposure that might take place would only be for the purposes of efficient portfolio management. The Company has no intention of using a currency hedging facility for the purposes of currency speculation for its own account.

Subscription Share Issue

Investors will be issued one Subscription Share for every five Ordinary Shares allotted pursuant to the Issue. Each Subscription Share carries the right to purchase an Ordinary Share on the Subscription Share Exercise Date at the Subscription Price. The Company is restricted from taking action that might prejudice the rights attaching to the Subscription Shares without the consent of a special resolution of the Subscription Shareholders, including any distribution of capital or issuing new shares in the Company carrying rights that are more advantageous than those attaching to the Subscription Shares.

The Subscription Share Exercise Date will be on or around 9 December 2011. The Subscription Price and number of Subscription Shares issued pursuant to the Bonus Issue are subject to adjustment by the Company in accordance with the Articles. Please see Part V of this document for further details.

Discount Control

Continuation Resolution

In accordance with the Articles, following the Subscription Share Exercise Date, but not more than one month from that date, the Directors are required to convene an extraordinary general meeting of the Company (the “**EGM**”) in order to propose an ordinary resolution that the Company continue its business as a closed-ended investment company (the “**Continuation Resolution**”).

If the Continuation Resolution is not passed, the Directors are required to put proposals for the reconstruction or reorganisation of the Company to the Ordinary Shareholders for their approval. These proposals may or may not involve winding up the Company, and therefore, failure to pass the Continuation Resolution will not necessarily result in the winding up of the Company. See paragraph 5.8 of Part VI for further information.

Discretionary Tender Offer

The Directors undertake that, on a date not later than seven days following the Continuation Resolution being passed, a board meeting (the “**Tender Offer Board Meeting**”) will be held to consider whether it would be in the best interests of the Company and the Ordinary Shareholders as a whole to implement a Tender Offer for up to 20 per cent. of Ordinary Shares in issue at that time (the “**Tender Offer**”). If the Directors determine to proceed with the Tender Offer, each Ordinary Shareholder will be entitled to tender up to 20 per cent. of their respective shareholdings (the “**Basic Entitlement**”).

The Directors may, at their discretion, structure the Tender Offer to permit Ordinary Shareholders to tender Ordinary Shares in excess of their Basic Entitlement. Such excess tender requests will be satisfied to the extent that other Ordinary Shareholders tender Ordinary Shares in respect of less than the whole of their Basic Entitlement, *pro rata* in proportion to the amount in excess of the Basic Entitlement tendered (rounded down to the nearest whole number of Ordinary Shares).

The Directors, in determining whether the Tender Offer is in the best interest of the Company and Ordinary Shareholders as a whole, will pay due consideration to:

- (A) the level of discount to NAV at which the Ordinary Shares are or have been trading (if at all);
- (B) the views of Ordinary Shareholders and, in particular, the demand for liquidity; and
- (C) the balance and liquidity of the Company Portfolio.

The result of the Tender Offer Board Meeting will be announced via a RIS announcement on a date not later than seven days following the Tender Offer Board Meeting.

The Company Portfolio is expected to consist of both cash and less liquid assets. Therefore, in the event the Company proceeds with the Tender Offer, amounts payable to Ordinary Shareholders in respect of their Ordinary Shares which have been successfully tendered would consist of two elements: (i) cash; and (ii) a *pro rata* share of the less liquid assets held in the Company Portfolio and designated by the Investment Managers to be realised in due course.

The proportion to be distributed in cash would be *pro rata* to the cash held in the Company Portfolio, save to the extent that the Investment Managers may choose to increase the proportion of cash in the event it would be equitable to both the Ordinary Shareholders participating in the Tender Offer (“**Exiting Shareholders**”) and those not participating in the Tender Offer (“**Continuing Shareholders**”).

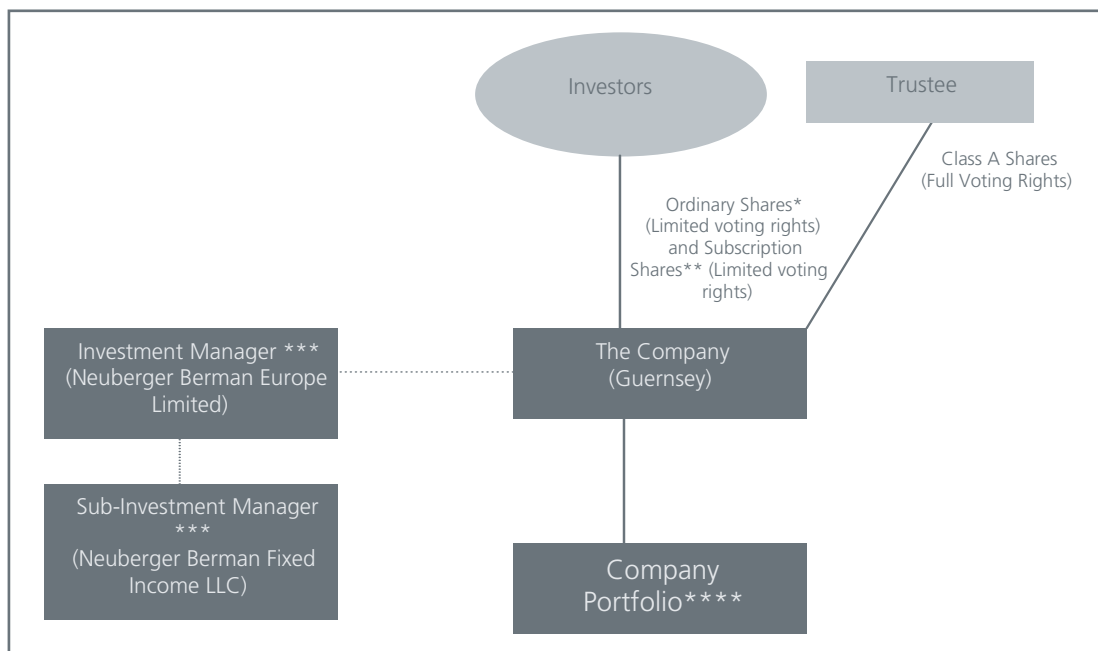
The Company and the Investment Managers would select the assets for realisation with the view to ensuring that, in so far as practicable, there is *pro rata* allocation of assets between the pool of assets to be realised on behalf of the Exiting Shareholders (“**Tender Pool**”) and assets to be retained in the Company Portfolio. In particular, the Board may choose to rebalance the Tender Pool, in situations where it would be equitable to both the Continuing Shareholders and Exiting Shareholders to do so.

An initial cash payment (where available) would be made to Ordinary Shareholders following the closing of the Tender Offer with further cash payments to be made, at the discretion of the Directors, as assets in the Tender Pool are realised.

The actual cash proceeds paid to Ordinary Shareholders would only be determined following the complete realisation of the assets contained within the Tender Pool.

Organisational Structure

The chart below sets out the ownership, organisational and investment structure of the Company. This chart should be read in conjunction with the accompanying explanation of the Company's ownership, organisational and investment structure and the information set out in Parts I and VI of this document.



* The Ordinary Shares have certain voting rights, but are not eligible to vote in the election of the Directors. Please refer to paragraph 5.4 of Part VI of this document for further information.

** Subscription Shares will be issued to investors on a one-for-five basis, such that investors will be issued one Subscription Share for every five Ordinary Shares issued pursuant to the Issue. Subscription Shares have limited voting rights and will be subject to the provisions set out in Part V of this document and the Articles.

*** The Company and the Investment Manager have entered into the Investment Management Agreement. In addition, the Investment Manager and the Sub-Investment Manager have entered into the Sub-Investment Management Agreement. Please refer to the sections headed “Investment Managers” set out in Part III of this document and “Material Contracts” set out in Part VI of this document for further information.

**** Investments forming the Company Portfolio may be held by the Company directly or indirectly through its subsidiaries and/or one or more custodians.

Trustee

The Trustee is an authorised person holding a full fiduciary licence under The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000, as amended. The Trustee holds 100 per cent. of the issued Class A Shares pursuant to a purpose trust established under Guernsey law. As a result of its holding of the Class A Shares, the Trustee (and not the Ordinary Shareholders) has the right to elect and remove Directors and to make other decisions usually made by a company's shareholders (although the Investment Manager has right to designate two of the Directors).

Under the terms of the Trust Deed, the Trustee holds the Class A Shares for the purpose of exercising the rights conferred by such shares in the manner it considers, in its absolute discretion, to be in the best interests of the Ordinary Shareholders as a whole. The Investment Manager, who has been appointed as the “enforcer” of the trust, has a duty under the Trust Deed to ensure that this purpose is fulfilled.

The Trustee can be removed and replaced by the Investment Manager as “enforcer” of the trust. The Investment Manager may appoint any other person as an enforcer to replace it but is not obliged to do so upon termination of the Investment Management Agreement so it could remain the enforcer of the trust in circumstances where there is a new investment manager.

Share Purchases and Buy Backs

Share buy backs

The Class A Shareholder has granted the Directors general authority to purchase in the market up to 14.99 per cent. of the Ordinary Shares in issue immediately following Admission at a price not exceeding the prevailing NAV per Ordinary Share as at the time of purchase. The Directors intend to seek annual renewal of this authority from the Class A Shareholder.

Pursuant to this authority, and subject to the Companies Laws and the discretion of the Directors, the Company may purchase Ordinary Shares in the market on an ongoing basis with a view to addressing any imbalance between the supply of and demand for Ordinary Shares, thereby increasing the NAV per Ordinary Share and assisting in controlling the discount to NAV per Ordinary Share in relation to the price at which such Ordinary Shares may be trading. Such purchases will only be made in accordance with applicable law at the relevant time, including the Companies Laws (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Laws at the relevant time). Purchases of Ordinary Shares will also be made in accordance with any guidelines established from time to time by the Board and the timing of any such purchases will be decided by the Board. Ordinary Shares purchased by the Company may be cancelled or held in treasury.

The Company may borrow and/or realise investments in order to finance such Ordinary Share purchases.

Treasury shares

Pursuant to the Companies Laws and the Articles, the Company may hold up to 10 per cent. of its issued share capital in treasury when Ordinary Shares have been purchased by the Company. It is the Company’s current intention that Ordinary Shares held in treasury will only be issued at the prevailing NAV or at a premium to NAV.

Shareholders and prospective Shareholders should note that the purchase of Ordinary Shares by the Company is entirely discretionary and no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

Further Issues of Shares

It is not intended that further Ordinary Shares will be issued following Admission other than Ordinary Shares issued in connection with the exercise of Subscription Rights.

Distribution Policy

Income

The Company will pay out in each year all income received on investments of the Company by way of two half yearly dividends. It is a requirement of an exception to the United Kingdom offshore fund rules that all income from the Company’s Portfolio (after deduction of reasonable expenses) is to be paid to investors. This dividend policy should ensure that this requirement will be met. The exact amount of any such dividend will be variable depending on the amounts of income received by the Company.

Capital

Following the third anniversary of Admission, the Company Portfolio will be placed into run-off and the Directors will over the remaining life of the Company seek to return the capital proceeds of realising the Company's investments to Shareholders in such manner as they consider to be efficient. The amount of any such return of capital, and the timing of any return, will be solely within the discretion of the Directors to determine. However, the Directors intend to return capital to Shareholders in such manner so that Shareholders who are ordinarily resident in the United Kingdom, or who carry on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected, may be liable to United Kingdom tax on chargeable gains on such capital distributions.

Reports and Accounts

The first accounting period of the Company will run from the date of the Company's incorporation to 31 December 2010 and, thereafter, accounting periods will end on 31 December in each year. The audited annual accounts will be provided to Shareholders within four months of the year end to which they relate. Unaudited half yearly reports, made up to 30 June in each year, will be announced within two months of that date. The Company will also produce interim management statements in accordance with the Disclosure and Transparency Rules. The Company will report its results of operations and financial position in U.S. Dollars.

The audited annual accounts and half yearly reports will also be available at the registered office of the Administrator and the Company and from the Company's website, www.nbddif.com.

The financial statements of the Company will be prepared in accordance with U.S. GAAP, and the annual accounts will be audited by KPMG Channel Islands Limited using auditing standards in accordance with International Standards on Auditing (UK and Ireland). The Company expects that its financial statements, which will be the responsibility of its Board, will consist of a balance sheet, profit and loss statement and cash flow statement, related notes and any additional information that the Board deems appropriate or that is required by applicable law.

The preparation of financial statements in conformity with U.S. GAAP requires that the Directors make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Such estimates and associated assumptions are generally based on historical experience and various other factors that are believed to be reasonable under the circumstances, and form the basis of making the judgements about attributing values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from such accounting estimates in amounts that may have a material impact on the financial statements of the Company.

Net Asset Value

Publication of Net Asset Value

The Company intends to publish the NAV per Ordinary Share on a daily basis, as calculated by the process described below. Such NAV per Ordinary Share will be published by RIS announcement and be available on the websites of the Company and the CISX.

The Investment Managers aim to deploy capital quickly and expect to be fully invested within three to nine months of Admission. As the Company may invest in certain situations where either the restructuring process is substantially completed, or market opportunities exist which allow the Investment Managers to sell a position at a higher price than that at which it was acquired, some initial investments are expected to show NAV accretion shortly after Admission. As the Company's investment portfolio will be valued on a daily basis, ongoing NAV accretion will be recognised through the life of investments and not just upon realisation.

Valuation of the assets held in the Company Portfolio

To the extent that the Company invests in listed or publically held quoted investments, such investments will be valued according to their bid price as at the close of the relevant exchange or the bid price as determined by Interactive Data Corporation on the relevant NAV Calculation Date. To the extent the Company invests in private securities, such investments will be priced at the bid side using Markit pricing service for private loans. If a price cannot be ascertained from the above sources, the Company will seek bid prices from third party broker/dealer quotes for the remaining investments.

In cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Sub-Investment Manager will determine the valuation based on the Sub-Investment Manager's fair valuation policy.

The overall criterion for fair value is a price at which a round lot of the securities involved would change hands in a transaction between a willing buyer and a willing seller, neither being under compulsion to buy or sell and both having the same knowledge of the relevant facts.

Consistent with the above criterion, the following criteria will be considered when applicable:

- Valuation of other securities by the same issuer for which market quotations are available;
- Reasons for absence of market quotations;
- The soundness of the security, its interest yield, the date of maturity, the credit standing of the issue and the current general interest rates;
- Recent sales prices and/or bid and asked quotations for the security;
- Value of similar securities of issuers in the same or similar industries for which market quotations are available;
- Economic outlook of the industry;
- Issuer's position in the industry;
- The financial statements of the issuer; and
- The nature and duration of any restriction on disposition of the security.

Suspension of the calculation of Net Asset Value

The Directors may at any time, but cannot be obliged to, temporarily suspend the calculation of the NAV of the Ordinary Shares during:

- (a) any period when any of the principal markets or stock exchanges on which a substantial part of the investments are quoted is closed, otherwise than for ordinary holidays, or during which dealings thereon are restricted or suspended;
- (b) any period when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the Directors, disposal or valuation of a substantial part of the investments is not reasonably practicable without this being seriously detrimental to the interests of the Ordinary Shareholders or if in the opinion of the Directors the NAV cannot be fairly calculated; or
- (c) any breakdown in the means of communication normally employed in determining the value of the investments or when for any reason the current prices on any market of a substantial part of the investments cannot be promptly and accurately ascertained.

In the event that the calculation of the NAV of the Ordinary Shares is suspended as described above, trading in the Shares on the SFM and/or the CISX and the listing of the Shares on the Official List of the CISX may also be suspended.

Part II Overview and Outlook to the Distressed Debt Market

What is distressed debt?

Distressed debt is generally referred to as the financial obligations of a company that is either already in default, under bankruptcy protection, or in distress and heading toward default. Distressed debt often trades at a significant discount to its par value and may present investors with compelling opportunities to profit if there is a recovery in the business. Typically, when a company experiences financial distress or files for bankruptcy protection, the original debt holders often sell their debt securities or claims to a new set of investors at a discount. These investors often try to influence the process in which the issuer restructures its obligations or implements a plan to turn around its operations. These investors may also inject new capital into a distressed company in the form of debt or equity in order to prevent the company from going into liquidation or to aid the company in carrying out a restructuring plan. Investors in distressed debt typically must not only assess the issuer's ability to improve its operations but also whether the restructuring process is likely to result in a meaningful recovery to the investor's class of claims.

Distressed debt can be performing or non-performing. Performing debt refers to debt that maintains its contractual obligations relating to interest and/or principal payments. This can refer to debt that has yet to default or even debt that is under bankruptcy protection. Non-performing debt refers to debt that does not continue to meet its financial obligations.

There are a number of different strategies related to investing in distressed debt. These strategies differ mainly on the types of securities that investors purchase, the life of the fund and its investment period, and the fund's expected returns. Four strategic categories include: (i) senior/senior secured debt strategies; (ii) control/private equity strategies; (iii) junior debt strategies; and (iv) capital structure arbitrage strategies.

The Investment Managers intend to focus on implementing a senior/senior secured debt strategy in which it invests primarily in secured debt with strong collateral value and structural protection. The Investment Managers anticipate investing in control positions and non-control positions with the objective of acquiring a blocking position. Investing in secured debt at the top of the capital structure is, in the opinion of the Investment Managers towards the more conservative end of the distressed debt strategy risk spectrum due to the support from the value of the underlying collateral. Additionally, secured debt holders often have the ability to foreclose on the assets securing their claim and drive the restructuring process. The typical holding period for investments in this strategy is six months to three years while the typical fund life is up to six years.

Control/private equity strategies typically invest in a control position which allows them to direct the restructuring through board and/or management positions. These funds require a longer time horizon in order to implement their strategy and to realise investment gains. These funds typically invest in fewer companies and require a deep management bench that can improve portfolio company operations. These funds are, in the opinion of the Investment Managers, the least conservative distressed debt strategy, have the longest typical investment period and the longest fund life.

The third category, junior debt strategies, invests further down the capital structure in subordinated debt and mezzanine debt of middle-market leveraged buyouts. These funds will take both control and blocking positions and aim to create value through a restructuring. However, these funds have a higher risk of a "cram-down" in a bankruptcy due to their second or junior lien status. A "cram-down" is a reorganisation plan approved by a bankruptcy court that may result in a number of different creditors being compelled to accept materially adverse changes to the terms of the debt that they hold, including reduced interest rates, extended maturities and reduced acceleration rights. These funds are riskier than senior/senior secured debt strategies but less risky than control/private equity strategies. Fund lives and investment periods vary but are generally longer than secured/senior secured debt strategies but shorter than control/private equity strategies.

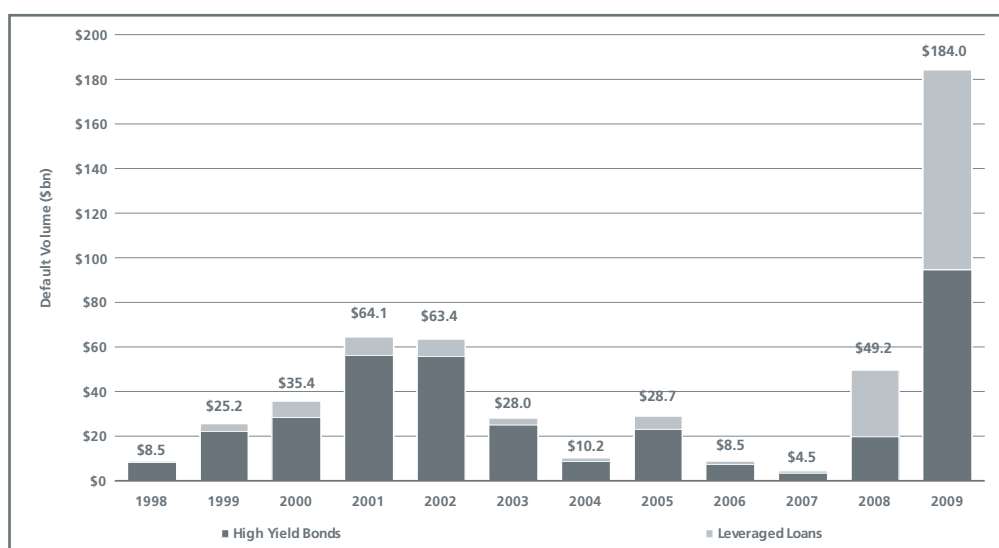
The fourth category, capital structure arbitrage strategies, typically focusses on relative mispricings between securities within a given capital structure. These funds are, in the opinion of the Investment Managers, the most conservative of the strategies.

Current market opportunity

Strong distressed debt investment performance has historically followed periods when a large number of companies have failed to meet their debt obligations. The Investment Managers believe there are compelling reasons why the investment opportunity for distressed debt will continue for the next three to four years.

Record volume of high yield and leveraged loan defaults

The universe for potential distressed investments has grown substantially as the institutional leveraged loan and high yield bond market has grown from approximately US\$0.9 trillion at the end of 2001 to approximately US\$1.8 trillion today⁴. With U.S. speculative grade default rates ending 2009 above 13.0 per cent., the highest levels in 25 years⁵, an unprecedented⁶ amount of distressed debt exists in the market. As illustrated below, US\$184.0 billion of institutional debt defaulted in 2009, compared to the previous full year high of US\$64.1 billion in 2001. Of the US\$184.0 billion, US\$89.4 billion was leveraged loan defaults (compared to the previous full year high of US\$29.7 billion in 2008) while US\$94.6 billion was corporate bond defaults (compared to the previous full year high of US\$56.0 billion in 2001)⁷.



Additionally, unlike previous cycles when defaults were typically more concentrated by industry, opportunities are evident across numerous sectors, favouring managers with large research teams and significant industry knowledge.

Fitch Industry Default Rates Greater than 15% ⁸	
2002	2009
Cable	Automotive
Insurance	Banking & Finance
Metals & Mining	Broadcasting & Media
Telecommunications	Cable
	Chemicals
	Computers & Electronics
	Consumer Products
	Gaming, Lodging & Restaurants
	Leisure & Entertainment
	Paper & Containers

⁴ Credit Suisse report, High-Yield as of 26 February 2010, Institutional Leverage Loan data as of 31 December 2009.

⁵ Moody's as of 29 January 2010.

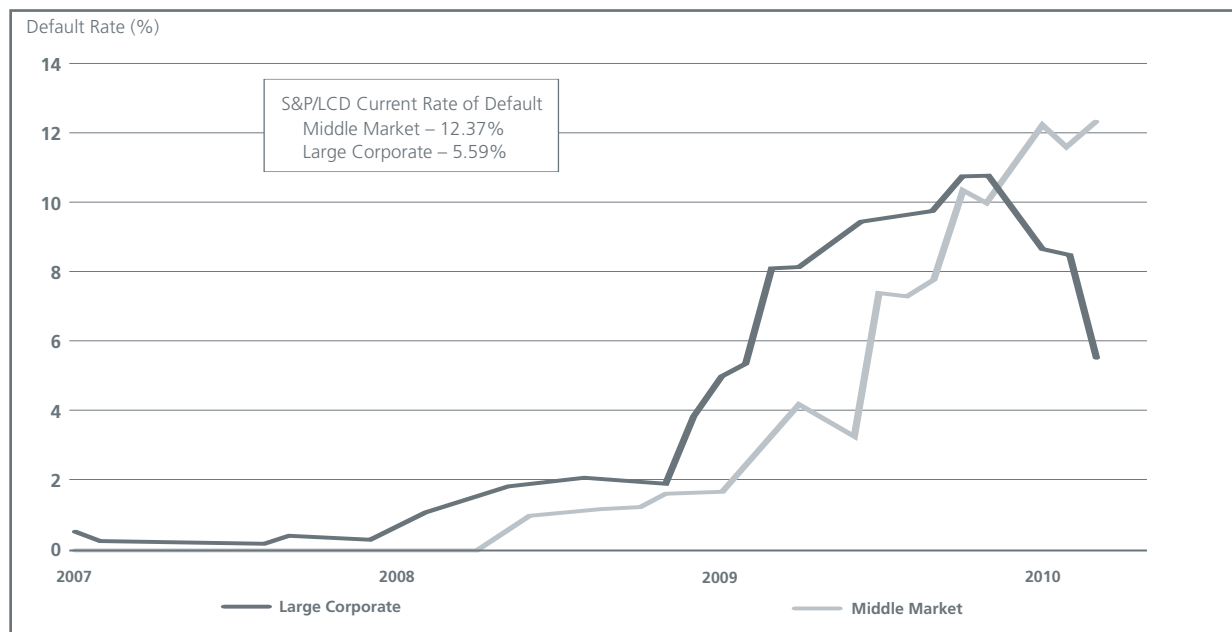
⁶ JP Morgan and S&P LCD as of 31 December 2009.

⁷ Includes North American actual defaults and grace period defaults as of 31 December 2009

⁸ Fitch industry default data from 2000 to 2009

Middle market default rates accelerate

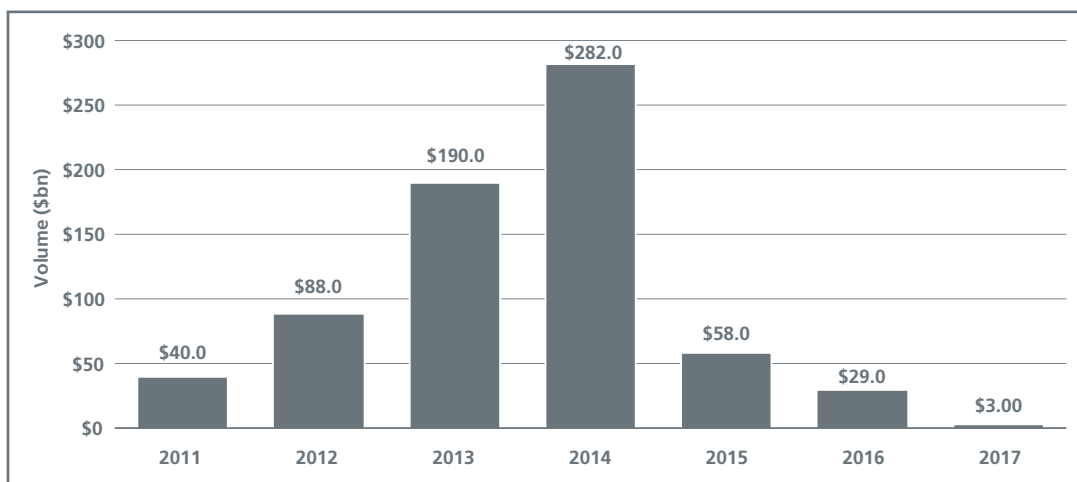
Many large corporate borrowers have been able to address looming maturities through methods unavailable to middle market issuers in 2009 and 2010. While large corporate issuers have participated in bond-for-loan takeouts (where an issuer floats high-yield bonds in order to pay its current loan debt) to address upcoming loan maturities, the high-yield market has not opened for middle market issuers as they are often too small for high-yield issuance. The Investment Manager expects that many of these middle market issuers will have to address upcoming maturities amid economic headwinds and highly leveraged balance sheets, leaving them vulnerable to default. The graph below illustrates the divergence between large corporate and middle market default rates.⁹



9 S&P LCD default rates as of 31 March 2010

Wall of maturities

Over US\$690 billion of loans originated during the 2005-2007 period of credit obtained by issuers, in many cases at above average debt multiples (“**easy credit**”), will begin to mature in 2010 with 85 per cent. of these loans maturing through 2014¹⁰. The Investment Managers expect default rates for leveraged loans to accelerate again beginning in 2011, as a large quantity of leveraged loans start to mature. The Investment Managers believe that the expected reduced demand for loans should lead to a rise in defaults and may present a second wave of investment opportunities for the fund from 2011 to 2014. The figure below outlines upcoming leveraged loan maturities by year¹¹.



Leveraged loans underwritten during the 2005-2007 period of “easy credit” may have few financial covenants, which make it hard for lenders to force action due to financial underperformance. Additionally, since interest rates are at historic lows, required interest expense to service these loans is lower, which increases cash flow generation and enhances a company’s ability to meet its debt service obligations. As a result, many of these loans will not breach a covenant or miss an interest payment and will continue to perform until maturity.

Excessive existing leverage, credit-conscious markets and reduced CLO demand are likely to make it difficult for many companies to refinance these loans at maturity. The Investment Managers expect that companies will find it tougher to refinance the excessive leverage on their balance sheet in a more “credit-conscious” market as lenders will require lower total leverage, increased interest rates, and stricter covenants. Additionally, during the period of “easy credit”, approximately 60 per cent. of institutional loans that came to market were repackaged in CLOs¹². However, due to the significant decline in CLO issuance since 2007, this level of demand by CLOs may be unlikely to be replicated in future years.

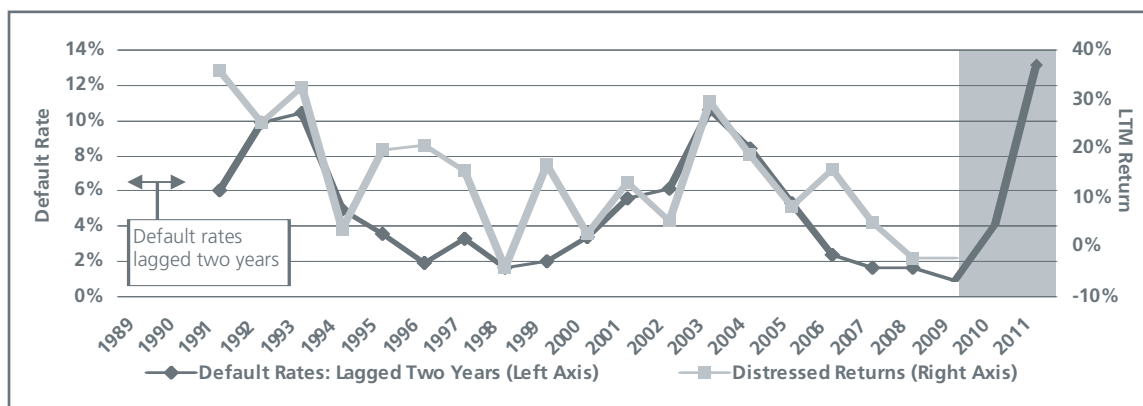
10 Credit Suisse dated 22 January 2010

11 Credit Suisse dated 22 January 2010

12 S&P LCD LSTA presentation entitled “CLO Revival? The Obstacles and Opportunities” dated 4 March 2010

Rising defaults drive distressed debt returns^{13,14}

With U.S. bond default rates ending 2009 at the highest level in 25 years, the Investment Managers currently see what they believe is a compelling opportunity for creating attractive investment returns in distressed debt. The figure below shows how default rates and distressed debt returns are historically correlated, with strong investment returns typically following two years after rising defaults. For example, increased defaults in 2001 and 2002 led to LTM returns of approximately 30 per cent. and 19 per cent. in 2003 and 2004, respectively. The Investment Managers believe the sharp rise in defaults from 2008 onwards implies strong distressed debt performance for at least the next two years.¹⁵



13 Moody's, Hedge Fund Research and Neuberger Berman

14 Annual returns of distressed investment funds calculated by HFRI Event-Driven Distressed/Restructuring Index. Past results are not indicative of future performance. Distressed performance index returns are for the 12 month period of the year indicated, except that 2008 and 2009 return data show the average annual return for that two-year period. Actual annual returns for 2008 and 2009 were -25.2 per cent. and 28.34 per cent., respectively.

15 Moody's, Hedge Fund Research and Neuberger Berman. Annual returns of distressed investment funds calculated by HFRI Event-Driven Distressed/Restructuring Index. Past results are not indicative of future performance. Distressed performance index returns are for the 12 month period of the year indicated, except that 2008 and 2009 return data show the average annual return for that two-year period. Actual annual returns for 2008 and 2009 were -25.2 per cent. and 28.34 per cent., respectively.

Part III Directors, Management and Administration

Voting rights

The share capital of the Company consists of Ordinary Shares (which carry limited voting rights), Subscription Shares (which carry limited voting rights) and Class A Shares (which carry extensive voting rights). Ordinary and Subscription Shareholders are not entitled to vote in relation to the appointment or removal of directors of the Company. Rather, Directors may be elected and removed by the Trustee as holder of the Class A Shares.

Directors

The Directors are responsible for managing the business affairs of the Company in accordance with the Articles and have overall responsibility for the Company's activities including the review of investment activity and performance. The Directors may delegate certain functions to other parties such as the Investment Manager, the Administrator and the Registrar. In particular, the Directors have delegated responsibility for managing the assets comprised in the Company Portfolio to the Investment Managers who are not required to, and generally will not, submit individual investment decisions for the approval of the Board.

The Board comprises four directors determined by the Board to be independent and two representatives of the Investment Managers. Details of each of the Directors are set out below.

The address of the Directors, all of whom are non-executive, is the registered office of the Company.

The Directors of the Company are as follows:

Robin Monro-Davies (Chairman)

Robin Monro-Davies served as a regular officer in the Royal Navy from 1958-1968, operating as a carrier pilot mainly in the Far East. He subsequently obtained a Master of Science degree from the Sloan School of Management, Massachusetts Institute of Technology in Boston ("MIT"). On leaving MIT, Mr. Monro-Davies spent a year as an investment analyst on Wall Street and then joined Fox-Pitt Kelton ("FPK"). FPK became one of the U.K.'s leading independent brokerage and research houses and Mr. Monro-Davies was appointed joint Chief Executive Officer (CEO) in 1976. In 1978, Mr. Monro-Davies was appointed CEO of IBCA, FPK's newly established independent bank credit rating business, in addition to his role as FPK's CEO. He continued as CEO of IBCA following his retirement from FPK in 1992, developing the business to become Fitch, the world's third largest rating agency. Mr. Monro-Davies retired as CEO of Fitch at the end of 2001. Since then he has acted in various non executive roles and currently is a Board Member of AXA UK, Assured Guaranty Limited in Bermuda and HSBC Bank plc. He is also on the board of a listed investment trust. Mr. Monro-Davies was educated at St. Paul's School, London, and the Britannia Royal Naval College, Dartmouth.

Talmai Morgan (Guernsey)

Talmai Morgan qualified as a barrister in the United Kingdom in 1976. He moved to Guernsey in 1988 where he worked for Barings as general counsel and then for the Bank of Bermuda as managing director of Bermuda Trust (Guernsey) Limited. From January 1999 to June 2004, Mr. Morgan was director of Fiduciary Services and Enforcement at the Guernsey Financial Services Commission (Guernsey's financial regulatory agency) where he was responsible for the design and subsequent implementation of Guernsey's law relating to the regulation of fiduciaries, administration businesses and company directors. Mr. Morgan was also involved in working groups of the Financial Action Task Force and the Offshore Group of Banking Supervisors. From July 2004 to May 2005, Mr. Morgan served as chief executive of

Guernsey Finance, which is the official body for the promotion of the Guernsey finance industry. Mr. Morgan is now the chairman or a non-executive director of a number of investment-companies including companies listed on the LSE. He holds an M.A. in economics and law from the University of Cambridge.

John E. Hallam (Guernsey)

John E. Hallam is a fellow of the Institute of Chartered Accountants in England and Wales and qualified as an accountant in 1971. Previously, Mr. Hallam was a partner at PricewaterhouseCoopers and retired in 1999 after 27 years with the firm in Guernsey and in other countries. Mr. Hallam is currently chairman of Cazenove Absolute Equity Ltd and Partners Group Global Opportunities Ltd. He is also a director of a number of other financial services companies, some of which are listed on the LSE. Mr. Hallam served for many years as a member and latterly chairman of the GFSC, from which he retired in 2006.

Christopher Sherwell (Guernsey)

Christopher Sherwell is a non-executive director of a number of investment-related companies. Mr. Sherwell was managing director of Schroders (C.I.) Limited from April 2000 to January 2004. He remained a non-executive director of Schroders (C.I.) Limited until he stepped down at the end of December 2008. His other directorships include chairmanship of Goldman Sachs Dynamic Opportunities Limited, a fund of hedge funds, and of the Hermes Commodities Umbrella Fund. Before joining Schroders in 1993, he worked as Far East regional strategist with Smith New Court Securities in London and then in Hong Kong. Mr. Sherwell was previously a journalist, working for the Financial Times. Mr. Sherwell received a B.Sc. (Gen) from the University of London in 1968, an M.A. from the University of Oxford in 1971 and a M.Phil. from the University of Oxford in 1973.

Talmai Morgan, John Hallam and Christopher Sherwell are also directors of NB Private Equity Partners Limited, another investment company managed by a member of the NB Group.

Michael Holmberg

Michael J. Holmberg, Managing Director, joined NB Group in 2009. Michael is the co-head of the distressed portfolio management. Prior to joining NB Group, Michael founded Newberry Capital Management LLC in 2006 and prior to that Michael founded and managed Ritchie Capital Management's Special Credit Opportunities Group. He was also a managing director at Strategic Value Partners and Moore Strategic Value Partners. He began investing in distressed and credit oriented strategies as a portfolio manager at Continental Bank/Bank of America, where he established the bank's global proprietary capital account. Michael received an AB in economics from Kenyon College and an MBA from the University of Chicago.

Patrick Flynn

Patrick H. Flynn, Managing Director, joined NB Group in 2006. Patrick is the co-head of the distressed portfolio management and is also the co-director of Leveraged Asset Management Research. He came to NB Group with more than 15 years of experience, including positions with Putnam Investments, SBC Warburg Dillon Reed Inc., JP Morgan Chase and UBS. Most recently, Patrick served as director of research at DDJ Capital Management, LLC. He holds an AB from Columbia University and a MBA in Finance and Economics from the University of Chicago. Patrick has been awarded the Chartered Financial Analyst designation.

Investment Managers

The investment manager of the Company is Neuberger Berman Europe Limited, a company incorporated in England and Wales, with registered number 05463227. The Investment Manager has been appointed pursuant to the Investment Management Agreement (further details of which are set out in paragraph 6.4 of Part VI of this document) and has, pursuant to the Sub-Investment Management Agreement, delegated certain of its responsibilities and functions to the sub-investment manager, Neuberger Berman Fixed Income LLC, a limited liability company incorporated in Delaware.

The Investment Managers are wholly-owned indirect subsidiaries of the NB Group. Established in 1939, the NB Group is one of the world's largest private, independent employee-controlled asset management companies, managing approximately US\$173 billion in assets as of 31 December 2009, including approximately US\$70 billion in fixed income investments and which includes more than US\$11 billion in high yield bonds and loans.

The Investment Managers are responsible for the discretionary management of, and will conduct day-to-day management of, the assets held in the Company Portfolio (including un-invested cash). The Investment Managers are not required to and generally will not submit individual decisions for approval by the Board.

Details of the fees and expenses payable to the Investment Manager pursuant to the Investment Manager are set out in the section headed "Fees and expenses" below.

Administrator, Secretary and Custodian

BNP Paribas Fund Services (Guernsey) Limited has been appointed as Administrator, Secretary, Custodian, Designated Manager and Principal Banker of the Company pursuant to the Administration and Custody Agreement (further details of which are set out in paragraph 6.5 of Part VI of this document). In such capacity, the Administrator will be responsible for the day to day administration of the Company (including but not limited to the calculation and publications of the estimated daily NAV), general secretarial functions required by the Companies Laws (including but not limited to the maintenance of the Company's accounting and statutory records) and certain safekeeping and custody services.

In acting as custodian of the Company's investments the Administrator shall provide for the safe keeping of contracts or other documents of title to the loans and may take custody of cash and other assets. The Company has consented to and the Administrator is permitted and may delegate the safekeeping function to BNP Paribas Securities Services London Branch and the custody function to BNP Paribas Securities Services Guernsey Branch or such other associate company of the Administrator. Documents will be registered in the name of the Company and Assets will be held in a custody account and registered in the name of the Administrator or its Delegate or a nominee as required under the Licensees (Conduct of Business Rules) 2009.

Investors should note that it is not possible for the Administrator to provide any investment advice to investors.

Fees and expenses

Initial expenses related to the Issue

The initial expenses of the Company are those which are necessary for the Issue and will be borne by the Company up to a maximum of 2 per cent. of the Gross Issue Proceeds. Should such expenses exceed this amount, the Investment Manager will meet the excess.

These expenses will be paid on or around Admission and will include, without limitation, placing fees and commissions; registration, listing and admission fees; the cost of settlement and escrow arrangements; printing, advertising and distribution costs; legal fees, and any other applicable expenses. All such expenses will be immediately written off.

On the assumption that the Company achieves its target issue of in excess of US\$150 million and that the initial expenses of the Issue are equal to 2 per cent, of the Gross Issue Proceeds, the NAV of the Company immediately following Admission will be US\$147 million (in other words, 98 per cent. of the Gross Issue Proceeds).

Ongoing, Annual Expenses

The Company will also incur ongoing annual expenses. These expenses will include the following:

(i) **Investment Manager**

The Investment Manager will be entitled to the Management Fee, which shall accrue daily, and be payable monthly in arrears, at a rate of 0.125 per cent. per month of the Group's NAV calculated as at the last business day of the relevant month. For this purpose, any accrual for any Performance Fee will be disregarded when calculating the Group's NAV.

In addition, the Investment Manager will be entitled to be paid a performance fee by the Company. The Performance Fee will only become payable once the Company has made aggregate distributions in cash to Ordinary Shareholders (which shall include the aggregate price of all Shares repurchased or redeemed by the Company) equal to the aggregate gross proceeds of issuing Ordinary Shares (whether pursuant to the Issue, the exercise of Subscription Rights or otherwise) (the "**Contributed Capital**") plus such amount as will result in the Ordinary Shareholders having received a realised (cash-paid) IRR in respect of the Contributed Capital equal to the Preferred Return, following which there will be a 100 per cent. catch up to the Investment Manager until the Investment Manager has received 20 per cent. of all amounts in excess of Contributed Capital distributed to Ordinary Shareholders and paid to the Investment Manager as a performance fee with, thereafter, all amounts distributed by the Company being split 20/80 per cent. between the Investment Manager's performance fee and the cash distributions to the Ordinary Shareholders respectively.

The Investment Manager may at its discretion enter into arrangements with certain investors pursuant to which it will rebate to such investors a proportion of the Management Fee and/or Performance Fee received from the Company.

(ii) **Administration**

Under the terms of the Administration and Custody Agreement, the Administrator is entitled to various fees, including a minimum annual administration fee of £100,000, an annual secretarial fee of £36,000, a minimum annual custodian fee of £20,000, and a minimum annual loan administration fee of £75,000.

(iii) **Registrar**

The Registrar will be entitled to an annual fee from the Company equal to £2.00 per shareholder per annum or part thereof; with a minimum of £7,500 per annum. Other registrar activity will be charged for in accordance with the Registrar's normal tariff as published from time to time.

(iv) **Directors**

The Directors will be remunerated for their services at a fee of US\$45,000 per annum (US\$60,000 for the Chairman). In addition, the chairman of the Audit Committee will receive an additional US\$5,000 for his services in this role. Each of Michael Holmberg and Patrick Flynn, the non-independent Directors, have waived their fees for their services as Directors. Further information in relation to the remuneration of the Directors is set out in Part VI of this document.

(v) **Other operational expenses**

All other ongoing operational expenses (excluding fees paid to service providers as detailed above) of the Company will be borne by the Company including, without limitation, the incidental costs of making its investments and the implementation of its investment objective and policy; travel, accommodation and printing costs; the cost of directors' and officers' liability insurance and website maintenance; audit and legal fees; annual SFM fees, annual CISX listing fees and an annual CISX sponsor fee; and the fees and expenses of the Trustee in relation to its holding of the Class A Shares. All out of pocket expenses of the Investment Manager that are reasonably and properly incurred, the Administrator, the Registrar, the CREST agent and the Directors relating to the Company will be borne by the Company.

Taxation

Information concerning the tax status of the Company and the tax treatment of Shareholders is contained in paragraph 4 of Part VI of this document. **A potential investor should seek advice from his own independent professional adviser as to the taxation consequences of acquiring, holding or disposing of Issue Shares, he should seek advice from his own independent professional adviser.**

Meetings and reports to Shareholders

All general meetings of the Company shall be held in Guernsey. The Company expects to hold its first annual general meeting in 2011.

The Company's audited annual report and accounts will be prepared to 31 December each year, commencing in 2010, and it is expected that copies will be sent to Shareholders in April each year, or earlier if possible. Shareholders will also receive an unaudited interim report each year commencing in respect of the period to 30 June, expected to be despatched in August each year, or earlier if possible. The Company's audited annual report and accounts will be available on the Company's website www.nbddif.com.

The Company's accounts will be drawn up in U.S. Dollars and in compliance with U.S. GAAP.

Conflicts of interest

Directors

In relation to transactions in which a Director is interested, the Articles provide that as long as the Board authorises the transaction in good faith after the Director's interest has been disclosed or the transaction is fair to the Company at the time it is approved, a Director shall not be disqualified by his office from entering into a contract or arrangement with the Company, and no such contract or arrangement or any contract or arrangement entered into by or on behalf of the Company with any person, firm or company of or in which any Director shall be in any way interested, shall be avoided. A Director may not, however, vote in respect of any such contract or arrangement. For further details see paragraphs 5.9.6 and 5.9.7 of Part VI of this document.

Investment Managers

The Company, and an investment in the Company and the Issue Shares, are subject to a number of actual and potential conflicts of interest involving NB Affiliates and, in particular, the Investment Managers. The Investment Managers' policy relating to conflicts of interest (the "**Conflicts Policy**"), as set out below, describes the arrangements in place within the Investment Managers to ensure the fair management of conflicts of interest. In addition, potential investors should read carefully the Risk Factors set out on pages 13 to 32 of this document and, in particular, the risks set out under the section headed "Risks relating to the Investment Managers" on page 17 of this document.

Allocation of investment opportunities

The Investment Managers manage Other Accounts (and may in the future manage further Other Accounts) whose investment objectives and/or philosophies are the same as, overlap with, or are complementary to, the investment strategies and/or philosophies pursued by the Company, and both the Company and such Other Accounts will be eligible to participate in the same investment opportunities. It is anticipated that the aggregate amount of capital invested in the Company and such Other Accounts with the same or substantially similar investment strategies will not exceed US\$1.5 billion. Additionally, investment opportunities may become closed or limited with respect to new investments due to size constraints or other considerations. Moreover, the Company and/or such Other Accounts may not be eligible or appropriate investors in all potential investment opportunities. As a result of these and other factors, the Company may be precluded from making a specific investment.

It is the policy of the Investment Managers to allocate investment opportunities fairly and equitably among the Company and Other Accounts, where applicable, to the extent possible over a period of time. The Investment Managers, however, will have no obligation to purchase, sell or exchange any investment for the Company which the Investment Managers may purchase, sell or exchange for one or more Other Accounts if the Investment Managers believe in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for the Company.

As a general policy, investment opportunities will be allocated among those accounts for which participation in the respective opportunity is considered appropriate pro-rata based on the relative capital size of the accounts. In addition, the Investment Managers may also take into consideration other factors such as the investment programs of the accounts, tax consequences, legal or regulatory restrictions, including those that may arise in various different international jurisdictions, the relative historical participation of an account in the investment, the difficulty of liquidating an investment for more than one account, new accounts with a substantial amount of investable cash and such other factors considered relevant by the Investment Managers. Such considerations may result in allocations among the Company and one or more Other Accounts on other than a *pari passu* basis (which may result in different performances among them).

Investment allocation decisions will be made by the Investment Managers, taking into consideration the respective investment guidelines, investment objectives, existing investments, liquidity, contractual commitments or regulatory obligations and other considerations applicable to the Company and Other Accounts. However, there are likely to be circumstances where the Company is unable to participate, in whole or in part, in certain investments to the extent it would participate absent allocation of an investment opportunity among the Company and Other Accounts and the Investment Managers will notify the Board in such circumstances. In addition, it is likely that the Company's Portfolio and those of Other Accounts will have differences in the specific investments held in their portfolios even when their investment objectives are the same or similar. These distinctions will result in differences in portfolio performance between the Company and Other Accounts.

Corporate governance

The Company is committed to complying with the corporate governance obligations which apply to Guernsey registered companies although there are no such obligations as at the date of this document. In early 2010, the GFSC undertook a public consultation in respect of a proposed code of corporate governance that will apply to Guernsey companies such as the Company. It is expected that the proposed Guernsey code will come into effect later in 2010.

Audit committee

The Company's Audit Committee will meet formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and remuneration of the auditor and to review the annual accounts, interim reports and interim management statements. Where non-audit services are to be provided by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement will be considered before proceeding. John Hallam will act as chairman of the Audit Committee. The principal duties of the Audit Committee will be to consider the appointment of external auditors, to discuss and agree with the external auditors the nature and scope of the audit, to keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditor, to review the external auditors' letter of engagement and management letter and to analyse the key procedures adopted by the Company's service providers.

Part IV Issue Arrangements

The Issue

The target size of the Issue is in excess of US\$150,000,000 with the potential for increase subject to global investor demand. The actual number of Ordinary Shares to be issued pursuant to the Issue, and therefore the Gross Issue Proceeds, are not known as at the date of this document but will be notified by the Company via a RIS announcement and the Company's website (www.nbddif.com) prior to Admission.

The Issue will not proceed if the Net Issue Proceeds would be less than US\$100,000,000 (or such lesser amount as the Company, RBS Hoare Govett and Oriel may determine and notify to investors via publication of a supplementary prospectus). If the Issue does not proceed, subscription monies received will be returned without interest at the risk of the applicant.

Pursuant to the Bonus Issue, subscribers for Ordinary Shares will be issued Subscription Shares on a one-for-five basis, such that for each five Ordinary Shares acquired, the allottee will be issued one Subscription Share. The Subscription Shares will carry the right to entitle their holder to subscribe for one Ordinary Share upon the terms and conditions set out in Part V of this document and as set out in the Articles.

The target issue size should not be taken as an indication of the number of Ordinary Shares to be issued (or the number of Subscription Shares to be issued pursuant to the Bonus Issue). The actual number of Ordinary Shares and Subscription Shares issued pursuant to the Issue will be announced via a RIS announcement shortly following the deadline for receipt of placing commitments under the Placing.

The Directors have determined that the Ordinary Shares under the Issue will be issued at a price equal to US\$1.00 per Ordinary Share.

The Issue is not being underwritten.

Proceeds of the Issue

The Company will employ the net proceeds of the Issue in implementing its investment policy.

The Placing

The Company, the Investment Manager, Oriel and RBS Hoare Govett have entered into the Placing Agreement pursuant to which Oriel and RBS Hoare Govett have agreed, as agents for the Company, to use their reasonable endeavours to procure subscribers (in certain jurisdictions outside the United States) for the Issue Shares under the Placing at the Issue Price in return for the payment by the Company of placing commissions to Oriel and RBS Hoare Govett. The Company expects to enter into the US Distribution Agreement with the Investment Manager and Neuberger Berman LLC pursuant to which the Company will pay Neuberger Berman LLC a commission in consideration for Neuberger Berman LLC procuring eligible US Persons to subscribe for Issue Shares pursuant to the Placing.

In addition, the Company expects to enter into Distribution Agreements with a number of sales agents (which may be members or affiliates of the NB Group) in various jurisdictions pursuant to which the Company will pay such sales agents a commission for introducing to the Company potential subscribers for the Issue Shares pursuant to the Placing.

A summary of the terms of the Placing Agreement, the US Distribution Agreement and the Distribution Agreements are set out in paragraph 6 of Part VI of this document.

The terms and conditions which shall apply to any subscriber for Issue Shares procured by Oriel and RBS Hoare Govett pursuant to the Placing are contained in Part VII of this document and the terms and conditions which shall apply to any subscriber for Issue Shares procured by Neuberger Berman LLC and any other sales agents will be contained in such placing letters and/or subscription agreements as the Company may require any particular placee to submit in connection with his subscription for Issue Shares pursuant to the Placing.

In addition, each purchaser of Issue Shares who is within the United States or a U.S. Person must be an Accredited Investor who is also a Qualified Purchaser, and will be required to sign a subscription agreement in substantially the form attached hereto as Appendix B (the “**Subscription Agreement for Accredited Investors**”) in order to participate in the Placing. The Subscription Agreement for Accredited Investors includes certain written representations, agreements and acknowledgments, and contains undertakings that such investors will only resell such Issue Shares (i) in an offshore transaction in accordance with Regulation S, to a person outside the United States and not known by the transferor to be a U.S. Person, by prearrangement or otherwise, or (ii) to the Company or a subsidiary thereof.

Applications under the Placing must be for a minimum subscription amount of US\$100,000.

The Offer

The Company is also offering the Issue Shares to investors in the United Kingdom pursuant to the Offer.

The Terms and Conditions of Application relating to the Offer (other than U.S. persons) are set out in Part VIII of this document and an Application Form and notes on how to complete such Application Form are set out in Appendix A to this document. The Terms and Conditions of Application should be read carefully before an application is made. Application Forms must be posted or delivered by hand (during normal business hours) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive by no later than 1200 hours on 3 June 2010. The Offer will, unless extended, be closed at that time.

Applications under the Offer must be for a minimum subscription amount of US\$50,000.

Payment for Issue Shares pursuant to the Offer may be made by cheque, banker’s draft or building society cheque and must accompany the Application. The Directors reserve the right to refuse applications for any reason. Investors wishing to subscribe for Issue Shares pursuant to the Offer may submit payment in Sterling in which case the Company shall convert such amount into U.S. Dollars at such time and at such exchange rate as it determines reasonable.

The SFM

The SFM is an EU regulated market. Pursuant to its admission to the SFM, the Company will be subject to Prospectus Rules, the Disclosure and Transparency Rules and the Market Abuse Directive (as implemented in the UK through FSMA).

Scaling back and allocation

In the event that aggregate applications for Issue Shares under the Placing and the Offer were to exceed a level that the Directors determine, in their absolute discretion at the time of closing the Issue, to be the appropriate maximum size of the Issue, it would be necessary to scale back applications under the Issue. The Placing Agents reserve the right, at their sole discretion, but after consultation with the Company, to scale back applications in such amounts as they consider appropriate. The Company reserves the right to decline in whole or in part any application for Issue Shares pursuant to the Issue. The Offer will not be subject to scaling back in favour of the Placing. Accordingly, applicants for Issue Shares may, in certain circumstances, not be allotted the number of Issue Shares for which they have applied.

The Company will notify investors of the number of Issue Shares in respect of which their application has been successful and the results of the Issue will be announced by the Company on or around 7 June 2010 via a RIS announcement.

Subscription monies received in respect of unsuccessful applications (or to the extent scaled back) will be returned without interest at the risk of the applicant to the bank account from which the money was received.

General

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK and/or Guernsey, the Company and its agents or the Investment Manager may require evidence in connection with any application for Issue Shares, including further identification of the applicant(s), before any Issue Shares are issued.

In the event that there are any significant changes affecting any of the matters described in this document or where any significant new matters have arisen after the publication of this document and prior to Admission, the Company will publish a supplementary prospectus. The supplementary prospectus will give details of the significant change(s) or the significant new matter(s).

The Directors (in consultation with the Placing Agents) may in their absolute discretion waive the minimum application amounts in respect of any particular application for Issue Shares under the Issue.

Should the Issue be aborted or fail to complete for any reason (including as a result of the Net Issue Proceeds being less than US\$100,000,000), monies received will be returned without interest at the risk of the applicant.

No commissions will be paid by the Company to any applicants under the Issue. The Investment Manager, however, may at its discretion enter into arrangements with certain investors pursuant to which it will rebate to such investors a proportion of the Management Fee and/or Performance Fee received by the Company.

Definitive certificates in respect of Issue Shares in certificated form will be dispatched by post in the week commencing 21 June 2010. Temporary documents of title will not be issued.

If the overall expenses incurred by the Company in connection with the Issue (including fees and commissions payable to Oriol, RBS Hoare Govett, Neuberger Berman LLC and other third party sales agents) exceed 2 per cent. of the Gross Issue Proceeds, then the Investment Manager will meet the excess.

Clearing and settlement

Payment for the Ordinary Shares, in the case of the Placing should be made in accordance with settlement instructions to be provided to placees by (or on behalf of) the Company or the Placing Agents. Payment for the Ordinary Shares, in the case of the Offer should be made in accordance with the Terms and Conditions of Application under the Offer in Part VIII of this document and in the Application Form. To the extent that any application for Issue Shares is rejected in whole or in part (whether by scaling back or otherwise), monies received will be returned without interest at the risk of the applicant.

Issue Shares initially placed with non-U.S. Persons will be issued in registered form and may be held in either certificated or uncertificated form and settled through CREST from Admission. In the case of Issue Shares to be issued in uncertificated form pursuant to the Issue, these will be transferred to successful applicants through the CREST system. Accordingly, settlement of transactions in the Ordinary Shares and the Subscription Shares following Admission may take place within the CREST system if any shareholder (other than a U.S. Person) so wishes.

Issue Shares acquired by U.S. Persons through the Placing will be issued in registered and certificated form, and may not be transferred into CREST or any other paperless system without the prior approval of the Company. Such approval will only be granted if the U.S. Person seeks to transfer the Ordinary Shares or Subscription Shares, as the case may be, and delivers a written certification in the form of the Offshore Transaction Letter set out in Appendix C of this document (or in a form otherwise acceptable to the Company) to the Company, with copies to the Administrator and the Registrar, containing a representation that the transfer is being made outside the United States in an offshore transaction complying with Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person, by pre-arrangement or otherwise.

Issue Shares issued under the Offer will be issued to successful applicants in accordance with the Terms and Conditions of Application under the Offer.

CREST is a paperless book-entry settlement system operated by Euroclear UK and Ireland which enables securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

It is expected that the Company will arrange for Euroclear UK and Ireland to be instructed on 10 June 2010 to credit the appropriate CREST accounts of the subscribers concerned or their nominees with their respective entitlements to Issue Shares. The names of subscribers or their nominees investing through their CREST accounts will be entered directly on to the share register of the Company.

The transfer of Issue Shares outside of the CREST system following the Issue should be arranged directly through CREST. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of the registered holder to CREST for share certificates or an uncertificated holding in definitive registered form. If a Shareholder or transferee requests Issue Shares to be issued in certificated form and is holding such Issue Shares outside CREST, a share certificate will be despatched either to him or his nominated agent (at his risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Issue Shares. Shareholders (other than U.S. Persons) holding definitive certificates may elect at a later date to hold such Issue Shares through CREST or in uncertificated form provided they surrender their definitive certificates.

Dealings

Application will be made to the London Stock Exchange and CISX for the Issue Shares issued pursuant to the Issue to be admitted to trading on the SFM and to listing and trading on the Official List of the CISX, respectively.

It is expected that Admission will become effective and that unconditional dealing in the Issue Shares will commence at 0800 hours on 10 June 2010. Dealings in Issue Shares in advance of the crediting of the relevant stock account shall be at the risk of the person concerned.

For the Ordinary Shares, the ISIN number is GG00B64GWK95 and the SEDOL code is B64GWK9 (SFM) and B646629 (CISX).

For the Subscription Shares, the ISIN number is GG00B67X4129 and the SEDOL code is B67X412 (SFM) B677ZH7 (CISX).

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Issue Shares or any class of Issue Shares, nor does it guarantee the price at which a market will be made in the Issue Shares. Accordingly, the dealing price of the Issue Shares may not necessarily reflect changes in the NAV per Ordinary Share. Furthermore, the level of the liquidity in the various classes of Issue Shares can vary significantly and typical liquidity on the SFM is relatively unknown.

Purchase and transfer restrictions

This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Issue Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or the Investment Managers.

The Company has elected to impose the restrictions described below on the Issue and on the future trading of the Issue Shares so that the Company will not be required to register the offer and sale of the Issue Shares under the U.S. Securities Act, so that the Company will not have an obligation to register as an investment company under the U.S. Investment Company Act and related rules and to address certain ERISA, U.S. Tax Code and other considerations. These transfer restrictions, which will remain in effect until the Company determines in its sole discretion to remove them, may adversely affect the ability of holders of the Issue Shares to trade such securities. Due to the restrictions described below, potential

investors in the United States and U.S. Persons are advised to consult legal counsel prior to making any offer, resale, exercise, pledge or other transfer of the Issue Shares. The Company and its agents will not be obligated to recognise any resale or other transfer of the Issue Shares made other than in compliance with the restrictions described below.

Restrictions due to lack of registration under the U.S. Securities Act and U.S. Investment Company Act restrictions

The Issue Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Issue Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. There will be no public offer of the Issue Shares in the United States.

The Issue Shares are being offered and sold outside the United States to non-U.S. Persons in reliance on the exemption from registration provided by Regulation S under the U.S. Securities Act. The Company has not been and will not be registered under the U.S. Investment Company Act and investors will not be entitled to the benefits of the U.S. Investment Company Act.

The Issue Shares may not be offered or sold within the United States, or to U.S. Persons, except to persons who are Accredited Investors and who are also Qualified Purchasers. Each purchaser of Issue Shares in the Issue and each subsequent transferee, by acquiring Issue Shares or a beneficial interest therein, will be deemed to have represented, agreed and acknowledged that: (i) it is either (a) outside the United States and not a U.S. Person or (b) an Accredited Investor who is also a Qualified Purchaser, and that (ii) it will not offer, resell, exercise, pledge, deliver or otherwise transfer the Issue Shares or any beneficial interest therein within the United States or to a U.S. Person. The Issue Shares and any beneficial interests therein may only be transferred in an offshore transaction in accordance with Regulation S (i) to a person outside the United States and not known by the transferor to be a U.S. Person, by prearrangement or otherwise; or (ii) to the Company or a subsidiary thereof.

ERISA, U.S. Internal Revenue Code and other restrictions

If an investor holds Issue Shares at any time, except with the express consent of the Company given in respect of an investment in Issue Shares it shall be deemed to have represented and agreed for the benefit of the Company, its affiliates and advisers that:

- (i) no portion of the assets it uses to purchase, and no portion of the assets it uses to hold, the Issue Shares or any beneficial interest therein constitutes or will constitute the assets of: (A) an “employee benefit plan” as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (B) a “plan” as defined in Section 4975 of the U.S Tax Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the U.S Tax Code; or (C) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in preceding clause (A) or (B) in such entity pursuant to the U.S. Plan Asset Regulations; and
- (ii) if an investor is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the U.S. Tax Code, its purchase, holding, and disposition of the Issue Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

Investors outside the United States that are not U.S. Persons

Each subscriber of Issue Shares in the Issue that is outside the United States and is not a U.S. Person, and each person who acquires Ordinary Shares upon exercise of the Subscription Rights which are conferred by the Subscription Shares that is outside the United States and is not a U.S. Person, and each subsequent investor in the Ordinary Shares and/or Subscription Shares will be deemed to have represented, warranted, acknowledged and agreed as follows:

- (a) it is not a U.S. Person, is not located within the United States and is not acquiring the Ordinary Shares and/or the Subscription Shares for the account or benefit of a U.S. Person;
- (b) it is acquiring the Ordinary Shares and/or the Subscription Shares in an offshore transaction meeting the requirements of Regulation S;
- (c) it acknowledges that the Ordinary Shares and/or the Subscription Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons absent registration or an exemption from registration under the U.S. Securities Act;
- (d) it acknowledges that the Company has not registered under the U.S. Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not and will not be required to register under the U.S. Investment Company Act;
- (e) no portion of the assets used to purchase, and no portion of the assets used to hold, the Issue Shares or any beneficial interest therein constitutes or will constitute the assets of (i) an “employee benefit plan” as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a “plan” as defined in Section 4975 of the Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Code; or (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the Code. In addition, if an investor is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding, and disposition of the Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
- (f) that if any Ordinary Shares and/or Subscription Shares offered and sold pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect unless otherwise determined by the Company in accordance with applicable law:

NB DISTRESSED DEBT INVESTMENT FUND LIMITED (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “U.S. INVESTMENT COMPANY ACT”). IN ADDITION, THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED, EXERCISED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT OR AN EXEMPTION THEREFROM AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE COMPANY TO REGISTER UNDER THE U.S. INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS.

- (g) if in the future the investor decides to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares and/or the Subscription Shares, it will do so only in compliance with an exemption from the registration requirements of the U.S. Securities Act and under circumstances which will not require the Company to register under the U.S. Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;

- (h) it is purchasing the Ordinary Shares and/or the Subscription Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares and/or the Subscription Shares in any manner that would violate the U.S. Securities Act, the U.S. Investment Company Act or any other applicable securities laws;
- (i) it acknowledges that the Company reserves the right to make inquiries of any holder of the Ordinary Shares and/or the Subscription Shares or interests therein at any time as to such person's status under the federal U.S. securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under the U.S. securities laws to transfer such Issue Shares or interests in accordance with the Articles;
- (j) with respect to the Subscription Shares, it acknowledges that the Subscription Rights which are conferred by the Subscription Shares may not be exercised for the account or benefit of U.S. Persons except in accordance with the U.S. Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the U.S. Investment Company Act;
- (k) with respect to the Subscription Shares, it acknowledges and agrees that prior to exercising any Subscription Rights which are conferred by the Subscription Shares, it will deliver to the Company, with a copy to the Registrar, a duly executed Certificated Subscription Share Notice in the form attached as Appendix D of this document or a duly executed Uncertificated Subscription Share Notice in the form attached as Appendix E of this document, as the case may be (or in a form otherwise acceptable to the Company);
- (l) with respect to the Subscription Shares, it acknowledges that the Company reserves the right prior to any exercise of the Subscription Rights which are conferred by the Subscription Shares, to require the delivery of such certifications, legal opinions and other information as the Company may reasonably require to confirm the proposed exercise complies with the forgoing restrictions;
- (m) it is entitled to acquire the Ordinary Shares and/or the Subscription Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Ordinary Shares and/or the Subscription Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, the Investment Managers, Neuberger Berman LLC or the Placing Agents, or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Issue or its acceptance of participation in the Issue;
- (n) it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Ordinary Shares and/or the Subscription Shares to within the United States or to any U.S. Persons, nor will it do any of the foregoing; and
- (o) if it is acquiring any Ordinary Shares and/or Subscription Shares as a fiduciary or agent for one or more accounts, the investor has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.
- (p) the Company, the Investment Managers, Neuberger Berman LLC and the Placing Agents, and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements. If any of the representations, warranties, acknowledgments or agreements made by the investor are no longer accurate or have not been complied with, the investor will immediately notify the Company.

U.S. Persons

Each purchaser of Issue Shares who is within the United States or a U.S. Person must be an Accredited Investor who is also a Qualified Purchaser, and will be required to sign the Subscription Agreement for Accredited Investors in substantially the form attached hereto as Appendix B. The Subscription Agreement for Accredited Investors includes certain written representations, agreements and acknowledgments, and contains undertakings that such investors will only resell such Issue Shares (i) in an offshore transaction in accordance with Regulation S, to a person outside the United States and not known by the transferor to be a U.S. Person, by prearrangement or otherwise, or (ii) to the Company or a subsidiary thereof.

Each purchaser of Issue Shares who is within the United States or a U.S. Person, and each subsequent investor in the Issue Shares will be deemed to have represented, agreed and acknowledged that no portion of the assets used to purchase, and no portion of the assets such purchaser uses to hold, the Issue Shares or any beneficial interest therein constitutes or will constitute the assets of (i) an “employee benefit plan” as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a “plan” as defined in Section 4975 of the Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Code; or (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the Code. In addition the investor is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, each such purchaser will be deemed to represent that its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

The Issue Shares issued to U.S. Persons will be in registered and certificated form, and only upon transfer of the Issue Shares pursuant to the transfer restrictions in the Subscription Agreement for Accredited Investors will the Issue Shares be eligible for settlement through CREST, and the certificates evidencing ownership will bear the following legend:

“NB DISTRESSED DEBT INVESTMENT FUND LIMITED (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “U.S. INVESTMENT COMPANY ACT”) PURSUANT TO THE EXEMPTION PROVIDED IN SECTION 3(C)(7) THEREOF. IN ADDITION, THE OFFER AND SALE OF THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED, EXERCISED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION COMPLYING WITH THE PROVISIONS OF REGULATION S UNDER THE U.S. SECURITIES ACT TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN BY THE TRANSFEROR TO BE A U.S. PERSON, BY PRE-ARRANGEMENT OR OTHERWISE AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE COMPANY TO REGISTER UNDER THE U.S. INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS, UPON SURRENDER OF THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE AND DELIVERY OF A WRITTEN CERTIFICATION THAT SUCH TRANSFEROR IS IN COMPLIANCE WITH THE REQUIREMENTS OF THIS CLAUSE IN THE FORM OF A DULY COMPLETED AND SIGNED OFFSHORE TRANSACTION LETTER (THE FORM OF WHICH MAY BE OBTAINED FROM THE REGISTRAR) TO THE COMPANY, WITH COPIES TO THE REGISTRAR AND THE ADMINISTRATOR.

IN ADDITION, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON USING THE ASSETS OF (I) (A) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA; (B) A “PLAN” AS DEFINED IN SECTION 4975 OF THE CODE, INCLUDING AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE CODE; OR (C) AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY OF THE FOREGOING TYPES OF PLANS, ACCOUNTS OR ARRANGEMENTS THAT IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR (II) A GOVERNMENTAL, CHURCH, NON-US OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW

THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE IF THE PURCHASE, HOLDING OR DISPOSITION OF THE SHARES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR LAW.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THESE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE COMPANY'S SHARES, ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK.

THIS SECURITY MAY NOT BE DEMATERIALISED INTO CREST OR ANY OTHER PAPERLESS SYSTEM UNTIL THE HOLDER OF THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE DELIVERS A WRITTEN CERTIFICATION THAT SUCH HOLDER IS TRANSFERRING SUCH SECURITIES IN COMPLIANCE WITH THE FOREGOING RESTRICTIONS IN THE FORM OF A DULY COMPLETED AND SIGNED OFFSHORE TRANSACTION LETTER (THE FORM OF WHICH MAY BE OBTAINED FROM THE REGISTRAR) TO THE COMPANY, WITH COPIES TO THE REGISTRAR AND THE ADMINISTRATOR."

Part V The Rights of the Subscription Shares

1. Subscription Rights

- (a) A registered holder for the time being of a Subscription Share (a “**Subscription Shareholder**”) shall have a right (a “**Subscription Right**”) to subscribe in cash for one Ordinary Share on or around 9 December 2011 (the “**Subscription Share Exercise Date**”) at the relevant subscription price (the “**Subscription Price**”). The Subscription Price payable shall be US\$1.00, subject to adjustment in accordance with paragraph 2 below. The Subscription Price shall be payable in full upon subscription.
- (b) Each Subscription Share has a Subscription Right to one Ordinary Share, but the Subscription Price (and the number of Subscription Shares outstanding) will be subject to adjustment as provided in paragraph 2 below. No fraction of an Ordinary Share will be issued on the exercise of any Subscription Rights and no refund will be made to a Subscription Shareholder in respect of any part of the Subscription Price paid by that Subscription Shareholder which represents such a fraction (if any) provided that if the Subscription Rights represented by more than one Subscription Share are exercised by the same Subscription Shareholder on the Subscription Share Exercise Date then the number of Ordinary Shares to be issued to such Subscription Shareholder in relation to all such Subscription Shares exercised shall be aggregated and whether any fractions then arise shall be determined accordingly.
- (c) The Subscription Shares registered in a holder’s name will be evidenced by a Subscription Share certificate issued by the Company and, in the case of Subscription Shares in uncertificated form, by means of any relevant computer-based system enabling title to units of a security to be evidenced and transferred without a written instrument (the “**Relevant Electronic System**”). The Company shall be under no obligation to issue a Subscription Share certificate to any person holding Subscription Shares in uncertificated form.
- (d) In order to exercise the Subscription Rights, in whole or in part, which are conferred by any Subscription Shares that are in certificated form, the Subscription Shareholder must lodge the relevant Subscription Share certificate(s) (or such other document as the Company may, in its discretion, accept) at the office of the Registrars by not later than 1100 hours (or such other time as may be notified to Subscription Shareholders by the Company) on the relevant day during the period of 16 days up to and including the Subscription Share Exercise Date, having completed the notice of exercise of Subscription Rights thereon (or by giving such other notice of exercise of Subscription Rights as the Company may, in its discretion, accept) and the Certificated Subscription Share Notice in the form set out in Appendix D (the “**Certificated Subscription Share Notice**”), accompanied by a remittance for the Subscription Price for the Ordinary Shares in respect of which the Subscription Rights are exercised. Subject to paragraph 1(f), once lodged, a notice of exercise of Subscription Rights shall be irrevocable save with the consent of the Directors. Certificates representing Ordinary Shares to be issued pursuant to the exercise of Subscription Rights which are conferred by any Subscription Shares will not be delivered to any person unless and until the Company and the Registrars have received a duly signed Certificated Subscription Share Notice as set out in Appendix D containing the required representations, warranties, agreements and acknowledgments. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- (e) The Subscription Rights which are conferred by any Subscription Shares that are in uncertificated form on the relevant Subscription Share Exercise Date shall be exercisable, in whole or in part, (and treated by the Company as exercised) on the relevant Subscription Share Exercise Date if, by not later than 1500 hours (or such other time as may be notified to Subscription Shareholders by the Company) on the relevant day during the period of 16 days up to and including the Subscription Share Exercise Date, the Company (or such other person as the Company may specify) receives (i) an Uncertificated Subscription Instruction, (ii) an Uncertificated Subscription Share Notice as set out in Appendix E (the “**Uncertificated Subscription Share Notice**”); and (iii) a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Rights are being exercised, in each

case in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the facilities and requirements of the Relevant Electronic System concerned). For these purposes, an “**Uncertificated Subscription Instruction**” shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company or by such person as it may require for these purposes in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the regulations and facilities and requirements of the Relevant Electronic System). The Directors may, in addition but subject to the regulations and facilities and requirements of the Relevant Electronic System, determine when any such properly authenticated dematerialised instruction and/or other instruction or notification and any such remittance is to be treated as received by the Company or by such person as it may require for these purposes. Without prejudice to the generality of the foregoing, the effect of the Uncertificated Subscription Instruction may be such as to divest the holder of the Subscription Shares concerned of the power to transfer such Subscription Shares to another person. Subject to paragraph 1(f), once lodged, an Uncertificated Subscription Instruction shall be irrevocable save with the consent of the Directors. Ordinary Shares to be issued pursuant to the exercise of Subscription Rights which are conferred by any Subscription Shares will not be credited to any stock accounts in CREST unless and until the Company and the Registrars have received a duly signed Uncertificated Subscription Share Notice as set out in Appendix E containing the required representations, warranties, agreements and acknowledgments. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- (f) The Company reserves the right, in its sole discretion, to: (a) reject any Uncertificated Subscription Instruction, which is otherwise valid, if the Company and the Registrars do not receive a duly signed Uncertificated Subscription Share Notice in the form set out in Appendix E or in the event of a breach of any of the representations, warranties, agreements and acknowledgments set out in such Uncertificated Subscription Share Notice; or (b) reject any Certified Subscription Share Notice in the event of a breach of any of the representations, warranties, agreements and acknowledgments set out in such Certified Subscription Share Notice; or (c) treat as invalid any acceptance or purported acceptance of Subscription Shares and any subscription or purported subscription for Ordinary Shares issuable upon exercise of Subscription Rights that appears to the Company:
 - (i) to involve a potential breach or violation of the securities laws of any jurisdiction;
 - (ii) to be inconsistent with the procedures, terms and conditions set out in this document (including, as applicable, the Certificated Subscription Share Notice as set out in Appendix D and the Uncertificated Subscription Share Notice as set out in Appendix E); or
 - (iii) to purport to exclude or modify any of the representations, warranties, agreements and acknowledgments set out in the Certificated Subscription Share Notice or the Uncertificated Subscription Share Notice.
- (g) The Ordinary Shares acquired on exercise of the Subscription Rights by U.S. Persons or persons located in the United States will be in registered and certificated form. For the avoidance of doubt, any Ordinary Shares acquired on exercise of the Subscription Rights by U.S. Persons or persons located in the United States pursuant to paragraph 1(e) will be issued pursuant to paragraph 1(i).
- (h) Not earlier than 90 days nor later than 30 days before the relevant Subscription Share Exercise Date, the Company shall give notice in writing to the holders of the Subscription Shares reminding them of their Subscription Rights and, in relation to any Subscription Shares that are in uncertificated form, stating the form of Uncertificated Subscription Instruction prescribed by the Directors.
- (i) Ordinary Shares to be issued pursuant to the exercise of Subscription Rights which are conferred by any Subscription Shares that are in certificated form will be allotted not later than 14 days after and with effect from the Subscription Share Exercise Date and certificates in respect of such Ordinary Shares will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the Subscription Share Exercise Date to the person(s) in whose name(s) the Subscription Share is registered at the date of exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law

and to the payment of stamp duty reserve tax or any like tax as may be applicable) to such other persons (not being more than four in number) as may be named in the form of nomination available for the purpose from the Company's Registrars (and, if more than one, to the first-named, which shall be sufficient despatch for all).

- (j) Ordinary Shares to be issued pursuant to the exercise of Subscription Rights which are conferred by Subscription Shares that are in uncertificated form (subject to paragraph 1(g)) will be allotted not later than 14 days after and with effect from the Subscription Share Exercise Date and the Company shall procure that the appropriate instructions are given to enable such Ordinary Shares to be evidenced by means of the Relevant Electronic System as a holding of the person(s) in whose name(s) the Subscription Shares in respect of which Subscription Rights have been exercised were registered as at the date of such exercise or (subject as provided by law, to the payment of stamp duty reserve tax or any like tax as may be applicable, to such terms and conditions as the Directors may from time to time prescribe for this purpose and to the facilities and requirements of the Relevant Electronic System) to such other person(s) (not being more than four in number) as may be named in the properly authenticated dematerialised instruction and/or other instruction or notification in such form as the Company may require.
- (k) For the avoidance of doubt, unless the Directors otherwise determine or unless the regulations or the facilities or requirements of the Relevant Electronic System otherwise require, the Ordinary Shares issued on the exercise of any Subscription Rights shall be issued in certificated form where such Subscription Rights were conferred by Subscription Shares which were held in certificated form or in uncertificated form where such Subscription Rights were conferred by Subscription Shares which were held in uncertificated form (subject to paragraph 1(g)).
- (l) Ordinary Shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the Subscription Share Exercise Date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with the Ordinary Shares in issue at the Subscription Share Exercise Date, provided that, on any allotment falling to be made pursuant to paragraph 3(f) below, the Ordinary Shares to be allotted shall not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the date of actual allotment.
- (m) For so long as the Ordinary Shares are admitted to trading on the SFM and listing and trading on the Official List of the CSE, it is the intention of the Company to apply to each of the London Stock Exchange and CSE for the Ordinary Shares allotted pursuant to any exercise of Subscription Rights to be admitted to trading on the SFM and listing and trading on the Official List of the CSE, respectively, and if such an application is made the Company will use all reasonable endeavours to obtain the admissions pursuant thereto not later than 28 days after the relevant Subscription Share Exercise Date.
- (n) The Subscription Shares and the Ordinary Shares arising on the exercise of Subscription Rights have not been and will not be registered under the U.S. Securities Act and the relevant exemptions have not been and will not be obtained from the securities commission or similar regulatory authority of any province of Canada. The Ordinary Shares and Subscription Shares may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in Canada or the United States or to any citizen or resident of Canada (a "**Canadian Person**") or to any U.S. Person or to or for the benefit of any such person. Persons subscribing for Ordinary Shares in connection with the exercise of Subscription Rights shall (unless the relevant Ordinary Shares can lawfully be allotted to them) be deemed to represent and warrant to the Company that they are not Canadian Persons or U.S. Persons and that they are not subscribing for such Ordinary Shares for the account of any such person and are not subscribing with a view to the re-offer or re-sale of such Ordinary Shares, directly or indirectly, in Canada or the United States and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares in Canada or the United States or to or for the benefit of any Canadian Person or U.S. Person.
- (o) The exercise of Subscription Rights by any Subscription Shareholder or the right of such a Subscription Shareholder to receive the Ordinary Shares falling to be issued to him following the exercise of his Subscription Rights, will be subject to other such requirements, conditions, restrictions, limitations or prohibitions as the Company may at any

time impose, in its sole discretion, for the purpose of complying with the securities laws of the United States (including, without limitation, the U.S. Securities Act, the U.S. Investment Company Act, ERISA, the U.S. Tax Code and any rules or regulations promulgated thereunder) or of any other relevant jurisdiction.

2. Adjustments of Subscription Rights

The Subscription Price (and the number of Subscription Shares outstanding) shall from time to time be adjusted in accordance with the provisions of this paragraph 2 and the Company shall not take any of the actions which would require such an adjustment unless there shall be available for issue sufficient Subscription Share and Ordinary Share capital to implement such adjustment and to satisfy in full all Subscription Rights remaining exercisable without the need for passing any further resolutions of shareholders:

- (a) If on any date on or before the Subscription Share Exercise Date there shall be an alteration in the aggregate number of issued Ordinary Shares as a result of a consolidation or sub-division, the Subscription Price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate number of issued Ordinary Shares immediately prior to such alteration and the denominator shall be the aggregate number of issued Ordinary Shares immediately after such alteration, and such adjustment shall become effective on the date the alteration takes effect.
- (b) If on any date on or before the Subscription Share Exercise Date the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend), the Subscription Price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate number of issued Ordinary Shares immediately before such allotment and the denominator shall be the aggregate number of issued and allotted Ordinary Shares immediately after such allotment and such adjustment shall become effective as at the date of allotment of such Ordinary Shares.
- (c) If on a date (or by reference to a record date) on or before the Subscription Share Exercise Date, the Company makes any offer or invitation (whether by way of rights issue or otherwise but not being an offer to which paragraph 3(f) below applies or an offer made in connection with scrip dividend arrangements) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3(f) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able (and subject to applicable law), procure that at the same time the same offer or invitation is made to the then Subscription Shareholders as if their Subscription Rights had been exercisable and had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to paragraphs 2(a) to (f)) on which the same could have been exercised on that date, provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then Subscription Shareholders but the Subscription Price shall be adjusted: (i) in the case of an offer of new Ordinary Shares for subscription by way of rights (a **“Rights Offer”**) at a price less than the market price of an Ordinary Share at the date of announcement of the terms of the offer, by multiplying the Subscription Price by a fraction of which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the total number of new Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue on the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription; (ii) in the case of a Rights Offer at a price less than the net asset value of an Ordinary Share at the date of announcement of the terms of the offer, or such other date as may be specified for this purpose by the Board, the formula in (i) shall apply save that the references to market price shall be substituted by references to net asset value; and (iii) in any other case, in such manner as the independent financial advisers appointed by the Board shall report in writing to be fair and reasonable. Any such adjustments shall become effective, in the case of (i) and (ii) above, as at the date of allotment of the new Ordinary Shares which are the subject of the offer or invitation and, in the case of (iii) above, as at the date determined by the independent financial

advisers appointed by the Board. For the purposes of this paragraph 2, paragraph 3 and paragraph 4 below “**market price**” shall mean the average of the middle market quotations (as derived from the Relevant Exchange) for one Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained, making an appropriate adjustment if the Ordinary Shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant dealing days, *pari passu* as to dividends or other distributions with the Ordinary Shares in issue on those days and “**net asset value**” shall mean the value of the Company’s assets (excluding revenue items for the current financial year) minus all prior charges at their par value and costs of the Rights Offer.

- (d) No adjustment will be made to the Subscription Price pursuant to paragraphs 2(a), (b) or (c) above (other than by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above) if it would result in an increase in the Subscription Price and, in any event, no adjustment will be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 2(d)) be less than 1 per cent. of the Subscription Price then in force and on any adjustment the adjusted Subscription Price will be rounded down to the nearest whole US cent. Any adjustment not so made and any amount by which the Subscription Price is rounded down will be carried forward and taken into account in any subsequent adjustment.
- (e) Whenever the Subscription Price is adjusted as provided in accordance with paragraphs 2(a) to (d) above (other than by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above), the Company shall issue, for no payment, additional Subscription Shares, credited as fully paid, to each Subscription Shareholder at the same time as such adjustment takes effect. The number of additional Subscription Shares to which a Subscription Shareholder will be entitled shall be the number of existing Subscription Shares held by them multiplied by the fraction $(A-B)/B$ where A = the Subscription Price which would have been payable if the Subscription Rights had been exercisable and had been exercised immediately prior to the relevant adjustment pursuant to paragraph 2(a) to (d) above and B = the Subscription Price as adjusted pursuant to paragraph 2(a) to (d) above. Fractions of Subscription Shares will not be allotted to holders of Subscription Shares but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the Subscription Shareholders entitled thereto at the risk of such persons, save that amounts of less than US\$5.00 will be retained for the benefit of the Company. Subscription Share certificates relating to such additional Subscription Shares will be issued within 21 days of the said adjustment taking effect or the Company will procure that appropriate instructions are given to enable the adjustment to be made to each Subscription Shareholder’s holding of Subscription Shares in the Relevant Electronic System. Where relevant, the Directors shall, and are hereby authorised to, capitalise any part of the amount then standing to the credit of any of the Company’s reserve accounts (whether or not the same would lawfully be distributable by way of cash dividend) or to the credit of the share premium account, capital redemption reserve, profit and loss account or otherwise available for the purpose and the same shall be applied in paying up in full at par the additional Subscription Shares so created and to be issued as provided in this paragraph 2(e). Any restrictions and limitations in the Articles relating to capitalisation issues generally shall not apply to any capitalisation or creation or issue of shares pursuant to this paragraph.
- (f) Whenever the Subscription Price is adjusted in accordance with this paragraph by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above, the number of Ordinary Shares into which each holder of Subscription Shares is entitled to convert such Subscription Shares will be reduced accordingly.
- (g) The Company shall give notice to holders of Subscription Shares within 28 days of any adjustment made pursuant to paragraphs 2(a) to (f) above.

- (h) If a holder of Subscription Shares shall become entitled to exercise his Subscription Rights pursuant to paragraph 3(f) below, the Subscription Price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the independent financial advisers appointed by the Board in accordance with the following formula:

$$A = (B+C) - D$$

where:

A = the reduction in the Subscription Price;

B = the Subscription Price which would, but for the provisions of this paragraph 2(h), be applicable (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above) if the Subscription Rights were exercisable on the date on which the Company shall become aware as provided in paragraph 3(f) below;

C = the average of the middle market quotations (as derived from the Relevant Exchange) for one Subscription Share for the 5 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(f) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D = the average of the middle market quotations (as derived from the Relevant Exchange) for one Ordinary Share for the 5 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(f) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made,

provided that:

no adjustment shall be made to the Subscription Price where the value of D exceeds the aggregate value of B and C in the above formula.

The notice required to be given by the Company under paragraph 3(f) below shall give details of any reduction in the Subscription Price pursuant to this paragraph 2(h).

- (i) For the purpose of determining whether paragraph 3(h) below shall apply and accordingly whether each holder of a Subscription Share is to be treated as if his Subscription Rights had been exercisable and had been exercised as therein provided, the Subscription Price which would have been payable on such exercise shall be reduced by an amount determined by the independent financial advisers appointed by the Board in accordance with the following formula:

$$A = (B+C) - D$$

where:

A = the reduction in the Subscription Price;

B = the Subscription Price which would, but for the provisions of this paragraph 2(i), be applicable (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above) if the Subscription Rights were exercisable on the date on which the order or the effective resolution referred to in that paragraph shall be made or passed (as the case may be);

C = the average of the middle market quotations (as derived from the Relevant Exchange) for one Subscription Share for the 5 consecutive dealing days ending on the dealing day immediately preceding the earliest of the following dates: (i) the date of an announcement by the Board of their intention to convene a general meeting for the purpose of passing a resolution, or to present a petition for a court order, to wind-up the Company, (ii) the date of the notice of a general meeting convened for the purpose of passing a resolution to wind up the Company, (iii) the date of commencement of the winding-up of the Company by the court; and (iv) the date of suspension by the Relevant Exchange of dealings in the Subscription Shares prior to the making of any such announcement by the Board; and

D = the amount (as determined by the independent financial advisers appointed by the Board) of the assets available for distribution in the liquidation of the Company in respect of each Ordinary Share, taking into account for this purpose the Ordinary Shares which would arise on exercise of all the Subscription Rights and the Subscription Price which would be payable on the exercise of such Subscription Rights (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above but ignoring any adjustment to be made pursuant to this paragraph 2(i)),

provided that no adjustment shall be made to the Subscription Price where the value of D exceeds the aggregate value of B and C in the above formula.

- (j) Where an event which gives or may give rise to an adjustment to the Subscription Price occurs whether in such proximity in time to another such event or otherwise in circumstances such that the Company in its absolute discretion determines that the foregoing provisions need to be operated subject to some modification in order to give a result which is fair and reasonable in all the circumstances such modification shall be made in the operation of the foregoing provisions as may be advised by the independent financial advisers appointed by the Board to be in their opinion appropriate in order to give such a result.

3. Other Provisions

So long as any Subscription Rights remain capable of exercise:

- (a) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders):
 - (i) subject to paragraph 3(i) below make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares;
 - (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares *pro rata* to their existing holdings or at the election of the holders of Ordinary Shares instead of cash in respect of all or part of a dividend or dividends; or
 - (iii) on or by reference to a record date falling within the period of six weeks ending on the Subscription Share Exercise Date, make any such allotment as is referred to in paragraph 2(b) above or any such offer or invitation as is referred to in paragraph 2(c) above (except by extending to the Subscription Shareholders any such offer or invitation);
- (b) subject to paragraph 4 below, the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders) in any way modify the rights attached to its existing Ordinary Shares as a class, or create or issue any new class of its issued share capital (excluding any part of that capital that, neither as respects dividends nor as respects capital, carries any right to participate beyond a specific amount in a distribution) except for shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital (save as to the date from which such new shares shall rank for dividends or distributions), provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital;
- (c) the Company shall not (except with the sanction of a special resolution of the holders of the Subscription Shares or for a reduction not involving any payment to Shareholders) reduce any of its share capital, any uncalled or unpaid liability in respect of any of its share capital or any of its non-distributable reserves provided that the Company shall not be restricted by this paragraph 3(c) from reducing its share capital and from cancelling or reducing any other non-distributable reserve in connection with, or from making, any purchase of (i) Ordinary Shares at prices below the net asset value per Ordinary Share as envisaged by paragraph 3(i) below or (ii) Subscription Shares as envisaged by paragraph 6 below;
- (d) the Company shall not (except with the sanction of a special resolution of the holders of the Subscription Shares) change its financial year end from 31 December (except to a date falling within seven days before or after 31 December);

- (e) the Company shall not grant (or agree to grant) any option in respect of, or create any rights of conversion for, any Ordinary Shares if to do so would result in the number of Ordinary Shares over which such options or rights of conversion are proposed to be granted, together with the number of Ordinary Shares over which options or rights of conversion (including those of the Subscription Shares) are subsisting at the date of such grant or creation, would exceed in the aggregate 20 per cent. of the number of Ordinary Shares (excluding any treasury shares) then in issue, nor (except with the sanction of a special resolution of the Subscription Shareholders) will the Company grant (or offer or agree to grant) any such option in respect of, or create any such rights of conversion for, or issue any securities or loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the Subscription Price for the time being;
- (f) subject as provided in paragraph 3(g) below, if at any time an offer is made to all holders of Ordinary Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued Ordinary Share capital of the Company and the Company becomes aware on or before the Subscription Share Exercise Date that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the Subscription Shareholders of such vesting or pending vesting within 14 days of its becoming so aware, and each such Subscription Shareholder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his Subscription Rights on the terms (subject to any adjustments pursuant to paragraphs 2(a) to 2(f) and subject to paragraph 2(h) above) on which the same could have been exercised if they had been exercisable and had been exercised on the date on which the Company shall become aware as aforesaid. The publication of a scheme of arrangement under Part VIII of the Companies Laws providing for the acquisition by any person of the whole or any part of the issued Ordinary Share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3(f) and reference herein to such an offer shall be read and construed accordingly;
- (g) if under any offer as referred to in paragraph 3(f) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available to Subscription Shareholders an offer of securities to subscribe for ordinary shares in the offeror in exchange for the Subscription Shares, which the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to such financial advisers to be relevant), then a Subscription Shareholder shall not have the right to exercise his Subscription Rights on the basis referred to in paragraph 3(f) above and, subject to the offer as referred to in paragraph 3(f) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued Ordinary Share capital of the Company not already owned by it or its associates, any Director shall be irrevocably authorised as attorney for the holders of Subscription Shares who have not accepted the offer of securities to subscribe for ordinary shares in the offeror in exchange for the Subscription Shares (subject to applicable law):
 - (i) to execute a transfer of the Subscription Shares held by such holders in favour of the offeror in respect of Subscription Shares which are in certificated form or to take or procure the taking of such action as shall be required in accordance with and subject to the Regulations and the facilities and requirements of the relevant system concerned in respect of Subscription Shares which are in uncertificated form in consideration of the issue of securities to subscribe for ordinary shares in the offeror as aforesaid whereupon all the Subscription Shares shall lapse; and
 - (ii) to do such acts and things as may be necessary or appropriate in connection therewith including to take account of the fact that Subscription Shares may be held in uncertificated form;
- (h) if:
 - (i) an order is made or an effective resolution is passed for winding-up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by a special resolution of the Subscription Shareholders); and

- (ii) in such winding-up and on the basis that all Subscription Rights then unexercised had been exercised in full and the Subscription Price in respect thereof at the relevant Subscription Share Exercise Date had been received in full by the Company there would be a surplus available for distribution amongst the holders of the Ordinary Shares, including for this purpose the Ordinary Shares which would arise on exercise of all the Subscription Rights (taking into account any adjustments pursuant to paragraphs 2(a) to 2(f) and 2(i) above), which surplus would, on such basis, exceed in respect of each Ordinary Share a sum equal to such Subscription Price,

each Subscription Shareholder shall be treated as if immediately before the date of such order or resolution (as the case may be) his Subscription Rights had been exercisable and had been exercised in full on the terms (subject to any adjustments pursuant to paragraphs 2(a) to 2(f) and 2(i) above) on which the same could have been exercised if they had been exercisable and had been exercised in full but at any reduced Subscription Price immediately before the date of such order or resolution (as the case may be), and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such sum as they would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the Subscription Price (subject to any adjustments pursuant to paragraphs 2(a) to 2(f) and 2(i) above). Subject to the foregoing, all Subscription Rights shall lapse on liquidation of the Company; and

- (i) notwithstanding paragraphs 3(a) to (h) above, the Company may, without the sanction of a special resolution of the Subscription Shareholders:
 - (i) purchase any of its own equity share capital (whether by tender, by private treaty or through the market);
 - (ii) hold its Ordinary Shares in treasury and sell any such Ordinary Shares held in treasury; and
 - (iii) effect a reduction in its share premium account or capital redemption reserve unless prohibited by paragraph 3(c) above.

4. Issue of C Shares

- (a) Notwithstanding the provisions of paragraph 3 above, a Qualifying C Share Issue (as defined in (b) below) shall not constitute a modification, alteration or abrogation of the rights attached to the Subscription Shares (and shall not require the sanction of a special resolution of the Subscription Shareholders) even though it may involve modification of the rights attached to the existing Ordinary Shares of the Company or the creation or issue of a new class of equity share capital if the Directors are of the opinion (having regard to all the circumstances) that such issue should not have any material dilutive effect on the NAV per Ordinary Share.
- (b) For this purpose, a “Qualifying C Share Issue” means an issue by the Company of shares which will, within one year of the date of issue thereof, be converted into Ordinary Shares ranking *pari passu* in all respects with the Ordinary Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of Subscription Shares (whether on the same terms and conditions as the Subscription Shares or otherwise) and any matters reasonably incidental to the process by which such shares are converted into Ordinary Shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase, redemption or cancellation of any share capital of the Company, including share capital with preferred or deferred rights.

5. Modification of Rights

All or any of the rights for the time being attached to the Subscription Shares may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of a special resolution of the Subscription Shareholders.

6. Purchase

The Company and its subsidiaries shall have the right to purchase Subscription Shares in the market, by tender or by private treaty, but:

- (a) such purchases will be limited to the maximum price per Subscription Share (exclusive of expenses) equal to 105 per cent. of the average market value of the Subscription Shares for the 5 Business Days prior to the date on which the purchase is made; and
- (b) if such purchases are by tender, such tender will, subject to such exceptions as the Directors may consider appropriate to ensure compliance by the Company with all applicable laws and regulations, be available to all Subscription Shareholders alike.

All Subscription Shares so purchased shall forthwith be cancelled and shall not be available for re-issue or resale.

7. Transfer

Each Subscription Share will be in registered form and will be transferable:

- (a) in the case of Subscription Shares held in certificated form, by an instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors; and
- (b) in the case of Subscription Shares held in uncertificated form, by giving the appropriate instructions for transfer by means of the Relevant Electronic System.

Transfers of Subscription Shares shall be subject to the restrictions contained in the section headed “Purchase and transfer restrictions” of Part IV of this document.

No transfer of a fraction of a Subscription Share may be effected.

8. General

- (a) The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each Subscription Shareholder (or, in the case of joint holders, to the first named) a copy of each published annual report and accounts of the Company (or such abbreviated or summary financial statement sent to holders of Ordinary Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of Ordinary Shares.
- (b) For the purposes of these conditions, “**special resolution of the Subscription Shareholders**” means a resolution proposed at a meeting of the Subscription Shareholders duly convened and quorate and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.
- (c) Subject as provided in paragraph 7, the provisions of the Articles relating to notice of meetings, untraced members, lost certificates and the registration, transfer and transmission of Ordinary Shares shall, mutatis mutandis, apply to the Subscription Shares as if they were Ordinary Shares.
- (d) Any determination or adjustment made pursuant to these terms and conditions by the independent financial advisers appointed by the Board shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the Subscription Shareholders.
- (e) Any references in these particulars to a statutory provision shall include that provision as from time to time modified or re-enacted.
- (f) Subject to paragraph 3(h) above, Subscription Shares carry no right to any dividend or other distribution by the Company and (save to the extent that the Directors elect in connection with an exercise of Subscription Rights as provided in paragraph 8(g) below) no right to be redeemed (although the Company may elect to purchase

Subscription Shares pursuant to paragraph 6). Subscription Shareholders are not entitled to attend or vote at meetings of Class A Shareholders or Ordinary Shareholders and, save as provided in paragraph 3(h) above, have no right to share in any surplus in the event of liquidation.

- (g) Subscription Rights shall be effected in accordance with this paragraph 8(g) or in such manner as may be authorised by law. For the purposes of this paragraph 8(g) the “**Relevant Shares**” shall mean those Subscription Shares in respect of which Subscription Rights are exercised.

- (i) To enable such subscription to be effected, the Directors may determine to redeem for one cent (or such other amount as they consider appropriate) the Relevant Shares on the Subscription Share Exercise Date out of profits or other assets of the Company which would otherwise be available for dividend. In the event that the Directors determine to redeem the same for one cent (or such other amount as they consider appropriate) a Relevant Share shall confer upon the holder thereof the right to subscribe for, and shall authorise the secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder’s behalf for, one Ordinary Share at such price as shall represent the aggregate of:

- (a) the Subscription Price, and
- (b) the amount of the redemption moneys (if any) to which the holder is entitled,

and, in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.

- (ii) To enable such subscription to be effected, the Directors may determine to redeem for one cent (or such other amount as they may consider appropriate) the Relevant Shares on the Subscription Share Exercise Date out of the proceeds of a fresh issue of Ordinary Shares. In the event that the Directors determine to redeem the same for one cent (or such other amount as they may consider appropriate) out of such proceeds, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and shall authorise the secretary of the company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder’s behalf for, one Ordinary Share at such price as shall represent the aggregate of:

- (a) the Subscription Price, and
- (b) the amount of the redemption moneys to which the holder is entitled,

and, in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.

- (iii) In relation to any Relevant Shares that are to be redeemed in accordance with paragraph 8(g)(i) or 8(g)(ii) and that are, on the Subscription Share Exercise Date, in uncertificated form, the Directors shall be entitled in their absolute discretion to determine the procedures for the redemption of such Relevant Shares (subject always to the facilities and requirements of the Relevant Electronic System and the Regulations). Without prejudice to the generality of the foregoing, the procedures for the redemption of any such Relevant Shares may involve or include the sending by the Company or by any person on its behalf of an issuer instruction to the operator of Relevant Electronic System requesting or requiring the deletion of any computer based entries in the relevant system concerned that relate to the holding of the Relevant Shares concerned, and/or the Company may, if the Directors so determine (by notice in writing to the holder concerned), require the holder of the Relevant Shares concerned to change the form of the Relevant Shares from uncertificated form to certificated form prior to the Subscription Share Exercise Date concerned (and in such case, shall determine the procedure for such redemption).

- (iv) To enable any subscription to be effected in accordance with paragraph 8(g) the Directors are authorised, where relevant, to capitalise any part of the amount then standing to the credit of any of the Company’s reserve accounts (whether or not the same would lawfully be distributable by way of cash dividend) or to the

credit of the share premium account, capital redemption reserve, profit and loss account or otherwise available for the purpose and the same shall be applied in paying up in full at par shares to be allotted and issued, credited as fully paid, to and amongst the holders of the Subscription Shares exercising their Subscription Rights in accordance with their respective entitlements. Any restrictions and limitations in the Articles relating to capitalisation issues generally shall not apply to any capitalisation or creation or issue of shares pursuant to this paragraph 8(g).

- (v) Where the Subscription Rights attaching to any Subscription Shares have lapsed in accordance with the provisions of the Articles, such Subscription Shares will be reclassified as deferred shares (“**Deferred Shares**”) or shall otherwise be dealt with in such lawful manner as the Directors consider appropriate.
- (h) The Directors may make such arrangements or regulations (if any) as they may from time to time in their absolute discretion think fit in relation to the evidencing, issue, conversion and transfer of uncertificated Subscription Shares, the payment of any monies in respect of uncertificated Subscription Shares and otherwise for the purpose of implementing and/or supplementing the provisions of the Articles and the Regulations and the facilities and requirements of the relevant system concerned; and such arrangements and regulations (as the case may be) shall have the same effect as if set out in the Articles.

9. Deferred Shares

- (a) The Deferred Shares, if any, arising on the lapse of Subscription Rights, shall on a return of assets in a winding-up entitle the holder only to the repayment of the amounts paid up on such shares after repayment of the capital paid up on the Ordinary Shares plus the payment of US\$5,000 on each Ordinary Share and shall not entitle the holder to the payment of any dividend nor to receive notice of or to attend or vote at any general meeting of the Company and such conversion shall be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of the holders of such shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof, to such person as the Company may determine as custodian thereof and to cancel and/or purchase the same (in accordance with the provisions of the Companies Laws) without making any payment to or obtaining the sanction of the holder thereof and pending such transfer and/or cancellation and/or purchase to retain the certificate for such shares.
- (b) The Company may at its option at any time after the creation of any Deferred Shares redeem all or any of the Deferred Shares then in issue, at a price not exceeding one cent for all the Deferred Shares redeemed, at any time upon giving the registered holder(s) of such share or shares not less than 28 days’ previous notice in writing of its intention so to do, fixing a time and place for their redemption.
- (c) If and whenever the Company shall determine to redeem pursuant to the foregoing paragraph less than the total of the Deferred Shares then outstanding, those to be redeemed shall be selected by the drawing of lots. At the time and place so fixed, each such registered holder shall be bound to surrender to the Company the certificate for their Deferred Share or Deferred Shares which are to be redeemed in order that such shares may be cancelled.

Part VI Additional Information

1. Incorporation and administration

- 1.1 The Company was incorporated with liability limited by shares in Guernsey under the Companies Laws on 20 April 2010 with registered number 51774 as a closed-ended investment company registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Registered Collective Investment Scheme Rules 2008 issued by the GFSC. The registered office and principal place of business of the Company is BNP Paribas House, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 1WA, and the telephone number +44 (0) 4 8175 0800. The statutory records of the Company will be kept at this address. The Company operates under the Companies Laws and ordinances and regulations made thereunder and has no employees.
- 1.2 The Directors confirm that the Company has not traded or commenced operations and that, as at the date of this document, no accounts of the Company have been made up since its incorporation on 20 April 2010. The Company's accounting period will end on 31 December of each year, with the first year end on 31 December 2010.
- 1.3 KPMG Channel Islands Limited has been the only auditor of the Company since its incorporation. KPMG Channel Islands Limited is a member of the Institute of Chartered Accountants of England & Wales.
- 1.4 The annual report and accounts will be prepared according to U.S. GAAP.
- 1.5 Save for its entry into the material contracts summarised in paragraph 6 of this Part VI and certain non-material contracts, since its incorporation the Company has not carried on business, incurred borrowings, issued any debt securities, incurred any contingent liabilities or made any guarantees, nor granted any charges or mortgages.
- 1.6 As at the date of this document, there have been no changes to the issued share capital of the Company since incorporation.
- 1.7 There has been no significant change in the financial or trading position of the Company since its incorporation.

2. Share capital

- 2.1 The share capital of the Company consists of: (a) 10,000 Class A Shares of par value US\$1.00 each (which carry extensive voting rights); and (b) an unlimited number of shares of no par value which may upon issue be designated as Ordinary Shares or Subscription Shares (each of which carry limited voting rights) or Capital Distribution Shares. Notwithstanding this, a maximum number of 1,000,000,000 Ordinary Shares will be issued pursuant to the Issue.
- 2.2 As at the date of incorporation and as at the date of this document, the Company's issued and fully paid up share capital is US\$2.00 representing the issue of two Class A Shares of par value US\$1.00 each. If Admission had taken place on the date of incorporation (and assuming that 150,000,000 Ordinary Shares had been issued pursuant to the Issue), the Issue would have increased the net assets of the Company by US\$147,000,000¹ and would have been earnings neutral.
- 2.3 As at the date of this document, the entire issued share capital of the Company comprising two Class A Shares of US\$1.00 par value is held by the Trustee.
- 2.4 Both of the Class A Shares in issue will be held by the Trustee following Admission. For further information on the rights attaching to Ordinary Shares and Class A Shares, please refer to paragraph 5 below. For more information on the Subscription Shares see Part V.

¹ Assuming Issue expenses of US\$3,000,000

- 2.5 By virtue of the Trustee's holding of Class A Shares described in paragraph 2.4 of this Part VI above, the Trustee, save as disclosed elsewhere in this document and subject to the Articles (a summary of which is set out at paragraph 5 below) may exercise direct control over the Company. The Articles seek to prevent the abuse of such control by reserving certain matters, including any adverse change to the rights attaching to the Ordinary Shares, to the Ordinary Shareholders voting at a separate meeting of the Ordinary Shareholders. Insofar as is known to the Company, as at the date of this document, no person will be directly or indirectly interested in ten per cent. or more of the Ordinary Shares or Subscription Shares following Admission.
- 2.6 The Ordinary Shares and Subscription Shares have been issued and created in accordance with the Articles and the Companies Laws.
- 2.7 The Issue Shares are in registered form and, from Admission, will be capable of being held in uncertificated form and title to such Issue Shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where the Issue Shares are held in certificated form, share certificates will be sent to the registered members or their nominated agent (at their own risk) within 10 days of the completion of the registration process or transfer, as the case may be, of the Issue Shares. Where Issue Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The Registrar, whose registered address is set out on page 47 of this document, maintains a register of Shareholders holding their Issue Shares in CREST.
- 2.8 Pursuant to the Articles, the Company may from time to time by ordinary resolution of the Class A Shareholders increase its share capital by such sum, to be divided into shares of such new or existing class and amount, as the resolution shall prescribe. In addition, the Company may by ordinary resolution:
- 2.8.1 consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
 - 2.8.2 sub-divide its Shares, or any of them, into Shares of smaller amount than is fixed by the Memorandum, so, that in such sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in the case of the Share from which the reduced Share is derived;
 - 2.8.3 cancel any Shares which, at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its Share capital by the amount of the Shares so cancelled;
 - 2.8.4 convert the whole, or any particular class, of its Shares into redeemable shares;
 - 2.8.5 issue shares which shall entitle the holder to no voting right or entitle the holder to a restricted voting right;
 - 2.8.6 convert all or any of its fully paid Shares the nominal amount of which is expressed in a particular currency into fully paid shares of a nominal amount of a different currency, the conversion being effected at the rate of exchange (calculated to not less than 3 significant figures) current on the date of the resolution or on such other day as may be specified therein; and
 - 2.8.7 where its share capital is expressed in a particular currency or former currency, denominate or redenominate it, whether by expressing its amount in units or subdivisions of that currency or former currency, or otherwise.
- In each case the Company may require the consent of the Subscription Shareholders by way of a special resolution where any of the matters in this paragraph 2.8 fall within paragraph 3 of Part V of this document.
- 2.9 None of the actions specified in paragraph 2.8 above shall be deemed an action requiring the approval of Ordinary Shareholders pursuant to the rights attached to those Ordinary Shares.
- 2.10 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

3. Directors' and other interests

- 3.1 As at the date of this document, none of the Directors or any person connected with any of the Directors has a shareholding or any other interest in the share capital of the Company. Each of Michael Holmberg and Patrick Flynn intends, subject to compliance with legal and regulatory requirements, to subscribe for at least 100,000 Ordinary Shares pursuant to the Placing and/or the Offer at the Issue Price and such applications are expected to be met in full. The other Directors and their connected persons may, however, subscribe for Ordinary Shares and Subscription Shares pursuant to the Placing and/or Offer.
- 3.2 As at the date hereof, insofar as is known to the Company, no person is or will, immediately following the Issue, be directly or indirectly interested in 3 per cent. or more of the Company's capital.
- 3.3 Under the Investment Management Agreement, the Investment Manager has the right to appoint two directors to the Board. As at the date of this document, the directors so appointed by the Investment Manager are Michael Holmberg and Patrick Flynn.
- 3.4 As employees of the Sub-Investment Manager, each of Michael Holmberg and Patrick Flynn are interested in the Investment Management Agreement, and the Sub-Investment Management Agreement.
- 3.5 There are no outstanding loans from the Company to any of the Directors or any outstanding guarantees provided by the Company in respect of any obligation of any of the Directors.
- 3.6 The aggregate remuneration and benefits in kind of the Directors in respect of the Company's accounting period ending on 31 December 2010 which will be payable out of the assets of the Company are not expected to exceed US\$200,000. Each of the Directors will be entitled to receive US\$45,000 per annum other than the Chairman who will be entitled to receive US\$60,000 per annum and the chairman of the Audit Committee who will be entitled to receive an additional fee of US\$5,000 per annum. Each of Michael Holmberg and Patrick Flynn has agreed to waive his director fee. No amount has been set aside or accrued by the Company to provide pension, retirement or other similar benefits.
- 3.7 No Director has a service contract with the Company, nor are any such contracts proposed. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (i) written resignation; (ii) unauthorised absences from board meetings for 12 months or more; (iii) written request of the other Directors; and (iv) a resolution of the Class A Shareholders.
- 3.8 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- 3.9 None of the Directors has, or has had, an interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.
- 3.10 Pursuant to an instrument of indemnity entered into between the Company and each Director, the Company has undertaken, subject to certain limitations, to indemnify each Director out of the assets and profits of the Company against all costs, charges, losses, damages, expenses and liabilities arising out of any claims made against him in connection with the performance of his duties as a Director of the Company.
- 3.11 In addition to their directorships of the Company, the Directors hold or have held the directorships and are or were members of the partnerships, as listed in the table below, over or within the past five years. Details of the directorships that are held and have been held in the past five years by any Director will also be made available to any subscriber or potential subscriber at the registered office of the Company.

Name	Current directorships/partnerships	Past directorships/partnerships
Robin Monro-Davies	Blakeney Management AXA UK Plc HSBC Bank Plc Thomas Murray AXA Tech BigIssueInvest Company Limited	Fitch Ratings Limited Fitch IBCA Sovereign Ratings Limited Fitch France S.A. Pakistan Credit Rating Agency Fitch South Africa (Pty) Limited Fitch Singapore Pte Limited

Name	Current directorships/partnerships	Past directorships/partnerships
Talmai Morgan	Assured Guaranty Company Limited North American Banks Fund Limited Assured Guaranty Limited China Export Finance The Ukraine Opportunities Trust Plc	IBCA Insurance Ratings Limited Inter Arab Rating Company Maghreb Rating Fitch Inc. Fitch Information Inc Nile Rating Fimalac SA New Flag UK Holdings Limited Fitch Holdings A.G. Fitch Deutschland GmbH PeopleRisk Limited Binley Management Limited Core Ratings MergerMarket Limited Forbes CP Limited Binley Limited AXA Asia Pacific Holdings Lay Properties European Equity Tranche Income Limited
	AnaCap Atlantic Co-Investment GP Limited AnaCap Derby Co-Investment GP Limited AnaCap FP Debt Opportunities GP Limited AnaCap FP GP Limited AnaCap FP GP II Limited Altius Associates GP Limited Altius Select Europe (GP) Limited BH Global Limited BH Macro Limited Bourse Trust Company Limited Close European Accelerated Fund Limited EuroDekania Limited Glebe Central Cross Limited Glebe London Limited Goldman Sachs Dynamic Opportunities Limited Mont Hubert Limited NB Private Equity Partners Limited NB PEP Holdings Limited NB PEP Investments Limited NB PEP Investments LP Limited Queen's Walk Investment Limited Sherborne Investors (Guernsey) A Limited Signet Global Fixed Income Strategies Limited Star Asia Finance, Limited TCR1 Limited TCR2 Limited The Emotional Assets Fund 1 Limited Third Point Offshore Independent Voting Company Limited Therium Holdings Limited Trebuchet Finance Limited	BRIX Global Investments Limited European Investment Holdings (Guernsey) Limited European Investments (Guernsey) Limited Mayven International Limited Mayven UK plc NB PEP GP Limited Peak Asia Properties Limited PSource Asian Recovery Limited Prodesse Investment Limited

Name	Current directorships/partnerships	Past directorships/partnerships
John Hallam	Barclays Insurance Guernsey PCC Limited Baring Coller Secondaries Fund Limited Baring Coller Secondaries Fund II Limited BH Global Limited Bracken Partners Investments Channel Islands Limited Calabash House Limited Cazenove Absolute Equity Limited Cognetas European Fund (GP) Limited Cognetas European Fund II (GP) Limited Develica Asia Pacific Limited Develica Asia Pacific Real Estate Fund (GP) Limited Develica Deutschland Limited Develica Equity Partners Limited Develica Germany (GP) Limited Dexion Absolute Limited EFG Private Bank (Channel Islands) Limited Emperor Marine Limited Genesis Administration Limited Genesis Asset Managers LLP Genesis Taihei Investments LLC HSBC Infrastructure Co Limited Investec Expert Investment Funds PCC Limited Investec Global Energy Long Short Fund Limited Investec Premier Funds PCC Limited Les Grandes Moulins Limited NB PEP Holdings Limited NB PEP Investments Limited NB PEP Investments LP Limited NB Private Equity Partners Limited Olivant Limited Partners Group Global Opportunities Limited Partners Group Prime Yield sarl Sienna Investment Co Limited Sienna Investment Co 2 Limited Sienna Investment Co 3 Limited Sienna Investment Co 4 Limited Standard Life Investments Property Income Trust Limited Standard Life Investments Property Holdings Limited Stapleford Insurance Co Limited Tapestry Investment Co PCC Limited Weightman Vizards Insurance Limited	Abroad Spectrum PCC Limited Anfre Insurance PCC (Guernsey) Limited Bordeaux Services (Guernsey) Limited BSkyB Guernsey Limited CEDR Investment Company Limited Ciel Bleu Limited Ciel Clair Limited Ciel Gris Limited Ciel Nuageux Limited Ciel Orangeux Limited Ciel Voilé Limited Danube Property Investments Limited EFG Eurobank Ergasias International (CI) Limited EFG Offshore Limited Electra Bridge Co Limited Genesis Assets Managers LLP Genesis Emerging Markets Investment Co SICAV Genesis Emerging Markets Opportunities Fund Limited Genesis Emerging Markets Opportunities Fund Limited II Genesis Emerging Markets Opportunities Fund Limited III Genesis Investments Limited Genesis Pacific Management Limited Genesis Smaller Companies SICAV Genesis Taihei Investments Limited Gironde Limited Guernsey Financial Services Commission Harle Syke Limited Harlequin Insurance PCC Limited HedgeFirst Limited Investec Emerging Markets Currency Alpha Fund Limited Lehman Brothers PEP Holdings II Limited Les Echelons 1 Limited Les Echelons II Limited M&G Recovery Investment Co Limited Mannequin Insurance PCC Limited NB PEP GP Limited New Star RBCHedge 250 Index Exchange Traded Securities PCC Limited Partners Group Alternative Strategies PCC Limited Septup Limited TwentytwoColomberie Limited Prodesse Investment Limited

Name	Current directorships/partnerships	Past directorships/partnerships
Christopher Sherwell	Burnaby Insurance (Guernsey) Limited Schroder Oriental Income Fund Limited Consulta (Channel Islands) Limited Consulta Alternative Strategy Fund PCC Ltd Consulta Capital Fund PCC Limited Consulta Collateral Fund PCC Limited Consulta High Yield Fund PCC Limited Consulta Canadian Energy Fund Limited Dexion Equity Alternative Limited IRP Property Investments Limited The Prospect Japan Fund Limited The Clifford Estate Company Limited The Clifford Estate (Chattels) Limited Hermes Commodities Umbrella Fund Limited Strategic Investment Portfolio GP Limited FF&P Alternative Strategy PCC Ltd Corazon Capital Group Limited DP Property Europe Limited Henderson Global Property Companies Limited Goldman Sachs Dynamic Opportunities Limited Rufford & Ralston PCC Limited Saltus European Debt Strategies Limited NB Private Equity Partners Limited Raven Russia Limited Baker Steel Resources Trust Limited	Corazon Capital Group Limited Mid Europa III Management Limited EMP Europe (CI) Limited JP Morgan Progressive Multi-Strategy Fund Limited New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited Hermes Absolute Return Fund (Guernsey) Limited NB PEP GP Limited Alternative Asset Opportunities PCC Limited Henderson Global Property Companies (Luxembourg) Sarl Ciel Bleu Limited Ugbrooke Properties Limited BSKyB Guernsey Limited Ciel Clair Limited Ciel Gris Limited Ciel Nuageux Limited Ciel Orageux Limited Ciel Voilé Limited Schroders (C.I.) Limited Fox Paine Guernsey GP Limited GSC Credit Limited BSKyB Malta 1 Limited BSKyB Malta 2 Limited BSKyB Malta 3 Limited BSKyB Investments (Guernsey) LLP GAM Diversity III Inc GAM Composite Bond Inc GAM Composite Preservation Plus Inc GAM MP Liquidity Plus Inc GAM MP Relative Value Inc GAM AmalGAMs SPC Inc GAM MP Asia Pacific Equity Inc GAM MP European Equity Inc GAM MP US Equity Inc GAM Equity One Inc GAM European Focus Inc Diversified Alpha Select Z Inc GAM Institutional Alpha Strategies Inc GAM MP US Equity Relative Return Inc GAM Multi-Commodities Inc Alpha Spectrum Inc GAM Alpha Select Inc Select Alternative Investments Inc GAM MP Multi-Europe Inc GAM MP Multi-Japan Inc GAM MP Multi-Asia Pacific Inc

Name	Current directorships/partnerships	Past directorships/partnerships
		GAM MP Multi-Emerging Markets Inc GAM Multi-Japan Inc GAM Multi-North America Inc GAM Trading (No. 25) Inc MP Reserved Inc GAM Diversity II Investments Inc Cervin Growth Fund Inc BAS Alternative Strategies SPC Inc GAM Apex Strategy SPC Inc GAM Composite Absolute Return Access Inc GAM MP Access SPC Inc GAM Portable Diversity/S&P500 Inc GAM Portable Alpha Inc GAM Fermat Cat Bond Inc GAM Starboard Inc GAM EuroSystematic Value Hedge Inc GAM Global Emerging Markets Hedge Inc GAM Greater China Equity Hedge Inc Prodesse Investment Limited

Michael Holmberg None

Newberry Capital Management LLC

Patrick Flynn None

Bush Industries Inc

- 3.12 Save as disclosed herein, as at the date of this document, there are no potential conflicts of interest between any duties to the Company of any of the Directors and their private interests and/or other duties. There are no lock-up provisions regarding the disposal by any of the Directors of any Shares.
- 3.13 As detailed above, Mr. Monro-Davies was a director of Binley Management Limited, which has now been dissolved via solvent voluntary liquidation.
- 3.14 As detailed above, Mr. Sherwell was a director of BSKyB Malta 1 Limited, BSKyB Malta 2 Limited, BSKyB Malta 3 Limited, Ciel Bleu Ltd, Ciel Clair Limited, Ciel Gris Limited, Ciel Nuageux Limited, Ciel Orageux Limited, Ciel Voilé Limited, GAM Diversity III Investments Inc, New Star RBCHedge 250 Index Exchange Traded Securities PCC Limited and Prodesse Investment Limited. All of these entities have now been either dissolved via solvent voluntary liquidation or are currently in solvent voluntary liquidation.
- 3.15 As detailed above, Mr. Hallam was a director of Ciel Bleu Limited, Ciel Clair Limited, Ciel Gris Limited, Ciel Nuageux Limited, Ciel Orageux Limited, Ciel Voilé Limited, EFG Eurobank Ergasias International (CI) Limited, Gironde Limited, HedgeFirst Limited, M&G Recovery Investment Co Limited, New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited, Prodesse Investment Limited and Septup Limited. All of these entities have now been either dissolved via solvent voluntary liquidation or are currently in solvent voluntary liquidation.
- 3.16 As detailed above, Mr. Morgan was a director of Prodesse Investment Limited which is currently in solvent voluntary liquidation.
- 3.17 At the date of this document:
- 3.17.1 none of the Directors has any convictions in relation to fraudulent offences for at least the previous five years;

- 3.17.2 save as detailed above, none of the Directors was a director of a company, a member of an administrative, management or supervisory body or a senior manager of a company within the previous five years which has entered into any bankruptcy, receivership or liquidation proceedings;
- 3.17.3 none of the Directors has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years; and
- 3.17.4 none of the Directors are aware of any contract or arrangement subsisting in which they are materially interested and which is significant to the business of the Company which is not otherwise disclosed in this document.
- 3.18 The Company intends to maintain directors' and officers' liability insurance on behalf of the Directors at the expense of the Company.
- 3.19 No members of the Administrator or the Investment Managers have any service contracts with the Company.

4. Taxation

General

The information below, which relates only to Guernsey, United Kingdom and United States taxation, summarises the advice received by the Board and is applicable to the Company and (except in so far as express reference is made to the treatment of other persons) to persons who are resident or ordinarily resident in Guernsey, the United Kingdom or the United States for taxation purposes and who hold Issue Shares as an investment. It is based on current Guernsey, the United Kingdom and the United States revenue law and published practice, respectively, which law or practice is, in principle, subject to any subsequent changes therein (potentially with retrospective effect). Certain Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring their Issue Shares in connection with their employment may be taxed differently and are not considered.

If you are in any doubt about your tax position, you should consult your professional adviser.

United Kingdom

(i) **The Company**

The Directors intend that the Company will be managed and controlled in such a way that it should not be resident in the United Kingdom for United Kingdom tax purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom (whether or not through a branch, agency or permanent establishment situated there), the Company will not be subject to United Kingdom income tax or corporation tax other than on any United Kingdom sourced income.

(ii) **Shareholders**

UK Offshore Fund Rules

Following receipt of non-statutory clearance from HM Revenue & Customs, and given that all income of the Company after deductions for reasonable expenses will be required to be paid to holders of Ordinary Shares, the Directors have been advised that the Company should not, and each separate class of Issue Shares in the Company should not, be an offshore fund for the purposes of United Kingdom taxation and that the legislation introduced by Finance Act 2009 with effect from 1 December 2009, contained in Part 8 of the Taxation (International and other Provisions) Act 2010 (formerly sections 40A to 40G of the Finance Act 2008), should not apply. Accordingly, Shareholders (other than those holding Issue Shares as dealing stock, who are subject to separate rules) who are resident or ordinarily resident in the United Kingdom, or who carry on business in the United Kingdom through a branch, agency or permanent

establishment with which their investment in the Company is connected, may, depending on their circumstances and subject as mentioned below, be liable to United Kingdom tax on chargeable gains realised on the disposal of their Issue Shares (which will include a redemption and on final liquidation of the Company).

Tax on Chargeable Gains

A disposal of Issue Shares (which will include a redemption) by a Shareholder who is resident or, in the case of an individual, ordinarily resident in the United Kingdom for United Kingdom tax purposes or who are not so resident but carry on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains or capital gains, depending on the Shareholder's circumstances and subject to any available exemption or relief. For such individual Shareholders a flat rate of tax at 18 per cent. will be payable on any gain and for Shareholders that are bodies corporate any gain will be within the charge to corporation tax. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which presently exempts the first £10,100 of gains from tax) depending on their circumstances. Shareholders which are bodies corporate resident in the United Kingdom for taxation purposes will benefit from indexation allowance which, in general terms, increases the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index.

The United Kingdom Government announced on 24 March 2010 that it intends to introduce legislation to amend the treatment of certain capital distributions for United Kingdom tax payers subject to corporation tax. It is not clear whether such legislation would affect the UK tax treatment for Shareholders who are bodies corporate on redemption of Issue shares.

Capital Distributions

The Directors intend, following the third anniversary of Admission, to return capital to Shareholders in such manner so as to ensure that Shareholders who are ordinarily resident in the United Kingdom, or who carry on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected, may be liable to United Kingdom tax on chargeable gains on such capital distributions.

Subscription Shares

For the purposes of United Kingdom capital gains tax and corporation tax on chargeable gains, the Bonus Issue should not have any immediate consequences for United Kingdom Shareholders other than that it is arguable that part of the acquisition cost of the Ordinary Shares acquired by the relevant Shareholder under the Issue may fall to be allocated to the Subscription Shares by reference to the respective market values. On the exercise of the right to convert any Subscription Shares into Ordinary Shares, the Ordinary Shares issued pursuant to the Subscription Rights should be treated as the same asset as the Subscription Shares in respect of which the Subscription Rights are exercised.

Dividends

Individual Shareholders resident in the United Kingdom for tax purposes will be liable to UK income tax in respect of dividend or other income distributions of the Company. An individual Shareholder resident in the UK for tax purposes and in receipt of a dividend from the Company will, provided they own less than 10 per cent. of the Ordinary Shares, be entitled to claim a non-repayable dividend tax credit equal to one-ninth of the dividend received.

The effect of the dividend tax credit would be to extinguish any further tax liability for eligible basic rate taxpayers (who currently pay tax at the dividend ordinary rate of 10 per cent.). The effect for current eligible higher rate taxpayers (who pay tax at the current dividend upper rate of 32.5 per cent.) would be to reduce their effective tax rate to 25 per cent. of the cash dividend received.

With effect from 6 April 2010, a new additional rate of income tax applies for United Kingdom resident individuals with income in excess of £150,000. Such individuals will pay 42.5 per cent. tax on dividends received (reduced to 36.11 per cent. for eligible taxpayers as a result of applying the tax credit).

Shareholders who are bodies corporate resident in the United Kingdom for tax purposes may be able to rely on legislation introduced by the Finance Act 2009 with effect from 1 July 2009, which exempts certain classes of dividends.

Stamp duty and Stamp Duty Reserve Tax (“SDRT”)

No UK stamp duty or SDRT will arise on the issue of Issue Shares. No UK stamp duty will be payable on a transfer of Issue Shares, provided that all instruments effecting or evidencing the transfer (or all matters or things done in relation to the transfer) are not executed in the United Kingdom and no matters or actions relating to the transfer are performed in the United Kingdom.

Provided that the Issue Shares are not registered in any register kept in the United Kingdom by or on behalf of the Company and that the Issue Shares are not paired with shares issued by a Company incorporated in the United Kingdom, any agreement to transfer the Issue Shares will not be subject to UK SDRT.

ISAs and SSAS/SIPPs

Investors resident in the United Kingdom who are considering acquiring Issue Shares are recommended to consult their own tax and/or investment advisers in relation to the eligibility of the Issue Shares for ISAs and SSAS/SIPPs.

Issue Shares acquired pursuant to the Offer will be eligible for inclusion in a stocks and shares ISA. On admission to the CISX occurring, Issue Shares acquired in the market should be eligible for inclusion in a stocks and shares ISA, subject to applicable subscription limits.

The annual ISA investment allowance is £10,200 for the tax year 2010-2011. Up to £5,100 of that allowance can be invested as cash with one provider. The remainder of the £10,200 can be invested in a stocks and shares ISA with either the same or another provider.

The Issue Shares should be eligible for inclusion in a SSAS or SIPP, subject to the discretion of the trustees of the SSAS or SIPP, as the case may be.

Other United Kingdom Tax Considerations

United Kingdom resident companies having an interest in the Company, such that 25 per cent. or more of the Company’s profits for an accounting period could be apportioned to them, may be liable to United Kingdom corporation tax in respect of their share of the Company’s undistributed profits in accordance with the provisions of Chapter IV of Part XVII of the Taxes Act relating to controlled foreign companies. These provisions only apply if the company is controlled by United Kingdom residents. Investors should be aware that the controlled foreign companies regime is the subject of an ongoing consultation by the UK government. Although the scope of any reform cannot be accurately predicted, it is now expected that changes to the regime will be introduced by the Finance Bill 2011.

Individuals ordinarily resident in the United Kingdom should note that Chapter II of Part XVIII of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed income and profits of the Company.

The attention of Shareholders resident or ordinarily resident in the United Kingdom is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than 10 per cent. of the Issue Shares.

If any Shareholder is in doubt as to his taxation position, he is strongly recommended to consult an independent professional adviser without delay.

Guernsey

(i) The Company

The Company has applied and has been granted exempt status for Guernsey tax purposes. In return for the payment of a fee, currently £600, an authorised closed-ended investment scheme, such as the Company, is able to apply annually for exempt status for Guernsey tax purposes.

If exempt status is granted, the Company will not be considered resident in Guernsey for Guernsey income tax purposes. A company that has exempt status for Guernsey tax purposes is exempt from tax in Guernsey on both bank deposit interest and any income that does not have its source in Guernsey. It is not anticipated that any income other than bank interest will arise in Guernsey and therefore the Company is not expected to incur any additional liability to Guernsey tax.

In response to the review carried out by the European Union Code of Conduct Group, the State of Guernsey abolished exempt status for the majority of companies with effect from January 2008 and has introduced a zero rate of tax for companies carrying on all but a few specified types of activity. However, because investment funds including closed-ended investment companies, such as the Company, were not one of the regimes in Guernsey that were classified by the European Union Code of Conduct Group as being harmful, investment funds including closed-ended investment companies continue to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007. Therefore, the Company will be entitled, and intends to continue applying, for tax exempt status in Guernsey.

In keeping with its ongoing commitment to meeting international standards, the State of Guernsey is currently undertaking a review of its tax regime with the expectation of implementing any required revisions to the regime in the period between 2012 and 2015. At this point in time, the key features of any revised regime have yet to be determined. It is currently not anticipated that there will be any change to the current exemption for investment funds and as such the Company is expected to be able to remain tax exempt.

Guernsey currently does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover, nor are there any estate duties, save for an ad valorem fee for the grant of probate or letters of administration. No stamp duty is chargeable in Guernsey on the issue, transfer, or redemption of shares.

(ii) Shareholders

Shareholders will receive dividends without deduction of Guernsey income tax. Any Shareholders who are resident for tax purposes in Guernsey, Alderney or Herm will incur Guernsey income tax on any dividends paid on Ordinary Shares owned by them but will suffer no deduction of tax by the Company from any such dividends payable by the Company where the Company is granted exempt status. The Company is required to provide details of distributions made to Shareholders resident in the Islands of Guernsey, Alderney and Herm to the Administrator of Income Tax in Guernsey.

Guernsey has introduced measures that are the same as the EU Savings Tax Directive. However, paying agents located in Guernsey are not required to operate the measures on payments made by closed ended investment companies.

United States

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, POTENTIAL INVESTORS ARE HEREBY NOTIFIED THAT ANY DISCUSSION OF TAX MATTERS SET FORTH IN THIS DOCUMENT WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY PROSPECTIVE INVESTOR, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER FEDERAL, STATE OR LOCAL TAX LAW. EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of Issue Shares by U.S. Holders (as defined below) that purchase Issue Shares pursuant to the Placing and Offer and hold such Issue Shares as capital assets. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effects, or to different interpretation. This summary is for general information only and does not address all of the tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as banks, insurance companies, tax-exempt entities,

retirement plans, regulated investment companies, dealers in securities, real estate investment trusts, certain former citizens or residents of the United States, persons who hold Issue Shares as part of a straddle, hedge, conversion transaction or other integrated investment, U.S. persons that have a “functional currency” other than the U.S. dollar, persons that own (or are deemed to own) 10 per cent. or more of the Company’s Issue Shares, persons that generally mark their securities to market for U.S. federal income tax purposes, controlled foreign corporations or passive foreign investment companies). This summary does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations.

As used in this summary, the term “U.S. Holder” means a beneficial owner of Issue Shares that is, for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organised in or under the laws of the United States, any state thereof, or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or an electing trust that was in existence on 19 August 1996 and was treated as a domestic trust on that date.

If an entity treated as a partnership for U.S. federal income tax purposes holds Issue Shares, the tax treatment of such partnership and each partner thereof will generally depend upon the status and activities of the partnership and such partner. Any such entity should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners of the purchase, ownership and disposition of Issue Shares.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO THEM RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF ISSUE SHARES, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS AND NON-U.S. TAX LAWS. IN PARTICULAR, THE COMPANY EXPECTS THAT IT WILL BE TREATED AS A PFIC (AS DEFINED BELOW) FOR U.S. FEDERAL INCOME TAX PURPOSES AND, CONSEQUENTLY, PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE TAX CONSIDERATIONS RELATING TO AN INVESTMENT IN A PFIC.

Taxation of U.S. Holders

Passive Foreign Investment Company – General Considerations

In general, a corporation organised outside the United States will be treated as a passive foreign investment company (“**PFIC**”) for U.S. federal income tax purposes in any taxable year in which either: (i) at least 75 per cent. of its gross income is “passive income”; or (ii) on average at least 50 per cent. of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. Based on the Company’s projected income, assets and activities, the Company expects that it will be treated as a PFIC for the current taxable year and taxable years thereafter. The remainder of this summary assumes that the Company is and will continue to be a PFIC. The Company may also hold, directly or indirectly, interests in other entities that are PFICs (“**Subsidiary PFICs**”).

If a U.S. Holder does not validly make either: (i) a “qualified electing fund” (“**QEF**”) election (as described below) in respect of the Company and each Subsidiary PFIC for which it has QEF election filing responsibility; or (ii) a “mark to market election” in respect of Issue Shares (as described below under “Mark-to-Market Election”), effective in either case as of the beginning of the U.S. Holder’s holding period, the U.S. Holder generally will be subject to the adverse tax consequences described below under “No Qualified Electing Fund Election and No Mark-to-Market Election”. Moreover, U.S. Holders should be aware that a QEF election will not be available with respect to Subscription Shares. Unless otherwise specified, the remainder of this discussion assumes that each U.S. Holder will make a valid QEF election in respect of Ordinary Shares and each Subsidiary PFIC for which it has QEF election filing responsibility, effective as of the beginning of its holding period.

Qualified Electing Fund Election

If a U.S. Holder validly makes QEF election with respect to Ordinary Shares, the U.S. Holder generally will be required to include currently in gross income its *pro rata* share of the Company's ordinary earnings and net capital gains, if any, for each taxable year the Company is a PFIC, whether or not the Company makes any cash distributions in that year. As a result, a U.S. Holder may have to pay taxes currently on amounts not yet received and which may never be received. Income inclusion generally will be required whether or not the U.S. Holder owns Ordinary Shares for an entire taxable year or at the end of the Company's taxable year. The amount included in income generally will be treated as ordinary income to the extent of the U.S. Holder's allocable share of the Company's ordinary earnings and as long-term capital gain to the extent of the U.S. Holder's allocable share of the Company's net capital gains. In addition, any net losses the Company incurs in a taxable year will not be available to such U.S. Holder and may not be carried back or forward in computing the Company's ordinary earnings and net capital gain in other taxable years.

The amount included in income under the QEF rules generally is treated as income from sources outside the United States for U.S. foreign tax credit purposes. However, if 50 per cent. or more of the Company's Shares (by vote or value) are treated as held by U.S. persons, the Company will be treated as a United States-owned foreign corporation and the amount included in income under the QEF rules generally will be treated as income from sources outside the United States to the extent attributable to the Company's non-U.S. source income, and as income from sources within the United States to the extent attributable to the Company's U.S. source income, for U.S. foreign tax credit purposes. The Company cannot give any assurance that it will not be treated as a United States-owned foreign corporation.

Amounts previously included in income by a U.S. Holder under the QEF rules generally will not be subject to tax when they are actually distributed to the U.S. Holder. A U.S. Holder's tax basis in the Ordinary Shares generally will increase by any amounts so included under the QEF rules and decrease by any amounts not included in income when distributed.

If the Company's distributions to a U.S. Holder in any year are less than a U.S. Holder's tax liability in respect of the holder's share of the Company's ordinary earnings and capital gain, a U.S. Holder that make a QEF Election generally will have to satisfy any tax obligation arising from their investments in Ordinary Shares in part from sources other than distributions from us. A U.S. Holder generally may elect to extend the time for payment of the U.S. federal income tax due on undistributed income includable by reason of a QEF election. The extension generally terminates when a distribution attributable to the income on which tax was deferred is made or upon certain transfers or pledges of the related Shares or termination of the QEF election. Interest is imposed on the deferred tax and must be paid when the extension terminates. U.S. Holders should consult their own tax advisers regarding this election.

Filing of QEF Election, Timing of QEF Election

An eligible U.S. Holder may make a QEF election with respect to the Company (other than with respect to Subscription Shares) effective as of the beginning of its holding period by filing a copy of IRS Form 8621 on or before the due date (taking into account extensions) for the U.S. Holder's federal income tax return for the first taxable year in which the U.S. Holder holds Ordinary Shares. A QEF election, once validly made, will be effective for all subsequent taxable years of the U.S. Holder unless revoked with the consent of the IRS. A QEF election is available to a U.S. Holder only if the Company provides such U.S. Holder in each taxable year with a "PFIC Annual Information Statement" as described in the currently applicable U.S. Treasury regulations and with reasonable access to the Company's books of account, records and other documents so as to enable the U.S. Holder to verify that its *pro rata* share of ordinary earnings and net capital gains has been calculated according to U.S. federal income tax principles.

The Company intends to provide each U.S. Holder that makes a QEF election with respect to Ordinary Shares with a PFIC Annual Information Statement and with reasonable access to the Company's books of account, records and other documents. The Company intends to provide the PFIC Annual Information Statement prior to the due date for a calendar-year U.S. Holder's federal income tax return, determined taking into account extensions. Since the Company does not expect to provide a PFIC Annual Information Statement on or before the due date for a calendar-year U.S. Holder's federal income tax return, determined without taking into account extensions, U.S. Holders should expect that they will have to request an extension of time to file such tax returns in order to make a timely QEF election with respect to the

Company. The Company cannot assure that any Subsidiary PFIC will provide sufficient information to permit U.S. Holders, or any U.S. entity through which the Company has an indirect interest in such Subsidiary PFIC, to make a QEF election with respect to the Subsidiary PFIC.

U.S. Holders should be aware that a QEF election is not available with respect to a U.S. Holder's Subscription Shares until Ordinary Shares are purchased for the Subscription Price.

Each U.S. Holder should consult its own tax adviser with respect to the tax consequences of making a QEF election with respect to the Company and its direct or indirect investments in Subsidiary PFICs.

Distributions

Subject to the discussion below under “No Qualified Electing Fund Election and No Mark-to-Market Election”, each U.S. Holder generally will be required to include in gross income the amount of any distribution that the Company makes on its Shares as a dividend to the extent of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), other than earnings and profits that have previously been taxed to the U.S. Holder as described above under “Qualified Electing Fund Election”. To the extent the amount of any distribution exceeds the Company's current and accumulated earnings and profits, it will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's adjusted tax basis in its Shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale or exchange of the Shares. Each U.S. Holder should consult its own tax adviser with respect to the appropriate U.S. federal income tax treatment of any distribution on the Shares.

Distributions on the Shares that are treated as dividends generally will constitute income from sources outside the United States. However, such dividends may be treated for U.S. foreign tax credit purposes as income from sources outside the United States to the extent attributable to the Company's non-U.S. source earnings and profits, and as income from sources within the United States to the extent attributable to the Company's U.S. source earnings and profits if the Company is treated as a United-States-owned foreign corporation, as described above under “Qualified Electing Fund Election”. Distributions on the Issue Shares that are treated as dividends will be categorised for U.S. foreign tax credit purposes as “passive category income,” or, in the case of some U.S. Holders, as “general category income”. Such dividends will not be eligible for the “dividends received” deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations or for the reduced tax rate applicable to “qualified dividend income” of non-corporate taxpayers.

Sale, Exchange or Other Disposition of Shares

Subject to the discussion below under “No Qualified Electing Fund Election and No Mark-to-Market Election”, a U.S. Holder in a PFIC generally will recognise gain or loss for U.S. federal income tax purpose upon the sale, exchange or other disposition of Issue Shares in an amount equal to the difference, if any, between the amount realised on the sale, exchange or other disposition and the U.S. Holder's adjusted tax basis in the Issue Shares. Any such gain or loss generally will be treated as capital gain or loss. The deductibility of capital losses is subject to limitations. Such gain or loss generally will be sourced within the United States for U.S. foreign tax credit purposes.

Mark-To-Market Election

If the Ordinary Shares or Subscription Shares are considered “marketable stock”, a U.S. Holder generally may elect to make a “mark-to-market election” in respect of its Ordinary Shares or Subscription Shares, as the case may be, in lieu of making a QEF election. Generally, the Issue Shares will be considered marketable stock if they are “regularly traded” on a “qualified exchange” within the meaning of applicable U.S. Treasury regulations. A class of shares is regularly traded during any calendar year during which more than *de minimis* quantities of such class of shares is traded, on at least 15 days during each calendar quarter. A non-U.S. securities exchange constitutes a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in U.S. Treasury regulations. It is not clear whether the Shares will constitute marketable stock for this purpose. Assuming the Issue Shares are regularly traded on a qualified exchange for this purpose, U.S. Holders that own such Issue Shares will generally be eligible to make a mark-to-market election in respect of their investment. However, there can be no assurance that trading volumes will be sufficient to permit a mark-to-market election. Thus, prospective investors are urged to consult their tax advisers regarding the feasibility of making a mark-to-market election.

If a “mark-to-market” election is available and a U.S. Holder validly makes such an election as of the beginning of the U.S. Holder’s holding period, the U.S. Holder generally will not be subject to the adverse tax consequences described below under “No Qualified Electing Fund Election and No Mark-to-Market Election”. Instead, the U.S. Holder generally will be required to take into account the difference, if any, between the fair market value of, and its adjusted tax basis in, its Issue Shares at the end of each taxable year as ordinary income or, to the extent of any net mark-to-market gains previously included in income, ordinary loss, and to make corresponding adjustments to the tax basis of its Issue Shares. In addition, any gain from a sale, exchange or other disposition of Issue Shares will be treated as ordinary income, and any loss will be treated as ordinary loss to the extent of any net mark-to-market gains previously included in income. It is not entirely clear how the tax consequences of a mark-to-mark election with respect to Issue Shares would apply with respect to the Company’s interest in a Subsidiary PFIC.

Each U.S. Holder should consult its own tax adviser with respect to the availability and tax consequences of a market-to-market election with respect to the Issue Shares.

No Qualified Electing Fund Election and No Mark-to-Market Election

If a U.S. Holder does not validly make a QEF election or mark-to-market election, effective as of the beginning of its holding period, with respect to the Company, the U.S. Holder will be subject to special rules with respect to any “excess distribution” made by the Company. An “excess distribution” is generally the excess of: (i) all distributions to the U.S. Holder on its Issue Shares during such taxable year over; (ii) 125 per cent. of the average annual distributions to the U.S. Holder on such Issue Shares during the preceding three taxable years (or shorter period during which the U.S. Holder held such Issue Shares). The tax payable by a U.S. Holder on an excess distribution with respect to the Issue Shares will be determined by allocating such excess distribution ratably to each day of the U.S. Holder’s holding period for such Shares. The amount of an excess distribution allocated to the taxable year of such distribution will be included as ordinary income for the taxable year of such distribution. The amount of an excess distribution allocated to any other period included in the U.S. Holder’s holding period cannot be offset by any net operating losses of the U.S. Holder and will be taxed at the highest marginal rates applicable to ordinary income for each such period and, in addition, an interest charge will be imposed on the amount of tax for each such period. Furthermore, the amount of an excess distribution not includable in income in the taxable year of such distribution will not be included in determining the amount of the excess distribution for any subsequent taxable year.

If a U.S. Holder does not validly make a QEF election or a mark-to-market election effective as of the beginning of its holding period in respect of Issue Shares, any gain in respect of the Issue Shares (including, without limitation, gain with respect to certain transfers upon death, gifts and pledges) generally will be treated as an excess distribution subject to the tax consequences relating to an excess distribution described above.

If no QEF election is made for a Subsidiary PFIC, the rules described above with respect to excess distributions generally will apply to direct and indirect dispositions of the Company’s interest in the Subsidiary PFIC (including a disposition by a U.S. Holder of Issue Shares) and excess distributions by the Subsidiary PFIC.

As noted above, a QEF election is not available with respect to Subscription Shares that a U.S. Holder owns. Thus, unless the mark-to-market election described above is available to be made and is made with respect to such Subscription Shares, gain on the sale or exchange of Subscription Shares will be subject to the PFIC rules applicable to gain and excess distributions described above. If a U.S. Holder purchases Ordinary Shares through payment of the Subscription Price with respect to its Subscription Shares, the U.S. Holder may make a deemed sale election with respect to the Ordinary Shares received prior to making a QEF Election with respect to such Ordinary Shares. If such an election were made, the U.S. Holder would be treated as if it sold the Ordinary Shares and thus would be subject to tax under the PFIC regime applicable to gain and excess distributions even though the U.S. Holder would not receive any cash. For this purpose, a U.S. Holder’s holding period in Ordinary Shares acquired through payment of the Subscription Price with respect to Subscription Shares will include the holder’s holding period in the corresponding Subscription Shares. U.S. Holders of Subscription Shares are urged to consult their own tax advisors regarding the advisability of making a deemed sale election.

Backup Withholding Tax and Information Reporting Requirements

Under certain circumstances, U.S. backup withholding tax and/or information reporting may apply to U.S. Holders with respect to payments made on, or proceeds from the sale, exchange or other disposition of, Issue Shares, unless an applicable exemption is satisfied. U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS.

In addition, a U.S. Holder that purchases Issue Shares for cash in the Placing and Offer or makes a payment to the Company of any subsequent instalment due with respect to Issue Shares will generally be required to report the purchase on Form 926 if the amount of cash transferred to the Company by such U.S. Holder during the 12-month period ending on the date of the transfer exceeds US\$100,000. A U.S. Holder that fails to comply with this reporting obligation may be subject to substantial penalties.

5. Memorandum and Articles

The following is a description of the material terms of the Articles (including key rights and terms of issue of the Issue Shares).

The Articles were adopted pursuant to a resolution passed by the Class A Shareholder on 30 April 2010 and contain the provisions below.

5.1 Objects

The Memorandum does not limit the objects of Company and is available for inspection at the registered office of the Company and as stated in paragraph 13 below.

5.2 Rights as to Income

5.2.1 The Ordinary Shares shall carry the right to receive all income from the Company's portfolio, after (if the Directors so determine) deducting reasonable expenses, so that the requirements of section 357(7) of the Taxation (International and other Provisions) Act 2010 (formerly section 40E(6) of the Finance Act 2008) (United Kingdom offshore fund rules) are met.

5.2.2 The Subscription Shares and the Class A Shares carry no rights to receive income from the Company.

5.3 Return of Capital and Winding-Up

5.3.1 As to a return of capital or a winding-up of the Company (other than by way of a repurchase or redemption of Ordinary Shares in accordance with the provisions of the Articles and the Companies Laws or a capital distribution as described in paragraphs 5.3.3 and 5.3.4 below):

- (A) first, there shall be paid to the Class A Shareholders the nominal amount paid up on their Class A Shares; and
- (B) second, there shall be paid to the Ordinary Shareholders the surplus assets of the Company available for distribution.

5.3.2 The Subscription Shares carry no rights as to capital on a return of capital or a winding up of the Company.

5.3.3 Following the expiry of the Investment Period, the proceeds of realising the Company's investments (net of all fees, costs and expenses payable by the Company) ("**Capital Proceeds**") will, at such times and in such amounts as the Directors shall in their absolute discretion determine, be distributed to Ordinary Shareholders pro rata to their respective holdings of Ordinary Shares.

- 5.3.4 The manner in which distributions of Capital Proceeds shall be effected shall, subject to compliance with the Companies Laws, be determined by the Directors in their absolute discretion and, once determined, shall be notified to Ordinary Shareholders by way of a RIS announcement.
- 5.3.5 Without restricting the discretion of the Directors described in paragraph 5.3.4, the Directors may effect distributions of Capital Proceeds by:
- (a) issuing Capital Distribution Shares to Ordinary Shareholders pro rata to their holdings of Ordinary Shares (such Capital Distribution Shares to be fully paid-up out of a reserve created by the Directors to which Capital Proceeds are credited), which such Capital Distribution Shares shall be compulsorily redeemed, and the redemption proceeds (being equal to the amount paid-up on such shares) paid to the holders of such Capital Distribution Shares, on such terms and in such manner as the Directors may determine; or
 - (b) by compulsorily redeeming a proportion of each Ordinary Shareholder's holding of Ordinary Shares and paying the redemption proceeds to Ordinary Shareholders on such terms and in such manner as the Directors may determine; or
 - (c) in such other manner as may be lawful.

5.4 Voting

General

- 5.4.1 Except in the circumstances set out in paragraphs 5.4.4, 5.4.6, 5.4.7 and 5.8 below, Ordinary Shareholders shall not have the right to attend or vote at any general meeting of the Company but they shall have the right to receive notice of general meetings.
- 5.4.2 Except in the circumstances described in paragraph 5.8, the Class A Shareholders shall have the right to receive notice of general meetings of the Company and shall have the right to attend and vote at all general meetings.
- 5.4.3 Except in the circumstances set out in Part V of this document, the Subscription Shareholders shall not have the right to attend or vote at any general meeting of the Company but they shall have the right to receive notice of general meetings.
- 5.4.4 The holders of Capital Distribution Shares shall not have the right to receive notice of or attend or vote at any general meeting of the Company.

Class rights of the Ordinary Shareholders

- 5.4.4 The Company shall not, without the prior approval of the Ordinary Shareholders by ordinary resolution passed at a separate general meeting of the Ordinary Shareholders, take any action to:
- (A) pass a resolution for the voluntary liquidation or winding-up of the Company;
 - (B) change the rights conferred upon any shares in the Company in a manner adverse to the Ordinary Shareholders;
 - (C) amend the Articles in a manner adverse to the Ordinary Shareholders; or
 - (D) make any material amendment to the investment policy of the Company as set out in this document.
- 5.4.5 Where, by virtue of the provisions of paragraphs 5.4.4, 5.4.6 and 5.8 Ordinary Shareholders are entitled to vote, every Ordinary Shareholder present in person, by proxy or by a duly authorised representative (if a corporation) at a meeting shall, in relation to such business, upon a show of hands have one vote and upon a poll every such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall, in relation to such business, have one vote in respect of every Ordinary Share held by him.

Other matters requiring approval

5.4.6 In addition to the rights described in paragraph 5.4.4 above, the Company shall not, without the approval of an ordinary resolution of the Ordinary Shareholders passed at a separate general meeting of the Ordinary Shareholders and, in the case of (C) below, the approval of a majority of the Independent Directors:

- (A) merge, consolidate, or sell substantially all of its assets;
- (B) change the domicile of the Company;
- (C) terminate the Investment Management Agreement;
- (D) materially adversely (to the Company) amend, restate, supplement or otherwise modify the terms of the Investment Management Agreement;
- (E) enter into any transaction or transactions involving the Investment Manager or any Affiliate of the Investment Manager (other than the making of a co-investment alongside the Investment Manager or an Investment Manager-managed fund or a funding or a contribution of capital pursuant to a transaction that has previously received approval pursuant to this paragraph 5.4.6), including giving any consents required under the U.S. Investment Advisers Act of 1940, as amended (including revoking consents to any “agency cross transactions” thereunder), having an aggregate value exceeding 5 per cent. of the Company’s most recently reported NAV; or
- (F) issue shares of any class other than Ordinary Shares, Subscription Shares or Capital Distribution Shares.

5.4.7 In addition to the rights described in paragraphs 5.4.4 and 5.4.6 above, the Directors shall not, except in relation to the allotment of Ordinary Shares pursuant to the exercise of Subscription Rights by holders of Subscription Shares as described in Part V of this document, allot (with or without conferring rights of renunciation), grant options over, offer or otherwise dispose of any Ordinary Shares at a consideration per Ordinary Share which is less than the NAV per Ordinary Share unless:

- (A) otherwise approved by the Ordinary Shareholders by ordinary resolution; or
- (B) the Independent Directors (or a duly appointed committee of them) determine that the relevant action is in the best interests of the Company and for the purposes of:
 - (i) raising additional capital to fund any capital commitment of the Company;
 - (ii) repaying any outstanding indebtedness of the Company; or
 - (iii) any other comparable purpose.

5.5 General meetings

5.5.1 The annual general meeting of the Company shall be held once in every calendar year (provided not more than fifteen months have elapsed since the last such meeting) in Guernsey or such other place and at such time as the Directors may determine. An annual general meeting may also be convened in default by the Class A Shareholder in the same manner as nearly as possible as that in which annual general meetings are to be convened by Directors.

5.5.2 Notices convening the annual general meeting in each year at which the audited financial statements of the Company will be presented (together with the Directors’ report and accounts of the Company) will be sent to Shareholders and Class A Shareholders not later than twenty-one clear days before the date fixed for the meeting.

5.5.3 Other general meetings may be convened by the Directors from time to time by sending notices to Ordinary Shareholders, Subscription Shareholders and Class A Shareholders at their registered addresses or may be requisitioned by Class A Shareholders (or, in the event the Ordinary Shares have voting rights in respect of actions to be proposed to be taken at such a meeting, Ordinary Shareholders) holding more than one-tenth of the Class A Shares

(or the Ordinary Shares, as applicable) or, if the Directors shall fail upon such requisition to convene the meeting requisitioned with twenty-one days (counting the day on which the request is made) then such meeting may be convened by the requisitionists in such manner as provided by the Companies Laws.

5.6 Borrowing

The directors may exercise all powers of the Company to borrow money and give guarantees, hypothecate, mortgage, charge or pledge all or part of the Company's assets, property or undertaking and uncalled capital, or any part thereof, and, subject to compliance with the Memorandum and Articles, to issue securities whether outright or as security for any debt, liability or obligation of the Company or any third party.

5.7 Transfer of Shares

Transfer of uncertificated Shares

5.7.1 Subject to any restrictions on transfers described under this paragraph 5.7 and as set out in the Articles, any Shareholder may transfer all or any of his uncertificated Shares by means of a relevant transfer, settlement and clearing system ("**Uncertificated System**") authorised by the Board in such manner provided for, and subject as provided, in any regulations issued for this purpose under the laws of Guernsey or such as may otherwise from time to time be adopted by the Board on behalf of the Company and the rules of any Uncertificated System and accordingly no provision of the Articles shall apply in respect of an uncertificated Share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the Shares to be transferred.

Transfer of certificated Shares

5.7.2 Any Shareholder may transfer all or any portion of his certificated Shares by an instrument of transfer in any usual form, or in any other form which the Board may approve, signed by or on behalf of the transferor and, unless the Share is fully paid, by or on behalf of the transferee.

Registration of transfer

5.7.3 The Directors may, subject to the Articles, refuse to register a transfer of Shares unless:

- (A) it is in respect of only one class of Issue Shares;
- (B) it is in favour of a single transferee or not more than four joint transferees; and
- (C) it is delivered for registration to the registered office of the Company or such other place as the Board may decide, accompanied by the certificate for the Shares to which it relates and such other evidence of title as the Board may reasonably require.

5.7.4 The Directors may, in their absolute discretion, decline to transfer, convert or register any transfer of Shares to any person: (i) whose ownership of Shares may cause the Company's assets to be deemed "plan assets" for the purposes of ERISA or the U.S. Tax Code; (ii) whose ownership of Shares may cause the Company to be required to register as an "investment company" under the U.S. Investment Company Act (including because the holder of the shares is not a "qualified purchaser" as defined in the US Investment Company Act); (iii) whose ownership of Shares may cause the Company to register under the U.S. Exchange Act or any similar legislation; (iv) whose ownership of Shares may cause the Company not being considered a "Foreign Private Issuer" as such term is defined in rule 3b-4(c) under the U.S. Exchange Act; (v) whose ownership may result in a person holding Shares in violation of the transfer restrictions put forth in any prospectus published by the Company, from time to time; (vi) whose ownership of Shares may cause the Company to be a "controlled foreign corporation" for the purposes of the U.S. Tax Code, or may cause the Company to suffer any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the U.S. Tax Code); and (vii) whose ownership of Shares may cause the Company to be required to comply with any registration or filing requirements in any jurisdiction with which the Company would not otherwise be required to comply (each person described in (i) through (vii) above, a "**Non-Qualified Person**"), and in each of the cases described in (i) through (vii) above, only to the extent permitted under the Regulations.

- 5.7.5 If it shall come to the notice of the Directors that any Shares are owned directly or indirectly, or beneficially by a Non-Qualified Person, the Directors may give notice to such person requiring him either:
- (A) to provide the Directors within thirty days of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the Directors that such person is a Qualified Person; or
 - (B) to sell or transfer his Shares to a Qualified Person within thirty days and within such thirty days to provide the Directors with satisfactory evidence of such sale or transfer. Pending such transfer, the Directors may suspend the exercise of any voting or consent rights and rights to receive notice of, or attend a, meeting and any rights to receive dividends or other distributions with respect to such Shares.
- 5.7.6 If any person upon whom such a notice is served pursuant to paragraph 5.7.5 does not within thirty days after such notice transfer his shares to a Qualified Person or establish to the satisfaction of the Directors (whose judgment shall be final and binding) that he is a Qualified Person, he shall be deemed upon the expiration of such thirty days to have forfeited his Shares and the Directors shall be empowered at their discretion to follow the procedure provided for in the Articles with respect to forfeited Shares. If, notwithstanding the foregoing, a purported acquisition or holding of Shares is not treated as void and of no force and effect for any reason such Shares will automatically be sold by the Directors in the open market and the net proceeds remitted to the record holder or, if so determined by the Directors in their sole discretion that such sale is for any reason impracticable, transferred to a charitable trust for the benefit of a charitable beneficiary, and the purported holder will acquire no rights under the Articles or the Memorandum in such securities. A person who becomes aware that he is a Non-Qualified Person, shall forthwith notify the Company in writing.
- 5.7.7 To give effect to any sale of Shares pursuant to paragraph 5.7.6, the Member in question shall execute such powers of attorney or other documents or authorisations as are required so that the transfer will be effective as if it has been executed by the holder of or person entitled by transmission to, the Shares.

5.8 Continuation Resolution

- 5.8.1 At a general meeting of the Company to be convened on a date not more than one month from the Subscription Share Exercise Date, the Directors shall cause an ordinary resolution to be proposed to Ordinary Shareholders that the Company continue as a closed-ended investment company (the “**Continuation Resolution**”). Only the Ordinary Shareholders shall have the right to attend such general meeting and to vote on such Continuation Resolution.
- 5.8.2 In the event that the Continuation Resolution is not passed, the Directors will cause a general meeting of the Company to be convened for a date not later than 180 days after the date of the general meeting at which the Continuation Resolution is not passed (or, if adjourned, the date of the adjourned meeting). Prior to or with the notice of such general meeting, the Directors shall send to Ordinary Shareholders detailed proposals for the reconstruction or reorganisation of the Company (which proposals may include a continuation of the Company in a revised form, including, without limitation, a new investment objective and/or policy) (“**Reconstruction Proposals**”). Only the Ordinary Shareholders shall have the right to attend such general meeting and to vote on any resolutions relating to such Reconstruction Proposals.

5.9 Board Structure, Practices and Committees

- 5.9.1 The structure, practices and committees of the Board, including matters relating to the size, independence and composition of the Board, the election and removal of Directors, requirements relating to Board action, the powers delegated to Board committees and the appointment of executive officers, are governed by the Articles. The following is a summary of certain provisions of the Articles that affect the Company’s corporate governance.

Size, Independence and Composition of the Board

5.9.2 The Board may consist of between five and nine Directors or such other number of Directors as may be determined from time to time by a resolution of the holder(s) of the Class A Shares. The Investment Manager is entitled to appoint two Directors to the Board. At least a majority of the Directors holding office must be independent of the Investment Manager and its affiliates using the standards for independence determined by the Board from time to time. If the death, resignation or removal of an Independent Director results in the Independent Directors constituting less than a majority of all Directors, the vacancy must be filled promptly. Pending the filling of such vacancy, the Board may temporarily consist of less than a majority of Independent Directors and those Directors not independent of the Investment Manager and its affiliates may continue to hold office, provided that in such circumstances the Independent Directors shall have one more vote than the non-Independent Directors. In addition, the Articles prohibit the Board from consisting of a majority of Directors who are United Kingdom residents or a majority of Directors who are citizens or residents of the United States.

5.9.3 The Board has the power to establish new committees of the Board from time to time.

Election and Removal of Directors

5.9.4 At each annual general meeting, one-third of the Directors will stand for re-election. The Ordinary Shareholders and Subscription Shareholders are not entitled to vote for the election or removal of the Directors or with respect to certain other matters affecting corporate governance of the Company. Vacancies on the Board may be filled and additional Directors may be added by a resolution of the Class A Shareholder(s), provided that the appointment of any new Director satisfies certain eligibility requirements. Those eligibility requirements generally provide, among other things, that the Class A Shareholder(s) may not nominate a person for election to the Board unless they comply with certain advance notice requirements.

5.9.5 A Director may be removed from office for any reason by a written resolution of the Board requesting resignation signed by all other Directors then holding office or by a resolution duly passed by the Class A Shareholder(s). A Director will be automatically removed from the Board if he or she becomes bankrupt, insolvent or suspends payments to his or her creditors, if he or she becomes a resident of the United Kingdom or a citizen or resident of the United States and such residency or citizenship results in the majority of the Board being citizens or residents of the United States or if he or she becomes prohibited by law from acting as a Director. The Articles do not require that a Director shall retire on account of attaining a specific age.

Transactions in which a Director has an interest

5.9.6 Provided that each Director has disclosed his respective interests in accordance with the Companies Laws a Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs.

5.9.7 Provided that the Board authorises the transaction in good faith after the Director's interest has been disclosed or the transaction is fair to the Company at the time it is approved, a Director or intending Director shall not be disqualified by his office from entering into a contract or arrangement with the Company, either as vendor, purchaser, lessor, lessee, mortgagor, mortgagee, manager, agent, broker or otherwise, and no such contract or arrangement or any contract or arrangement entered into by or on behalf of the Company, with any person, firm or company of or in which any Director shall be in any way interested shall be avoided, nor shall any person so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding the office of Director, or of the fiduciary relationship thereby established. Any Director, so contracting or being so interested as aforesaid, shall disclose at the Board meeting at which the contract or arrangement is determined upon the nature of his interest, if his interest then exists, or in any other case at the first Board meeting after the acquisition of his interest. A Director may not vote in respect of any contract or arrangement in which he is so interested as aforesaid. A Director may occupy any other office or place of profit in the Company (except that of auditor) or act in any professional capacity to the Company in conjunction with his office of Director, and on such terms as to remuneration and otherwise as the Directors shall approve.

5.10 Dividends

- 5.10.1 The Directors may from time to time authorise the payment of dividends and other distributions to be paid to the members in accordance with the procedure set out in the Companies Laws. The declaration of the Directors as to the amount available for distribution to the members shall be final and conclusive.
- 5.10.2 No dividend or other amount payable on or in respect of a Share shall bear interest against the Company. All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of 12 years from the date of declaration thereof shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company and shall thenceforth belong to the Company absolutely.

6. Material Contracts

The following are all of the contracts, not being contracts entered into in the ordinary course of business, that have been entered into by the Company since its incorporation and are, or may be, material or that contain any provision under which the Company has any obligation or entitlement which is or may be material to it as at the date of this document:

Placing Agreement

- 6.1 The Placing Agreement dated 5 May 2010 between RBS Hoare Govett, Oriel, the Company, the Directors and the Investment Manager whereby the Company has agreed, subject to certain conditions that are typical for an agreement of this nature, the last condition being Admission, to issue the Issue Shares to be issued pursuant to the Issue at the Issue Price. RBS Hoare Govett and Oriel have agreed, subject to certain conditions that are typical for an agreement of this nature, the last condition being Admission, to use reasonable endeavours to procure subscribers for the Issue Shares to be issued under the Placing at the Issue Price.

In consideration for the provision of their services under the Placing Agreement, the Company will pay placing commissions to RBS Hoare Govett and Oriel together with any VAT chargeable thereon.

The obligations of the Company to issue Issue Shares and the obligations of RBS Hoare Govett and Oriel to use reasonable endeavours to procure subscribers for the Issue Shares to be issued under the Placing, are subject to conditions, including, amongst others, Admission occurring by not later than 0800 hours on 10 June 2010 or such later time and/or date as RBS Hoare Govett and Oriel may agree with the Company and the Placing Agreement not having been terminated. RBS Hoare Govett and Oriel may terminate the Placing Agreement in certain circumstances that are typical for an agreement of this nature prior to Admission. These circumstances include the breach by the Company or the Investment Manager of the warranties given pursuant to the Placing Agreement, the occurrence of certain material adverse changes in the condition (financial or otherwise), prospects or earnings of the Company, and certain adverse changes in financial, political or economic conditions.

The Company has agreed to pay by way of reimbursement to RBS Hoare Govett and Oriel, any stamp duty or stamp duty reserve tax arising on the issue of the Issue Shares by them under the Issue and the Company has agreed to pay or cause to be paid (together with any related value added tax) certain costs, charges, fees and expenses of, or in connection with, or incidental to, amongst others, the Issue, Admission or the other arrangements contemplated by the Placing Agreement.

The Company and the Investment Manager have given certain representations, warranties, undertakings and indemnities to RBS Hoare Govett and Oriel.

The Company has undertaken to RBS Hoare Govett and Oriel in the Placing Agreement that it will not, and each of the Directors has undertaken to procure that the Company will not, during the period beginning at the date of the Placing Agreement and continuing to and including the date 365 days after the date of Admission, without the prior written consent of RBS Hoare Govett and Oriel, offer, issue, lend, sell or contract to sell, grant options in respect of or otherwise dispose of, directly or indirectly any Issue Shares or any securities convertible into, or exchangeable for,

or enter into any transaction with the same economic effect as, or agree to do any of the foregoing (other than the Issue Shares issued pursuant to the Issue). In addition, Michael Holmberg and Patrick Flynn have each undertaken to RBS Hoare Govett and Oriel that neither of them will, for the life of the Company, dispose of any of their respective shareholdings that they may have as of Admission or which they may obtain following Admission, or any interest in respect of such Issue Shares, subject to certain exemptions customary for an agreement of this type.

Each of the Company, the Directors and the Investment Manager has undertaken to RBS Hoare Govett and Oriel in the Placing Agreement that he/it will not make or despatch (and will not authorise any person to make or despatch) any public announcement or communication concerning the Group or the Issue or otherwise relating to the assets, liabilities, profits, losses, financial or trading conditions of the Group which is or may be material in the context of the Group or the Issue or the issue, offer, or sale of the Issue Shares at any time between the date of the Placing Agreement and the date 180 days after the publication of this document without having first furnished to RBS Hoare Govett and Oriel a copy of each such proposed announcement or communication as far in advance of the announcement as reasonably practicable to enable it to comment thereon and to consult with it and having had RBS Hoare Govett and Oriel's written consent as to its contents and the timing and manner of its release.

RBS Hoare Govett and Oriel have agreed that in relation to any amount recoverable from the Company and the Investment Manager under the indemnities contained in the Placing Agreement RBS Hoare Govett and Oriel will claim first against the Company and will only claim against the Investment Manager to the extent that RBS Hoare Govett and/or Oriel do not recover the relevant loss in full from the Company, provided that this does not restrict or prevent RBS Hoare Govett and/or Oriel from making a claim against the Investment Manager where (a) RBS Hoare Govett and Oriel each in its good faith opinion believes that it will not be able to recover the relevant loss in full from the Company (including as a result of the actual or reasonably anticipated insolvency of the Company) or (b) the relevant loss results from the breach by the Investment Manager of certain warranties, or any of its other obligations under the Placing Agreement.

The Placing Agreement is governed by English law.

US Distribution Agreement

- 6.2 The Company, the Investment Manager and Neuberger Berman LLC expect to enter into a distribution agreement (the “**US Distribution Agreement**”) pursuant to which the Company will pay Neuberger Berman LLC a commission in consideration for Neuberger Berman LLC procuring eligible U.S. Persons to subscribe for Issue Shares pursuant to the Placing. Pursuant to the US Distribution Agreement, it is expected that Neuberger Berman LLC will give certain representations, undertakings and warranties in favour of the Company and the Investment Manager and will agree to indemnify the Company and the Investment Manager for any loss suffered as a result of the breach by Neuberger Berman LLC of any of such representations, undertakings and warranties. It is expected that the Company will agree to indemnify Neuberger Berman LLC in respect of certain losses it may suffer as a result of the provision of its services under the US Distribution Agreement.

Distribution Agreements

- 6.3 The Company also expects to enter into distribution agreements with a number of sales agents in various jurisdictions (“**Distribution Agreements**”) pursuant to which it is expected that the Company will pay such sales agents a commission for introducing to the Company potential subscribers for the Issue Shares pursuant to the Placing. Pursuant to such agreements, it is expected that each sales agent will provide certain representations, undertakings and warranties in favour of the Company and the Investment Manager and that the Company will agree to indemnify the sales agents against any loss arising as a result of certain material misstatements or omissions contained in this document or the marketing materials. The sales agents may, with the prior written consent of the Company, appoint sub-sales agents.

Investment Management Agreement

- 6.4 The Company and the Investment Manager have entered into an investment management agreement, dated 5 May 2010 (the “**Investment Management Agreement**”), pursuant to which the Investment Manager has been given overall responsibility for the discretionary management of the Company’s assets (including uninvested cash) in accordance with the Company’s investment objectives and policy.

Fees

The Investment Manager will be entitled to the Management Fee, which shall accrue daily, and be payable monthly in arrears, at a rate of 0.125 per cent. per month of the Group’s NAV calculated as at the last business day of the relevant month. For this purpose, any accrual for any Performance Fee will be disregarded when calculating the Group’s NAV.

In addition, the Investment Manager will be entitled to be paid a performance fee by the Company. The Performance Fee will only become payable once the Company has made aggregate distributions in cash to Ordinary Shareholders (which shall include the aggregate price of all Shares repurchased or redeemed by the Company) equal to the aggregate gross proceeds of issuing Ordinary Shares (whether pursuant to the Issue, the exercise of Subscription Rights or otherwise) (the “**Contributed Capital**”) plus such amount as will result in Ordinary Shareholders having received a realised (cash-paid) IRR in respect of the Contributed Capital equal to the Preferred Return, following which there will be a 100 per cent. catch up to the Investment Manager until the Investment Manager has received 20 per cent. of all amounts in excess of Contributed Capital distributed to Ordinary Shareholders and paid to the Investment Manager as a performance fee with, thereafter, all amounts distributed by the Company being split 20/80 per cent. between the Investment Manager’s performance fee and the cash distributions to the Ordinary Shareholders respectively.

If the Investment Manager receives any fees from a company as a result of an investment made by the Investment Manager under the Investment Management Agreement in such company, the amount of any such fees shall be deducted from the Base Fee.

Termination

- 6.4.4 The Investment Management Agreement is terminable by either the Investment Manager or the Company giving to the other not less than six months’ written notice.
- 6.4.5 The Investment Management Agreement may be terminated earlier by the Company with immediate effect if:
- (i) an order has been made or an effective resolution passed for the liquidation of the Investment Manager;
 - (ii) the Investment Manager ceases or threatens to cease to carry on its business;
 - (iii) the Investment Manager has, subject to paragraph 6.4.5(iv) below, committed a material breach of the Investment Management Agreement and fails to remedy such breach within 30 days of receiving notice requiring it to do so;
 - (iv) the Investment Manager has committed a breach of its obligation to ensure that its obligations under the Investment Management Agreement are carried out by a team of appropriately qualified, trained and experienced professionals reasonably acceptable to the Board who have experience of managing a portfolio of comparable size, nature and complexity to the Company Portfolio and such breach is not remedied within 90 days of receipt of notice requiring it to do so;
 - (v) the Investment Manager ceases to hold any required authorisation to carry out its services under the Investment Management Agreement;
 - (vi) the Investment Manager breaches any provision of the Investment Management Agreement and such breach results in trading in the Issue Shares on the SFM or listing and trading of the Issue Shares on the CISX being suspended or terminated; and
 - (vii) the Company is required to do so by a relevant regulatory authority.

- 6.4.6 The Investment Management Agreement may be terminated by the Investment Manager with immediate effect if: (a) an order has been made or an effective resolution passed for the winding up of the Company; or (b) a resolution is proposed by the Board or passed by shareholders which would make changes to the Company's investment policy such that the Investment Manager in its reasonable opinion can no longer meet the service standard requirements under the Investment Management Agreement.

Fees and expenses on termination

- 6.4.7 If notice to terminate the Investment Management Agreement is served by the Company on the Investment Manager as described in paragraph 6.4.4 above at any time during the 18 month period from Admission, the Investment Manager shall be entitled to be reimbursed by the Company for those costs and expenses incurred by the Company in connection with its establishment and Admission which are borne by the Investment Manager as described under "Initial expenses related to the Issue" in Part III of this prospectus.
- 6.4.8 Subject to paragraph 6.4.10 below, if the Investment Management Agreement is terminated prior to the end of the Investment Period, the Company shall pay (a) accrued Management Fee and Performance Fee on a pro rata basis to the date of termination; and (b) reimburse the Investment Manager all of its out of pocket expenses in respect of the performance of its services up to the date of termination.
- 6.4.9 If the Investment Management Agreement is terminated after the end of the Investment Period by the Company as described in paragraphs 6.4.4 or 6.4.5 (other than paragraph 6.4.5(iv)) above or by the Investment Manager in accordance with paragraph 6.4.6 above, the Company shall pay (a) the accrued Management Fee and Performance Fee on a pro rata basis to the date of termination (except where the Investment Management Agreement is terminated by the Investment Manager as described in paragraph 6.4.6(a) in which case any Performance Fee will be payable as described in paragraph 6.4.12 below); and (b) reimburse the Investment Manager all of its out of pocket expenses in respect of the performance of its services up to the date of termination.
- 6.4.10 If the Investment Management Agreement is terminated either before or after the end of the Investment Period by the Company as described in paragraph 6.4.5(iv) or by the Investment Manager as described in paragraph 6.4.4 above, the Company shall (a) pay the accrued Management Fee on a pro rata basis to the date of termination; and (b) reimburse the Investment Manager all of its out of pocket expenses incurred in respect of the performance of its services up to the date of termination.
- 6.4.11 For the purposes of paragraphs 6.4.8 and 6.4.9, the Company shall be deemed to have made on the date of termination of the Investment Management Agreement aggregate distributions to Ordinary Shareholders and payments to the Investment Manager (in the manner described in paragraph 6.4.3 above) an amount equal to the NAV as at the date of termination.
- 6.4.12 Notwithstanding anything in paragraph 6.4, if an order has been made or an effective resolution passed for the winding up or liquidation of the Company, the Company shall be deemed to have made on the date of such resolution or order aggregate distributions to Ordinary Shareholders and payments to the Investment Manager (in the manner described in paragraph 6.4.3 above) in an amount equal to the NAV as at the date of such order or resolution (less, to the extent not already accounted for in the NAV, any liabilities connected with the winding up or liquidation), and the Investment Manager shall be paid a Performance Fee accordingly.

Indemnities

- 6.4.13 The Company has given certain market standard indemnities in favour of the Investment Manager in respect of the Investment Manager's potential losses in carrying on its responsibilities under the Investment Management Agreement.

General

- 6.4.14 The Investment Manager will delegate certain of its responsibilities under the Investment Management Agreement to the Sub-Investment Manager.
- 6.4.15 The Investment Management Agreement is governed by the laws of England and Wales.

Administration and Custody Agreement

- 6.5 The Company and the Administrator entered into an administration and custody agreement dated 30 April 2010 pursuant to which the Company appointed the Administrator to act as Administrator, Secretary and Custodian of the Company.

Under the terms of the Administration Agreement, the Administrator is entitled to various fees, including a minimum annual administration fee of £100,000, an annual secretarial fee of £36,000, a minimum annual custodian fee of £20,000, and a minimum annual loan administration fee of £75,000.

The Company has given certain market standard indemnities in favour of the Administrator in respect of the Administrator's potential losses in carrying out its responsibilities under the Administration and Custody Agreement.

The Administration and Custody Agreement may be terminated by either party on not less than six months' written notice following this period (or such shorter notice as the parties may agree). The Administration and Custody Agreement may be terminated immediately by either party: (i) in the event of the winding up of or the appointment of an administrator, liquidator, examiner or receiver to the other or upon the happening of a like event at the direction of an appropriate regulatory agency or court of competent jurisdiction (except if such event occurs for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the parties, such approval not to be unreasonably withheld or delayed) or if the other party is declared 'en desastre'; or (ii) if the other shall commit any material breach or is in persistent breach of the provisions of the Administration and Custody Agreement and shall if capable of remedy not have remedied the same within 30 days after the service of notice requiring it to be remedied; or (iii) if the continued performance of the Administration and Custody Agreement for any reason ceases to be lawful.

The Company may immediately terminate the Administration and Custody Agreement in the event of the Administrator ceasing to hold the necessary licences, approvals, permits, consents or authorisations required to enable it to perform its duties under the Administration and Custody Agreement.

The Administration, Secretary and Custody Agreement is governed by the laws of the Island of Guernsey.

Registrar Agreement

- 6.6 The Company and the Registrar entered into a registrar agreement dated 30 April 2010 (the "**Registrar Agreement**"), pursuant to which the Company appointed the Registrar to act as registrar of the Company for a minimum annual fee payable by the Company of £7,500 in respect of basic registration and £5,000 in respect of a subscription share fee.

The Registrar Agreement may be terminated by either the Company or the Administrator giving to the other not less than three month's written notice.

7. Litigation

Since its incorporation the Company has not been, nor is, involved in any governmental, legal or arbitration proceedings nor, so far as the Directors are aware, are there any governmental, legal or arbitration proceedings pending or threatened by or against the Company which may have, or have since incorporation had, a significant effect on the Company's financial position or profitability.

8. Related Party Transactions

Except as set out in paragraph 6 of Part VI of this document, no member of the Company has entered into any related party transaction since incorporation.

9. General

- 9.1 The Placing of the Issue Shares outside the United States is being carried out on behalf of the Company by Oriel and RBS Hoare Govett, both of which are authorised and regulated in the UK by the Financial Services Authority, and certain other sales agents appointed by the Company. The Placing of the Issue Shares in the United States is being carried out on behalf of the Company by Neuberger Berman LLC which is a registered broker-dealer in the United States.
- 9.2 The principal place of business and registered office of the Company is at BNP Paribas House, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 1WA. The Company is a registered closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Registered Collective Investment Scheme Rules 2008 issued by the GFSC. The Company is not regulated by the Financial Services Authority or any other regulator.
- 9.3 The Investment Manager may be a promoter of the Company. Save as disclosed in paragraph 6 above no amount or benefit has been paid, or given, to the promoter or any of their subsidiaries since the incorporation of the Company and none is intended to be paid, or given.
- 9.4 The address of the Investment Manager is 4th Floor, Lansdowne House, 57 Berkeley Square, London, W1J 6ER, UK and its telephone number is +44 (0) 203 214 9000.
- 9.5 As the Ordinary Shares do not have a par value, the Issue Price consists solely of share premium.
- 9.6 None of the Issue Shares available under the Issue are being underwritten.
- 9.7 CREST is a paperless settlement procedure enabling securities to be evidenced other than by certificates and transferred other than by written instrument. The Articles of the Company permit the holding of the Shares under the CREST system. The Directors intend to apply for the Shares to be admitted to CREST with effect from Admission. Accordingly it is intended that settlement of transactions in the Issue Shares following Admission may take place within the CREST system if the relevant Shareholders (other than U.S. Persons) so wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so upon request from the Registrars.
- 9.8 Applications will be made to the London Stock Exchange and CISX for such Issue Shares to be admitted to listing and trading on the SFM of the London Stock Exchange and the Official List of the CISX respectively. It is expected that admission will become effective, and that dealings in the Issue Shares will commence at 0800 hours on 10 June 2010. No application is being made for the Issue Shares to be dealt with in or on any stock exchanges or investment exchanges other than the London Stock Exchange and CISX.
- 9.9 The Company does not own any premises and does not lease any premises.
- 9.10 The Company will not:
- (a) invest more than 15 per cent., in aggregate, of the value of its total assets, at the time of investment, in other listed closed-ended investment funds; or
 - (b) invest more than 10 per cent., in aggregate, of the value of its total assets, at the time of investment, in Collective Investment Schemes.

10. Third party sources

- 10.1 Where third party information has been referenced in this document, the source of that third party information has been disclosed. Where information contained in this document has been sourced from the London Stock Exchange, Commodities Research Bureau or Bloomberg, the Company confirms that such information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

- 10.2 The Investment Manager has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which such references appear. The Investment Manager accepts responsibility for information attributed to it in this document and declares that, having taken all reasonable care to ensure that such is the case, the information attributed to it in this document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

11.Working capital

The Company is of the opinion that, on the basis that the Minimum Net Proceeds are raised, the working capital available to it is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.

12.Capitalisation and indebtedness

The following table shows the Company's gross indebtedness as at 20 April 2010 (being the date of incorporation).

Total current debt (\$)	As at 20 April 2010
Guaranteed	Nil
Secured	Nil
Unguaranteed/unsecured	Nil

Total non current debt (excluding current position of non current debt) (\$)	As at 20 April 2010
Guaranteed	Nil
Secured	Nil
Unguaranteed/unsecured	Nil

The following table shows the capitalisation of the Company as at 20 April 2010 (being the date of incorporation):

Shareholders' equity (\$)	As at 20 April 2010
Share capital	2
Legal reserve	Nil
Other reserves	Nil
Total	2

As at the date of this document, the Company has nil net indebtedness.

13.Documents available for inspection

Copies of this document and the Articles will be available for inspection at the registered office of the Company and the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS, and copies of the material contracts of the Company will be available for inspection at the registered office of the Company, during normal business hours on any weekday (Saturdays and Public Holidays excepted) until the date of Admission.

In addition, copies of this document are available from the Document Viewing Facility, UK Listing Authority, The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5H5.

Dated 5 May 2010

Part VII Terms and Conditions Outside the United States of the Placing by RBS Hoare Govett and Oriel

1. Introduction

Each Placee which confirms its agreement to RBS Hoare Govett and/or to Oriel to subscribe for Issue Shares under the Placing will be bound by these terms and conditions and will be deemed to have accepted them.

The Company and/or RBS Hoare Govett and/or Oriel may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Placee to execute a separate placing letter (a “**Placing Letter**”).

2. Agreement to Subscribe for Issue Shares

Conditional on: (i) Admission occurring and becoming effective by 0800 hours (London time) on or prior to 10 June 2010 (or such later time and/or date, not being later than 9 July 2010, as the Company, the Investment Managers, RBS Hoare Govett and Oriel may agree); (ii) the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated on or before 10 June 2010 (or such later time and/or date, not being later than 9 July 2010 as the parties thereto may agree); and (iii) RBS Hoare Govett and/or Oriel confirming to the Placees their allocation of Issue Shares, a Placee agrees to become a member of the Company and agrees to subscribe for those Issue Shares allocated to it by RBS Hoare Govett and/or Oriel at the Issue Price. To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

3. Payment for Issue Shares

Each Placee must pay the Issue Price for the Issue Shares issued to the Placee in the manner and by the time directed by RBS Hoare Govett and/or Oriel. If any Placee fails to pay as so directed and/or by the time required, the relevant Placee's application for Issue Shares shall be rejected.

4. Representations and Warranties

By agreeing to subscribe for Issue Shares, each Placee which enters into a commitment to subscribe for Issue Shares will (for itself and any person(s) procured by it to subscribe for Issue Shares and any nominee(s) for any such person(s)) be deemed to represent and warrant to each of the Company, the Investment Managers, the Registrar, Oriel and RBS Hoare Govett that:

- (a) in agreeing to subscribe for Issue Shares under the Placing, it is relying solely on this document and any supplementary prospectus issued by the Company and not on any other information given, or representation or statement made at any time, by any person concerning the Company or the Placing. It agrees that none of the Company, the Investment Managers, RBS Hoare Govett, Oriel or the Registrar, nor any of their respective officers, agents or employees, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;
- (b) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Issue Shares under the Placing, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the Investment Manager, RBS Hoare Govett, Oriel or the

Registrar or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing;

- (c) it agrees that, having had the opportunity to read this document, it shall be deemed to have had notice of all information and representations contained in this document, that it is acquiring Issue Shares solely on the basis of this document and no other information and that in accepting a participation in the Placing it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for Issue Shares;
- (d) it acknowledges that no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by RBS Hoare Govett, Oriel, the Company, or the Investment Managers;
- (e) it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;
- (f) it accepts that none of the Issue Shares have been or will be registered under the laws of any Excluded Territory. Accordingly, the Issue Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Excluded Territory unless an exemption from any registration requirement is available;
- (g) if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Issue Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- (h) if it is a resident in the EEA (other than the United Kingdom), it is a qualified investor within the meaning of the law in the Relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of this document Directive (Directive 2003/71/EC);
- (i) if it is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Issue Shares pursuant to the Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Issue Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- (j) it acknowledges that none of RBS Hoare Govett or Oriel nor any of their respective affiliates nor any person acting on their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and participation in the Placing is on the basis that it is not and will not be a client of RBS Hoare Govett or Oriel and that RBS Hoare Govett and Oriel do not have any duties or responsibilities to it for providing protection afforded to their respective clients or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertaking or indemnities contained in the Placing Letter;
- (k) it acknowledges that where it is subscribing for Issue Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to subscribe for the Issue Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this document; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and/or RBS Hoare Govett and/or Oriel. It agrees that the provision of this paragraph shall survive any resale of the Issue Shares by or on behalf of any such account;
- (l) it irrevocably appoints any director of the Company and any director of RBS Hoare Govett and Oriel to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Issue Shares for which it has given a commitment under the Placing, in the event of its own failure to do so;

- (m) it accepts that if the Placing does not proceed or the conditions to the Placing Agreement are not satisfied or the Issue Shares for which valid application are received and accepted are not admitted to trading on the SFM and to listing and trading on the Official List of the CISX for any reason whatsoever then none of RBS Hoare Govett, Oriel or the Company, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- (n) in connection with its participation in the Placing it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering (“**Money Laundering Legislation**”) and that its application is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or (iii) subject to the Guernsey AML Requirements; or (iv) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- (o) RBS Hoare Govett, Oriel and the Company are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion without any liability whatsoever to them;
- (p) the representations, undertakings and warranties contained in this document are irrevocable. It acknowledges that RBS Hoare Govett, Oriel and the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or warranties made or deemed to have been made by its subscription of the Issue Shares are no longer accurate, it shall promptly notify RBS Hoare Govett, Oriel and the Company;
- (q) where it or any person acting on behalf of it is dealing with RBS Hoare Govett and/or Oriel, any money held in an account with RBS Hoare Govett and/or Oriel on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the Financial Services Authority which therefore will not require RBS Hoare Govett and/or Oriel to segregate such money, as that money will be held by RBS Hoare Govett and/or Oriel under a banking relationship and not as trustee;
- (r) any of its clients, whether or not identified to RBS Hoare Govett or Oriel, will remain its sole responsibility and will not become clients of RBS Hoare Govett or Oriel for the purposes of the rules of the Financial Services Authority or for the purposes of any other statutory or regulatory provision;
- (s) it accepts that the allocation of Issue Shares shall be determined by RBS Hoare Govett, Oriel and the Company in their absolute discretion and that such persons may scale down any Placing commitments for this purpose on such basis as they may determine; and
- (t) time shall be of the essence as regards its obligations to settle payment for the Issue Shares and to comply with its other obligations under the Placing.

5. Supply and Disclosure of Information

If RBS Hoare Govett, Oriel, the Registrar or the Company or any of their agents request any information about a Placee’s agreement to subscribe for Issue Shares under the Placing, such Placee must promptly disclose it to them.

6. Miscellaneous

The rights and remedies of RBS Hoare Govett, Oriel, the Registrar and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.

Each Placee agrees to be bound by the Articles once the Issue Shares, which the Placee has agreed to subscribe for pursuant to the Placing, have been acquired by the Placee. The contract to subscribe for Issue Shares under the Placing and the appointments and authorities mentioned in this document will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of RBS Hoare Govett, Oriel, the Company and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against Placee in any other jurisdiction.

In the case of a joint agreement to subscribe for Issue Shares under the Placing, references to a "Placee" in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.

RBS Hoare Govett, Oriel and the Company expressly reserve the right to modify the Placing (including, without limitation, their timetable and settlement) at any time before allocations are determined.

The Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated. Further details of the terms of the Placing Agreement are contained in Part VI of this document.

Part VIII Terms and Conditions of Application Under the Offer

1. Introduction

If you apply for Issue Shares under the Offer, you will be agreeing with the Company, the Registrar and the Receiving Agent to the Terms and Conditions of Application set out below.

2. Offer to acquire Issue Shares

- 2.1 Your application must be made on the Application Form attached at Appendix A to this document or as may be otherwise published by the Company. By completing and delivering an Application Form, you, as the applicant, and, if you sign the Application Form on behalf of another person or a corporation, that person or corporation:
 - 2.1.1 offer to subscribe for such number of Ordinary Shares at US\$1.00 per Ordinary Share as may be purchased by the subscription amount specified in Box 1 on your Application Form (being a minimum of US\$50,000, or such lesser amount as the Company may, in its absolute discretion, determine to accept in respect of applications from (i) authorised persons and (ii) persons (including Directors) having a pre-existing connection with the Company) on the terms, and subject to the conditions, set out in the document, including these Terms and Conditions of Application and the Memorandum and Articles;
 - 2.1.2 agree that if in respect of the Issue Shares for which you wish to subscribe under the Offer you submit payment in Sterling, the Company shall convert such amount into US Dollars at such rate and at such time as it determines is reasonable and that where such converted amount is not divisible by US\$1.00, the number of Issue Shares which will be issued will be rounded down accordingly with any surplus subscription monies being retained for the benefit of the Company;
 - 2.1.3 agree that, in consideration of the Company agreeing that it will not, prior to the date of Admission, offer for subscription any Issue Shares to any person other than by means of the procedures referred to in this document, your application may not be revoked and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or in the case of delivery by hand, on receipt by the Receiving Agent of, your Application Form;
 - 2.1.4 undertake to pay the amount specified in Box 1 on your Application Form in full on application and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to receive the share certificates for the Issue Shares applied for in certificated form or be entitled to commence dealing in the Issue Shares applied for in uncertificated form or to enjoy or receive any rights in respect of such Issue Shares unless and until you make payment in cleared funds for such Issue Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Receiving Agent and the Company against all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) void the agreement to allot the Issue Shares and may allot them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund by way of a cheque, in your favour, at your risk, for an amount equal to the proceeds of the remittance which accompanied your Application Form, without interest);

- 2.1.5 agree that where on your Application Form a request is made for Issue Shares to be deposited into a CREST Account, the Receiving Agent may in its absolute discretion amend the form so that such Issue Shares may be issued in certificated form registered in the name(s) of the holders specified in your Application Form (and recognise that the Receiving Agent will so amend the form if there is any delay in satisfying the identity of the applicant or the owner of the CREST Account or in receiving your remittance in cleared funds);
- 2.1.6 agree, in respect of applications for Issue Shares in certificated form (or where the Receiving Agent exercises its discretion pursuant to paragraph 2.1.4 to issue Issue Shares in certificated form), that any share certificate to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form may become entitled or pursuant to paragraph 2.1.4 above (and any monies returnable to you) may be retained by the Receiving Agent:
- (i) pending clearance of your remittance;
 - (ii) pending investigation of any suspected breach of the warranties contained in paragraph 6 below or any other suspected breach of these Terms and Conditions of Application; or
 - (iii) pending any verification of identity which is, or which the Receiving Agent considers may be, required for the purpose of The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 (as amended), and the regulations made thereunder, and the GFSC's Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing (as amended, supplemented and/or replaced from time to time) (the "**Guernsey AML Requirements**");
 - (iv) and any interest accruing on such retained monies shall accrue to and for the benefit of the Company;
- 2.1.7 agree, on the request of the Receiving Agent, to disclose promptly in writing to them such information as the Receiving Agent may request in connection with your application and authorise the Receiving Agent to disclose any information relating to your application which they may consider appropriate;
- 2.1.8 agree that, if evidence of identity satisfactory to the Receiving Agent is not provided to the Receiving Agent within a reasonable time (in the opinion of the Company) following a request therefor, the Company or the Receiving Agent may terminate the agreement with you to allot Issue Shares and, in such case, the Issue Shares which would otherwise have been allotted to you may be reallocated or sold to some other party and the lesser of your application monies or such proceeds of sale (as the case may be, with the proceeds of any gain derived from a sale accruing to the Company) will be returned to the bank account on which the payment accompanying the application was first drawn without interest and at your risk;
- 2.1.9 agree that you are not applying on behalf of a person engaged in money laundering, drug trafficking or terrorism;
- 2.1.10 undertake to ensure that, in the case of an Application Form signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form together with full identity documents for the person so signing;
- 2.1.11 undertake to pay interest at the rate described in paragraph 3.3 below if the remittance accompanying your Application Form is not honoured on first presentation;
- 2.1.12 authorise the Receiving Agent to procure that there be sent to you definitive certificates in respect of the number of Issue Shares for which your application is accepted or if you have completed section 8 on your Application Form, but subject to paragraph 2.1.4 above, to deliver the number of Issue Shares for which your application is accepted into CREST, and/or to return any monies returnable by cheque in your favour without interest and at your risk;
- 2.1.13 confirm that you have read and complied with paragraph 8 of this Part VIII;
- 2.1.14 agree that all subscription cheques and payments will be processed through a bank account (the "**Acceptance Account**") in the name of "Capita Registrars Limited re NB Distressed Debt Investment Fund Limited" opened with the Receiving Agent;

- 2.1.15 agree that your Application Form is addressed to the Company and the Receiving Agent;
 - 2.1.16 agree that, if a fractional entitlement to an Issue Share arises on your application, the number of Issue Shares issued to you will be rounded down to the nearest whole number and any fractions shall be retained by the Company for its benefit; and
 - 2.1.17 acknowledge that the Issue will not proceed if the Net Issue Proceeds would be less than US\$100,000,000 (or such lesser amount as the Company, RBS Hoare Govett and Oriel may determine and notify to investors via publication of a supplementary prospectus).
- 2.2 Any application may be rejected in whole or in part at the sole discretion of the Company.

3. Acceptance of your Offer

- 3.1 The Receiving Agent may, on behalf of the Company, accept your offer to subscribe (if your application is received, valid (or treated as valid), processed and not rejected) by notifying acceptance to the Receiving Agent.
- 3.2 The basis of allocation will be determined by the Placing Agents in consultation with the Company. The right is reserved notwithstanding the basis as so determined to reject in whole or in part and/or scale back any application. The right is reserved to treat as valid any application not complying fully with these Terms and Conditions of Application or not in all respects completed or delivered in accordance with the instructions accompanying the Application Form. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Application Form where you have agreed with the Company in some other manner to apply in accordance with these Terms and Conditions of Application. The Company and Receiving Agent reserves the right (but shall not be obliged) to accept Application Forms and accompanying remittances which are received otherwise than in accordance with these Terms and Conditions of Application.
- 3.3 The Receiving Agent will present all cheques and banker's drafts for payment on receipt and will retain documents of title and surplus monies pending clearance of successful applicants' payment. The Receiving Agent may, as agent of the Company, require you to pay interest or its other resulting costs (or both) if the payment accompanying your application is not honoured on first presentation. If you are required to pay interest you will be obliged to pay the amount determined by the Receiving Agent, to be the interest on the amount of the payment from the date on which all payments in cleared funds are due to be received until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by the Receiving Agent plus 2 per cent. per annum. The right is also reserved to reject in whole or in part, or to scale down or limit, any application.
- 3.4 The Company reserves the right in its absolute discretion (but shall not be obliged) to accept applications for less than the Minimum Subscription.

4. Conditions

- 4.1 The contracts created by the acceptance of applications (in whole or in part) under the Offer will be conditional upon:
 - 4.1.1 Admission occurring 0800 hours on 10 June 2010 (or such later time or date, not being later than 9 July 2010, as the Company and the Placing Agents may agree);
 - 4.1.2 the Placing Agreement becoming otherwise unconditional in all respects, and not being terminated in accordance with its terms before Admission becomes effective; and
 - 4.1.3 the Minimum Gross Proceeds having been raised.
- 4.2 You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including precontractual representations) at any time after acceptance. This does not affect any other right you may have.

5. Return of Application Monies

Where application monies have been banked and/or received, if any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned without interest and after the deduction of any applicable bank charges by returning your cheque, or by crossed cheque in your favour, by post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a separate account.

6. Warranties

6.1 By completing an Application Form, you:

- 6.1.1 warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary;
- 6.1.2 warrant that you are a resident of, and are located for the purposes of the offer in the United Kingdom and no other jurisdiction;
- 6.1.3 warrant that you are not a U.S. Person, you are not located within the United States and are not acquiring the Ordinary Shares and/or the Subscription Shares for the account or benefit of a U.S. Person;
- 6.1.4 warrant, if the laws of any territory or jurisdiction outside Guernsey or the United Kingdom are applicable to your application, that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action or omitted to take any action which will result in the Company, the Placing Agents or the Receiving Agent, or any of their respective officers, agents or employees, acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside Guernsey or the United Kingdom in connection with the Offer in respect of your application;
- 6.1.5 confirm that in making an application you are not relying on any information or representations in relation to the Company other than those contained in this document (on the basis of which alone your application is made) and accordingly you agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such other information or representation;
- 6.1.6 agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations contained therein;
- 6.1.7 acknowledge that no person is authorised in connection with the Offer to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, the Placing Agents or the Receiving Agent;
- 6.1.8 warrant that you are not under the age of 18 on the date of your application;
- 6.1.9 agree that all documents and monies sent by post to, by or on behalf of the Company, or the Receiving Agent, will be sent at your risk and, in the case of documents and returned application cheques and payments to be sent to you, may be sent to you at your address (or, in the case of joint holders, the address of the first-named holder) as set out in your Application Form;
- 6.1.10 confirm that you have reviewed the restrictions contained in paragraph 8 of this Part VIII below and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions therein;

- 6.1.11 agree that, in respect of those Issue Shares for which your Application Form has been received and processed and not rejected, acceptance of your Application Form shall be constituted by the Company instructing the Registrar to enter your name on the share registry;
- 6.1.12 agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- 6.1.13 irrevocably authorise the Company, or the Receiving Agent or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any Issue Shares subscribed by or issued to you into your name and authorise any representatives of the Company and/or the Receiving Agent to execute any documents required therefore and to enter your name on the register of members of the Company;
- 6.1.14 agree to provide the Company and Receiving Agent with any information which they may request in connection with your application or to comply with any other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the Guernsey AML Requirements;
- 6.1.15 agree that the Receiving Agent is acting for the Company in connection with the Offers for Subscription and for no-one else and that it will not treat you as its customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of Ordinary Shares or concerning the suitability of Ordinary Shares for you or be responsible to you for providing the protections afforded to its customers;
- 6.1.16 warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, the Placing Agents or the Receiving Agent acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
- 6.1.17 warrant that the information contained in the Application Form is true and accurate; and
- 6.1.18 agree that if you request that Issue Shares are issued to you on a date other than Admission and such Issue Shares are not issued on such date that the Company and its agents and Directors will have not liability to you arising from the issue of such Issue Shares on a different date.

7. Money Laundering

- 7.1 You agree that, in order to ensure compliance with the UK Money Laundering Regulations 2007 (where applicable) and the Guernsey AML Requirements, the Receiving Agent or the Administrator may respectively at their absolute discretion require verification of identity from any person lodging an Application Form.
- 7.2 The Receiving Agent may undertake electronic searches for the purposes of verifying your identity. To do so the Receiving Agent may verify the details against your identity, but may also request further proof of your identity. The Receiving Agent reserves the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.
- 7.3 Payments must be made by cheque or banker's draft in Sterling or US Dollars drawn on a United Kingdom branch of a bank or building society. Cheques, which must be drawn on your personal account where you have sole or joint title to the funds, should be made payable to "Capita Registrars Limited re NB Distressed Debt Investment Fund Limited" and crossed "A/C payee". Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft by following the instructions in paragraph 7.7 below.

- 7.4 The bank account name should be the same as that shown on the Application Form.
- 7.5 Where you appear to the Receiving Agent to be acting on behalf of some other person certifications of identity of any persons on whose behalf you appear to be acting may be required.
- 7.6 Failure to provide the necessary evidence of identity may result in application(s) being rejected or delays in the dispatch of documents.
- 7.7 In all circumstances, verification of the identity of applicants will be required. If you use a building society cheque, banker's draft or money order you should ensure that the bank or building society enters the name, address and account number of the person whose account is being debited on the reverse of the cheque, banker's draft or money order and adds its stamp. The name on the bank account must be the same as that stated on the Application Form.
- 7.8 You should endeavour to have the certificate contained in Box 9 of the Application Form signed by an appropriate firm as described in that Box.

8. Overseas Investors

The attention of existing and potential investors who are not resident in, or who are not citizens of, the United Kingdom and Guernsey is drawn to paragraphs 8.1 to 8.4 below:

General

- 8.1 The offer of Issue Shares under the Offer to persons who are resident in, or citizens of, countries other than the United Kingdom and Guernsey ("**Overseas Investors**") may be affected by the law of the relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any government or other consents or need to observe any applicable legal requirements to enable them to subscribe for Issue Shares under the Offer. It is the responsibility of all Overseas Investors receiving this document and/or wishing to subscribe to the Issue Shares under the Offer, to satisfy themselves as to full observance of the laws of any relevant territory or jurisdiction in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities requiring to be observed and paying any issue, transfer or other taxes due in such territory.
- 8.2 No person receiving a copy of this document in any territory other than the United Kingdom or Guernsey may treat the same as constituting an offer or invitation to him, unless in the relevant territory such an offer can lawfully be made to him without compliance with any further registration or other legal requirements.
- 8.3 Persons (including, without limitation, nominees and trustees) receiving this document should not distribute or send it to any U.S. Person or in or into the United States, Canada, Australia or Japan, their respective territories or possessions or any other jurisdiction where to do so would or might contravene local securities laws or regulations.
- 8.4 The Company reserves the right to treat as invalid any agreement to subscribe for Issue Shares pursuant to the Offer if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

9. The Data Protection (Bailiwick of Guernsey) Law 2001

- 9.1 Pursuant to The Data Protection (Bailiwick of Guernsey) Law 2001, (the "**DP Law**") the Company, the Placing Agents and/or the Registrar may hold personal data (as defined in the DP Law) relating to past and present Shareholders.
- 9.2 Such personal data held is used by the Registrar to maintain a register of the Shareholders and mailing lists and this may include sharing such data with third parties in one or more of the countries mentioned below when (a) effecting the payment of dividends and redemption proceeds to Shareholders (in each case, where applicable) and, if

applicable, the payment of commissions to third parties and (b) filing returns of Shareholders and their respective transactions in shares with statutory bodies and regulatory authorities. Personal data may be retained on record for a period exceeding six years after it is no longer used.

- 9.3 The countries referred to above include, but need not be limited to, those in the European Economic Area or the European Union and any of their respective dependent territories overseas, Argentina, Australia, Brazil, Canada, Hong Kong, Hungary, Japan, New Zealand, Singapore, South Africa, Switzerland and the United States.
- 9.4 By becoming registered as a holder of Issue Shares in the Company a person becomes a data subject (as defined in the DP Law) and is deemed to have consented to the processing by the Company or its Registrar or the Placing Agent of any personal data relating to them in the manner described above.

10. Miscellaneous

- 10.1 The rights and remedies of the Company and the Receiving Agent under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to any of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 10.2 The Company reserves the right to shorten or extend the closing time of the Offer from 1200 hours on 3 June 2010 (provided that if the closing time is extended this prospectus remains valid at the closing time as extended) by giving notice to the LSE and the CISX. The Company will notify investors via a RIS and any other manner, having regard to the requirements of the LSE and the CISX.
- 10.3 The Company may terminate the Offer in its absolute discretion at any time prior to Admission. If such right is exercised, the Offer will lapse and any monies will be returned as indicated without interest.
- 10.4 The dates and times referred to in these Terms and Conditions of Application may be altered by the Company so as to be consistent with the Placing Agreement (as the same may be altered from time to time in accordance with its terms).
- 10.5 Save where the context requires otherwise, terms used in these Terms and Conditions of Application bear the same meaning as use elsewhere in this document.

Part IX Glossary of Selected Terms

The following definitions apply in this document unless the context otherwise requires:

“Accredited Investors” or “AIs”	has the meaning given to it under Rule 501(a) of Regulation D under the U.S. Securities Act
“Administrator”	means BNP Paribas Fund Services (Guernsey) Limited and/or such other person or persons from time to time appointed by the Company for the purposes of the Rules; the Administrator is the designated manager of the Company
“Administration and Custody Agreement”	means the administration and custody agreement between the Company and the Administrator, a summary of which is set out in paragraph 6.5 of Part VI of this document
“Admission”	means admission to trading on the London Stock Exchange’s SFM of the Shares becoming effective in accordance with the LSE Admission Standards and admission to listing and trading on the Official List of the CISX
“Affiliate”	means an affiliate of, or person affiliated with, a specified person; a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified
“AIFM Directive”	means the European Commission’s proposed Directive on Alternative Investment Fund Managers
“Articles”	means the articles of incorporation of the Company
“Auditors”	means KPMG
“Bankruptcy Investments”	means investments in the securities of bankrupt companies and/or companies that have recently emerged from bankruptcy as well as companies for which the Investment Managers believe that bankruptcy appears imminent
“Basic Entitlement”	has the meaning given in the section headed “Discount Control” in Part I of this document
“Board”	means the board of directors of the Company
“Bonus Issue”	means the bonus issue of Subscription Shares
“Business Day”	means a day on which the London Stock Exchange, CISX and banks in Guernsey are normally open for business
“Capital Distribution Share”	means a share of no par value in the capital of the Company which may be issued by the Company (on such terms and carrying such rights as the Directors may determine) for the purposes of returning capital realised on the realisation of the Company's investments to Ordinary Shareholders following expiry of the Investment Period as described in paragraph 5.3 of Part VI of this document
“Capita Registrars”	means the trading name of Capita Registrars Limited

“Capital Returns”	means returns comprising repayments of invested capital and capital gains made by the Company
“certificated” or “certificated form”	means not in uncertificated form
“Certificated Subscription Share Notice”	means the representation letter, in the form set out in the Certificated Subscription Share Instrument and as set out in Appendix D to this document, required to be delivered by persons exercising Subscription Rights attaching to Subscription Shares held in certificated form in order to receive Ordinary Shares
“CISX”	means the Channel Islands Stock Exchange
“Class A Shareholder”	means the holder of the Class A Shares
“Class A Shares”	means class A ordinary shares of US\$1.00 par value each in the Company
“CLO”	means collateralised loan obligation
“Collective Investment Schemes”	means as defined for the purposes of the Collective Investment Schemes Sourcebook forming part of the Handbook of Rules and Guidance published by the FSA
“Commission” or “GFSC”	means the Guernsey Financial Services Commission
“Companies Laws”	means The Companies (Guernsey) Law, 2008, as amended
“Company”	means NB Distressed Debt Investment Fund Limited, a closed-ended investment company incorporated in Guernsey under the Companies Laws on 20 April 2010 with registered number 51774
“Company Portfolio”	means at any time, the investments in which the funds of the Company are invested
“Conflicts Policy”	has the meaning given to it under the section head “Conflicts of Interest” in Part III of this document
“Continuation Resolution”	has the meaning given in the section headed “Discount Control” in Part I of this document as to the continuation of the Company as presently constituted
“Continuing Shareholders”	has the meaning given in the section headed “Discount Control” in Part I of this document
“Contributed Capital”	has the meaning given to it in the section headed “Investment Manager’s Fees” on page 8 of this document
“CREST”	means the facilities and procedures for the time being of the relevant system of which Euroclear UK and Ireland Limited has been approved as operator pursuant to the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755) of the United Kingdom
“CREST Guernsey Requirements”	means Rule 8 and such other rules and requirements of Euroclear UK & Ireland as may be applicable to issuers as from time to time specified in the CREST Manual
“CREST Manual”	means the compendium of documents entitled CREST Manual issued by Euroclear UK & Ireland from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and the CREST Glossary of Terms

“CREST Regulations”	means the Uncertificated Securities Regulations 2001 (SI No. 2001/3755)
“Deferred Shares”	has the meaning given to it under paragraph 8 of Part V
“Directors” or “Board”	means the directors of the Company
“Disclosure and Transparency Rules”	means the disclosure and transparency rules made by the FSA under Part VI FSMA
“Distribution Agreements”	means as defined in paragraph 6.3 of Part VI of this document
“EEA”	means the European Economic Area
“EGM”	has the meaning given in the section headed “Discount Control” in Part I of this document
“ERISA”	means the U.S. Employee Retirement Income Security Act of 1974, as amended from time to time, and the applicable regulations thereunder
“ETF”	means exchange traded funds
“EU”	means the European Union
“Euro” or “€”	means the lawful currency of the EU
“Euroclear”	means Euroclear UK & Ireland Limited
“Excluded Territory”	means the United States of America, Canada, Australia, Japan, New Zealand and South Africa and any other jurisdiction where the extension or availability of the Issue would breach any applicable law
“Exiting Shareholders”	has the meaning given in the section headed “Discount Control” in Part I of this document
“Finance Act”	means the UK Finance Act 2009, as amended
“Financial Services Authority” or “FSA”	means the Financial Services Authority of the United Kingdom
“FSMA”	means the Financial Services and Markets Act 2000, as amended
“GFSC”	means the Guernsey Financial Services Commission
“Gross Asset Value”	means the total assets of the Company as determined in accordance with the principles adopted by the Directors
“Gross Issue Proceeds”	means the aggregate value of the Shares issued under the Issue at the Issue Price
“Group”	means the Company and its subsidiaries
“Guernsey AML Requirements”	means The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 (as amended), regulations made thereunder, and the GFSC’s Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing (as amended, supplemented and/or replaced from time to time)
“Independent Directors”	means the directors of the Company determined by the Board to be independent
“Investment Management Agreement”	means the investment management agreement between the Company and the Investment Manager, a summary of which is set out in paragraph 6.4 of Part VI of this document
“Investment Manager”	means Neuberger Berman Europe Limited
“Investment Managers”	means the Investment Manager and Sub-Investment Manager

“Investment Period”	means the period ending on the third anniversary of Admission
“IRR”	means internal rate of return, calculated as the annualised effective compounded return rate earned on the invested capital
“ISA”	means an individual savings account
“ISIN”	means International Securities Identification Number
“Issue”	means the Placing and Offer
“Issue Price”	means US\$1.00 per Ordinary Share
“Issue Shares”	means the Ordinary Shares and/or the Subscription Shares, as the context may require
“Joint Bookrunners”	means the Placing Agents
“KPMG”	means KPMG Channel Islands Limited
“Listing Rules”	means the listing rules made by the CISX
“London Stock Exchange” or “LSE”	means the London Stock Exchange plc
“LSE Admission Standards”	means the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the SFM
“LTM”	means last twelve months
“Management Fee”	means the non-discretionary fee payable to the Investment Manager set out in the Investment Management Agreement and described in Part III of this document
“Market Abuse Directive”	means Directive 2003/6/EC of the European Parliament and of the Council on insider dealing and market manipulation (market abuse)
“Memorandum”	means the memorandum of incorporation of the Company
“Minimum Net Proceeds”	means US\$100,000,000
“NAV Calculation Date”	means each Business Day
“NAV per Ordinary Share”	means the Net Asset Value divided by the number of Ordinary Shares in issue
“NB Affiliates”	means Affiliates of Neuberger Berman Group LLC
“NB Distressed Credit”	means the Neuberger Berman Distressed Debt Group, part of the business group NB LAM
“NB Group”	means Neuberger Berman Group LLC
“NB LAM”	means Neuberger Berman Leveraged Asset Management, a business group within the Sub-Investment Manager
“Net Asset Value” or “NAV”	means the value of the assets of the Group less its liabilities determined in accordance with the accounting principles adopted by the Directors
“Net Issue Proceeds”	means the Gross Issue Proceeds less applicable fees and expenses of the Issue
“Net Leverage”	means borrowings less any cash assets
“Non-Qualified Person”	means as defined in paragraph 5.7.4 of Part VI of this document

“Offer”	means the offer for subscription of Issue Shares at the Issue Price pursuant to the terms of this document
“Ordinary Shareholders”	means the holder of one or more Ordinary Shares
“Ordinary Shares”	means the ordinary shares of no par value each in the Company
“Oriel”	means Oriel Securities Limited
“Original Issue Equity”	means equity not created as a result of a reorganisation
“Other Accounts”	means other clients, funds and accounts in relation to which the Investment Managers or any other members of the NB Group act as manager, investment manager, trustee, custodian, sub-custodian, registrar, broker, administrator, investment adviser or dealer
“Performance Fee”	means the performance fee payable by the Company as described in section 6.4 of Part VI of this document
“Placee”	means a person subscribing for Issue Shares under the Placing
“Placing”	means the placing of Issue Shares at the Issue Price as described in this document
“Placing Agents”	means Oriel in its capacity as Sole Financial Adviser, Joint Global Co-ordinator and Joint Bookrunner and RBS Hoare Govett in its capacity as Joint Global Co-ordinator and Joint Bookrunner under the Placing Agreement
“Placing Agreement”	means the conditional agreement between the Company, the Investment Managers, Oriel and RBS Hoare Govett, a summary of which is set out in paragraph 6.1 of Part V of this document
“Portfolio Company”	means an issuer in which the Company invests
“Preferred Return”	means 6 per cent.
“Prospectus Rules”	means the prospectus rules made by the UK Listing Authority under section 73(A) Financial Services and Markets Act 2000
“PwC”	means Pricewaterhouse Coopers CI LLP
“Qualified Person”	means a person other than a Non-Qualified Person
“Qualified Purchasers” or “QPs”	has the meaning given to it in Section 2(a)(51) of the Investment Company Act
“RBS Hoare Govett”	means RBS Hoare Govett Limited
“Receiving Agent”	means Capita Registrars
“Registrar”	means Capita Registrars (Guernsey) Limited or such other person or persons from time to time appointed by the Company
“Registrar Agreement”	means the registrar agreement between the Company and the Registrar, a summary of which is set out in paragraph 6.6 of Part VI of this document
“Regulation D”	means Regulation D promulgated under the U.S. Securities Act
“Regulation S”	means Regulation S promulgated under the U.S. Securities Act
“Regulations”	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755)
“Relevant Electronic System”	has the meaning given in paragraph 1(c) of Part V of this document

“Relevant Shares”	has the meaning given to it in paragraph 8(g) of Part V of this document
“Relevant Exchange”	means any stock exchange or market on which the Issue Shares may be listed and/or traded or, if there is more than one such exchange or market, one such exchange or market as determined by the Directors
“Rights Offer”	has the meaning given in paragraph 2(c) of Part V of this document
“RIS”	means a regulatory information service
“Risk Factors”	means the risk factors pertaining to the Company set out on pages 13 to 32 of this document
“Rules”	means the Authorised Closed-Ended Investment Scheme Rules 2008 issued by the Commission under The Protection of Investors (Bailiwick of Guernsey) Law, 1987
“SEC”	means the U.S. Securities and Exchange Commission
“SEDOL”	means Stock Exchange Daily Official List
“SFM”	means the Specialist Fund Market of the London Stock Exchange
“Shareholder”	means a holder of Issue Shares
“Shareholding”	means a holding of Issue Shares
“Shares”	means the Class A Shares and Ordinary Shares
“SIPP”	means a self-invested personal pension
“SDRT”	means Stamp Duty Reserve Tax
“special resolution of the Subscription Shareholders”	has the meaning given in paragraph 8(b) of Part V of this document
“Sterling”	means the lawful currency of the United Kingdom
“Sub-Investment Management Agreement”	means the Sub-Investment Management Agreement between the Investment Manager and the Sub-Investment Manager
“Sub-Investment Manager”	means Neuberger Berman Fixed Income LLC
“Subscription Price”	has the meaning given to it in paragraph 1(a) of Part V of this document
“Subscription Share Exercise Date”	means as defined in paragraph 1(a) of Part V of this document
“Subscription Right”	has the meaning given in paragraph 1(a) of Part V of this document
“Subscription Shareholder”	means the holder of one or more Subscription Shares
“Subscription Shares”	means subscription shares of no par value each to be issued by the Company and having the rights set out in Part V of this document
“Subscription Share Instrument”	means the subscription share instrument dated the Subscription Share Exercise Date
“Subscription Notice”	means the Certificated Subscription Share Notice and/or the Uncertificated Subscription Share Notice
“Target Return”	means the Company’s targeted total return (income and capital) of 20 per cent. per annum (gross of fees and expenses)
“Taxes Act”	means the Income and Corporation Taxes Act 1988, as amended
“Tender Offer”	has the meaning given in the section headed “Discount control” in Part I of this document

“Tender Offer Board Meeting”	has the meaning given in the section headed “Discount control” in Part I of this document
“Tender Pool”	has the meaning given in the section headed “Discount control” in Part I of this document
“Terms and Conditions of Application”	means the terms and conditions of application set out in Part VIII of this document in connection with the Offer to non-U.S. Persons
“Trust Deed”	means the trust deed governing the purpose trust pursuant to which the Trustee holds the Class A Shares
“Trustee”	means Carey Trustees Limited
“UK” or “United Kingdom”	means the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	means the Financial Services Authority as the competent authority for listing in the United Kingdom
“uncertificated form” or “in uncertificated form”	means recorded on the register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
“Uncertificated Subscription Instruction”	has the meaning given in paragraph 1(e) of Part V of this document
“Uncertificated Subscription Share Notice”	means the representation letter, in the form set out in the uncertificated Subscription Share Instrument and as set under in Appendix E to this document, required to be delivered by persons exercising Subscription Rights attaching to Subscription Shares held in uncertificated form in order to receive Ordinary Shares
“United States” or “U.S.”	means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“U.S. GAAP”	means the accounting principles generally accepted in the United States
“U.S. Distribution Agreement”	means the distribution agreement entered into between the Investment Manager, the Company and Neuberger Berman LLC, a summary of which is set out in paragraph 6.2 of Part VI of this document
“U.S. Dollars” or “US\$”	means the lawful currency of the United States
“U.S. Exchange Act”	means the U.S. Securities Exchange Act of 1934, as amended
“U.S. Investment Company Act”	means the U.S. Investment Company Act of 1940, as amended
“U.S. Persons”	has the meaning given to it in Regulation S under the Securities Act
“U.S. Plan Asset Regulations”	means the regulations promulgated by the U.S. Department of Labor at 29 CFR 2510.3-101, as modified by section 3(42) of ERISA
“U.S. Plan Investor”	means (i) an “employee benefit plan” as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a “plan” as defined in Section 4975 of the Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Code; or (iii) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in the preceding clause (i) or (ii) in such entity pursuant to the U.S. Plan Asset Regulations
“U.S. Securities Act”	means the U.S. Securities Act of 1933, as amended
“U.S. Tax Code”	means the U.S. Internal Revenue Code of 1986, as amended

Appendix A Application Form for the Offer

NB DISTRESSED DEBT INVESTMENT FUND LIMITED

If you wish to apply for Issue Shares, please complete, sign and return this Application Form, by post or (during normal business hours only) by hand to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received no later than 1200 hours on 3 June 2010.

IMPORTANT: Before completing this Application Form, you should read the notes set out under the section entitled “Notes on how to complete the Application Form” at the back of this Application Form. All applicants must complete Boxes 1 to 3. Joint applicants should also complete Box 4.

If you have a query concerning completion of this Application Form, please call Capita Registrars between 0900 hours and 1700 hours on any weekday (except UK bank holidays) on 0871 664 0321 (or, if calling from outside the United Kingdom, +44 (0) 20 8639 3399). Calls to the 0871 664 0321 number cost 10p per minute plus your service provider’s network extras. Calls to the helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls from mobile telephones. Calls may be recorded or randomly monitored for security and training purposes. Capita Registrars cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

To: The Directors,
NB Distressed Debt Investment Fund Limited

1. Application

I/We offer to subscribe for such number of Issue Shares at the value set out below divided by the relevant Issue Price (minimum being US\$50,000), fully paid subject to the Terms and Conditions of Application set out in the prospectus dated 5 May 2010 and subject to the Memorandum and Articles, and enclose a cheque for the amount shown in Box 1. If you submit payment in Sterling, the Company shall convert such amount into US Dollars at such rate and at such time as it determines is reasonable and that where such converted amount is divisible by US\$1.00, the number of Issue Shares which will be issued will be rounded down accordingly with any surplus subscription monies being retained for the benefit of the Company.

Total Amount	US\$	Sterling
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2. Personal Details (Please use Block Capitals)

Mr, Mrs, Ms or Title	Forenames (in full)
Surname/Company Name	
Address (in full)	
Postcode	

3. Signature

Dated	Signature
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4. Joint Applicants (Please use Block Capitals)

1. Mr, Mrs, Ms or Title	
Forenames (in full)	
Surname	
Signature	
2. Mr, Mrs, Ms or Title	
Forenames (in full)	
Surname	
Signature	
3. Mr, Mrs, Ms or Title	
Forenames (in full)	
Surname	
Signature	

5. CREST details (only complete this section if you wish to register your application directly into your CREST Account which should be in the same name(s) as the applicants in boxes 2 and 4 above)

CREST Participant ID	
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CREST Member Account ID	
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6. Cheque/Banker's Draft Details

By Cheque or Banker's Draft: Attach your cheque or banker's draft for the exact amount shown in Box 1 made payable to "Capita Registrars Limited re NB Distressed Debt Investment Fund Limited" and crossed "A/C Payee".


7. Reliable Introducer Certificate

Completion and signing of this certificate by a suitable person or institution may avoid presentation being requested of the identity documents.

The certificate below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the “**firm**”) which is itself subject in its own country to operation of “know your customer” and anti-money laundering regulations no less stringent than those which prevail in the United Kingdom. Acceptable countries include Austria, Belgium, Canada, Denmark, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hong Kong, Iceland, Ireland, Isle of Man, Italy, Japan, Jersey, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, the United Kingdom and the United States.

CERTIFICATE: To the Company and the Receiving Agent

By completing and stamping Box 9 below you are deemed to have given the warranty and undertaking set out in Clause 6 of the accompanying Terms and Conditions of Applications under the Offer.

IFA STAMP 	Name of Firm	
	FSA Number	
	Signature	
	Print Name	
	Position	
	Date	
	Telephone No	

8. Identity Information

In accordance with internationally recognised standards for the prevention of money of money laundering the undermentioned documents and information must be provided.

Holders				Payor
1	2	3	4	

8.1 For each holder being an individual enclose:

- | | | |
|-------|---|--|
| 8.1.1 | a certified clear photocopy of one of the following identification documents which bear both a photographs and the signature of the person: current passport – Government or Armed Forces identity card – driving licence; and | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> |
| 8.1.2 | certified copies of at least two of the following documents not more than 3 months old which purport to confirm that the address given in section 2 is that person’s residential address: a recent gas, electricity, water or telephone (not mobile) bill, a recent bank statement – a council rates bill or similar document issued by a recognised authority; and | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> |
| 8.1.3 | if none of the above documents show the person’s date and place of birth, enclose a note of such information; and | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> |
| 8.1.4 | details of the name and address of their personal bankers from which Capita Registrars may request a reference, if necessary. | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> |

8.2 For each holder being a company (a “holder company”) enclose:

- | | | |
|-------|---|--|
| 8.2.1 | a certified copy of the certificate of incorporation of the holder company; and | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> |
|-------|---|--|



- 8.2.2 the name and address of the holder company's principal bankers from which Capita Registrars may request a reference, if necessary; and ☐ ☐ ☐ ☐ ☐
- 8.2.3 a statement as to the nature of the holder company's business, signed by a director; and ☐ ☐ ☐ ☐ ☐
- 8.2.4 a list of the names and residential addresses of each director of the holder company; and ☐ ☐ ☐ ☐ ☐
- 8.2.5 for each director provide documents and information similar to that mentioned in 8.1.1 to 8.1.4 above; and ☐ ☐ ☐ ☐ ☐
- 8.2.6 a copy of the authorised signatory list for the holder company; and ☐ ☐ ☐ ☐ ☐
- 8.2.7 a list of the names and residential/registered address of each ultimate beneficial owner interested in more than 5 per cent., of the issued share capital of the holder company and, where a person is named, also complete 8.3 below and, if another company is named (hereinafter a **"beneficiary company"**), also complete 8.4 below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company. ☐ ☐ ☐ ☐ ☐
- 8.3 **For each person named in 8.2.7 as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in 8.1.1 to 8.1.4**
- 8.4 **For each beneficiary company named in 8.2.7 as a beneficial owner of a holder company enclose:**
- 8.4.1 a certified copy of the certificate of incorporation of that beneficiary company; and ☐ ☐ ☐ ☐ ☐
- 8.4.2 a statement as to the nature of that beneficiary company's business signed by a director; and ☐ ☐ ☐ ☐ ☐
- 8.4.3 the name and address of that beneficiary company's principal bankers from which Capita Registrars may request a reference, if necessary; and ☐ ☐ ☐ ☐ ☐
- 8.4.4 enclose a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent., of the issued share capital of that beneficiary company. ☐ ☐ ☐ ☐ ☐
- 8.5 **If the payor is not a holder and is not a bank providing its own cheque or banker's payment on the reverse of which is shown details of the account being debited with such payment (see note 5 on how to complete this form) enclose:**
- 8.5.1 if the payor is a person, for that person the documents mentioned in 8.1.1 to 8.1.4; or
- 8.5.2 if the payor is a company, for that company the documents mentioned in 8.2.1 to 8.2.7; and
- 8.5.3 an explanation of the relationship between the payor and the holder(s).
- Capita Registrars reserves the right to ask for additional documents and information.

9. Contact Details

To ensure the efficient and timely processing of this Application Form please enter below the contact details of a person that Capita Registrars may contact with all enquiries concerning this application. Ordinarily this contact person should be the person signing in Box 3 on behalf of the first named holder. If no details are entered here and Capita Registrars requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Contact name:	Telephone no:
	Fax no:
Contact address:	Email address:

Signature of Applicant

Signed

Date 2010

Authorised Signatory



Notes on how to complete the Offer Application Form

Applications should be returned so as to be received no later than 1200 hours on 3 June 2010.

HELP DESK: If you have a query concerning completion of the Application Form please call Capita Registrars on 0871 664 0321 or from outside the UK on +44 (0) 20 8639 3399. Calls to the 0871 664 0321 number cost 10 pence per minute plus any other network providers' costs. Lines are open from 0900 hours to 1700 hours (London time) Monday to Friday (except UK bank holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Capita Registrars cannot provide any advice on the offer or any tax, financial or legal advice.

1. Application

Fill in (in figures) in Box 1 the amount of money being subscribed for Issue Shares (the “**Application Amount**”) (minimum being US\$50,000). The amount being subscribed must be for a minimum of US\$50,000. However, the Company may, in its absolute discretion, determine to accept applications in lesser amounts from: (i) authorised persons; or (ii) persons (including Directors) having a pre-existing connection with the Company. Financial intermediaries who are investing on behalf of clients should make separate applications or, if making a single application for more than one client, provide details of all clients in respect of whom application is made in order to benefit most favourably from the scaling back process should this be required.

2. Personal Details

Fill in (in block capitals) the full name(s) and address of the sole first applicant. Applications may only be made by persons aged 18 or over. In the case of joint holders only the first named may bear a designation reference. A maximum of four joint holders is permitted. All holders named must sign the Application Form at sections 3 and 4 (where applicable).

3. Signature

All holders named in sections 2 and 4 (where applicable) must sign sections 3 and 4 (where applicable) and insert the date. The Application Form may be signed by another person on behalf of each holder if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection (which originals will be returned by post at the addressee's risk). A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Application Form.

4. CREST

If you wish your Issue Shares to be deposited in a CREST Account in the name of the holder(s) given in sections 2 and 4 (where applicable), enter in Box 5 the details of that CREST Account. Where it is requested that Issue Shares be deposited into a CREST Account please note that payment for such Issue Shares must be made prior to the day such Issue Shares might be allotted and issued. It is not possible for an applicant to request that Issue Shares be deposited in their CREST Account on an against payment basis. Any Application Form received containing such a request will be rejected.

5. Cheque/Banker's Draft Details

Payment may be made by a cheque or banker's draft accompanying your application. If payment is by cheque or banker's draft such payment must accompany your Application Form and be for the exact amount shown in Box 1 of your Application Form. Your cheque or banker's draft must be made payable to “Capita Registrars Limited re NB Distressed Debt Investment Fund Limited” and crossed “A/C Payee”. If you use a banker's draft or a building society cheque you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the banker's draft or cheque and adds its stamp. Your cheque or

banker's draft must be drawn in Sterling or US Dollars on an account at a bank branch in the United Kingdom or the Channel Islands and must bear a United Kingdom bank sort code number in the top right hand corner. Third party cheques will not be accepted with the exception of building society cheques or bankers drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/bankers draft. The funds must be drawn from an account where you have sole or joint title to them. If you submit payment in Sterling, the Company shall convert such amount into US Dollars at such rate and at such time as it determines is reasonable and that where such converted amount is divisible by US\$1.00, the number of Issue Shares which will be issued will be rounded down accordingly with any surplus subscription monies being retained for the benefit of the Company.

6. Reliable Introducer Certificate

Applications will be subject to Guernsey's AML Requirements. This will involve you providing the verification of identity documents listed in section 8 of the Application Form UNLESS you can have the certificate provided at section 7 of the Application Form given and signed by a firm acceptable to Capita Registrars. In order to ensure your application is processed timely and efficiently all applicants are strongly advised to have the certificate provided in section 7 of the Application Form completed and signed by a suitable firm.

7. Identity Information

Applicants need only consider section 8 of the Application Form if the certificate in section 7 cannot be completed. Notwithstanding that the declaration in section 7 has been completed and signed, Capita Registrars reserves the right to request of you the identity documents listed in section 8 and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time your application might be rejected or revoked. Where certified copies of documents are requested in section 7, such copy documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the firm should be clearly identified on each document certified.

8. Contact Details

To ensure the efficient and timely processing of your Application Form, please provide contact details of a person the Receiving Agent may contact with all enquiries concerning your application. Ordinarily this contact person should be the person signing in section 3 on behalf of the first named holder. If no details are entered here and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Instructions for delivery of completed Application Forms

Completed Application Forms should be returned, by post or by hand (during normal business hours), to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received no later than 1200 hours on 3 June 2010, together in each case with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least two days for delivery. Application Forms received after this date may be returned.

Appendix B Form of Subscription Agreement for Accredited Investors

NB Distressed Debt Investment Fund Limited

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 1WA

Neuberger Berman LLC

605 3rd Avenue
New York
NY 10158-0180
United States

Ladies and Gentlemen:

In connection with the proposed purchase by the investor named below or the accounts listed on Annex I hereto (each, the **"Investor"**) of the ordinary shares (the **"Ordinary Shares"**) and corresponding subscription shares (the, **"Subscription Shares"**, together with the Ordinary Shares, the **"Issue Shares"**) of NB Distressed Debt Investment Fund Limited, a closed-ended limited liability investment company incorporated under the laws of Guernsey, (the **"Company"**) from the Company pursuant to Regulation D (**"Regulation D"**) under the U.S. Securities Act of 1933, as amended (the **"U.S. Securities Act"**), or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, the Investor represents, warrants, acknowledges and agrees, on its own behalf or on behalf of each account for which it is acquiring Issue Shares, and makes the representations, warranties, acknowledgments and agreements, on its own behalf or on behalf of each account for which it is acquiring Issue Shares, as set forth in Sections 1 through 32 of this letter (the **"Subscription Agreement"**):

Defined terms used in this Subscription Agreement shall have the meaning assigned to them in the prospectus relating to the offer of the Issue Shares described therein (the **"Prospectus"**), except as otherwise stated herein.

PLEASE COMPLETE THE FOLLOWING AND SIGN BELOW OR, IF YOU ARE ACTING FOR MORE THAN ONE INVESTOR, COMPLETE THE FORM ATTACHED HERETO AS ANNEX I FOR EACH OF THOSE INVESTORS, AND SIGN BELOW:

Name of Investor (exact name in which Issue Shares are to be registered)	
Address of Investor for registration of Issue Shares	
Investor's Social Security Number (if an individual) or Taxpayer Identification Number (if not an individual):	
Number of Ordinary Shares Requested:¹	
Signature of Investor:	Date:
Name:	
Title:	
Accepted:	NB Distressed Debt Investment Fund Limited
Name:	
Title:	

¹ Investor agrees that the Company may allocate to it a smaller number of Ordinary Shares than requested. For every five Ordinary Shares acquired, the Investor will be issued one Subscription Share.

Accredited Investor and Qualified Purchaser Status

1. The Investor certifies that it is (i) a “qualified purchaser” (a “**Qualified Purchaser**”) within the meaning of Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the “**U.S. Investment Company Act**”) and related rules and (ii) it is purchasing the Issue Shares from the Company only for its account or for the account of another individual / entity that is a Qualified Purchaser.
2. The Investor understands that, subject to certain exceptions, to be a Qualified Purchaser, an individual must have US\$5 million, and an entity must have US\$25 million, in “investments” as defined in Rule 2a51-1 of the U.S. Investment Company Act.
3. The Investor certifies that it is (i) an “accredited investor” (an “**Accredited Investor**”) as defined in Rule 501(a) of Regulation D under the U.S. Securities Act and (ii) it is purchasing the Issue Shares from the Company only for its account or for the account of another individual / entity that is an Accredited Investor.
4. The Investor understands that, to be an Accredited Investor (i) an individual must have (a) a net worth that exceeds US\$1 million, individually or jointly with the individual’s spouse, or (b) an individual income in excess of US\$200,000 in each of the two most recent years or joint income with the individual’s spouse in excess of US\$300,000 in each of those years, with a reasonable expectation of reaching the same income level in the current year, (ii) a trust must have total assets in excess of US\$5 million, not have been formed for the specific purpose of acquiring the Issue Shares and must be directed by a sophisticated person meeting the standards of the first sentence of Section 5 of this Subscription Agreement and (iii) any other entity must be an Accredited Investor as defined in Rule 501(a) of Regulation D.
5. The Investor is knowledgeable, sophisticated and experienced in business and financial matters as to be capable of evaluating, and has evaluated, the merits and risks of an investment in the Issue Shares and it fully understands the limitations on ownership and transfer and the restrictions on sales of the Issue Shares. The Investor is able to bear the economic risk of its investment in the Issue Shares and is currently able to afford the complete loss of such investment. The Investor is aware that there are substantial risks incident to the purchase of the Issue Shares, including those summarised under “Risk Factors” in this document.

The Subscription

6. Upon the terms and subject to the conditions set forth in this Subscription Agreement, the Investor hereby irrevocably subscribes for and agrees to purchase from the Company such number of Ordinary Shares as is set forth on the first page hereof at a price equal to US\$1.00 per Ordinary Share and acquire the corresponding Subscription Shares. The Investor understands and agrees that the Company reserves the right to accept or reject the Investor’s subscription for any reason or for no reason, in whole or in part, at any time prior to its acceptance by the Company and the same shall be deemed to be accepted by the Company only when this Subscription Agreement is signed by a duly authorised person by or on behalf of the Company. This Subscription Agreement may be signed in counterpart form.

Transfer Restrictions

7. The Investor understands and agrees, on its own behalf and on behalf of any accounts for which it is acting, that the Issue Shares are being offered in a transaction not involving any public offering within the United States within the meaning of the U.S. Securities Act and that the Issue Shares have not been and will not be registered under the U.S. Securities Act, that the Company has not been and will not be registered as an “investment company” under the U.S. Investment Company Act and that the Issue Shares may not be transferred except as permitted in this Section 7. The Investor agrees that, if it should offer, resell, pledge or otherwise transfer such Issue Shares, such Issue Shares will be offered, resold, pledged or otherwise transferred only as follows:

- a. outside the United States in an offshore transaction complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person (as defined in Regulation S under the U.S. Securities Act), by pre-arrangement or otherwise; and upon delivery of a written certification to the Company, with copies to the Administrator and the Registrar, by the transferor in the form of the Offshore Transaction Letter set out in Appendix C of this document (or in a form otherwise acceptable to the Company); or
- b. to the Company or a subsidiary thereof.

Each of the foregoing restrictions is subject to any requirement by law that the disposition of the Investor's property or the property of such investor account or accounts on behalf of which the Investor holds the Issue Shares be at all times within the control of the Investor or of such accounts and subject to compliance with any applicable state securities laws. The Investor understands that any certificates representing Ordinary Shares or Subscription Shares acquired by it will bear a legend reflecting, among other things, the substance of this Section 7.

U.S. Investment Company Act

8. The Investor understands and acknowledges that the Company has not registered and will not register under the U.S. Investment Company Act and that the Company has elected to impose the transfer and offering restrictions with respect to persons in the United States and U.S. Persons described herein so that the Company will qualify for the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act and will have no obligation to register as an "investment company" even if it were otherwise determined to be an "investment company".
9. The Investor understands and acknowledges that (i) the Company will not be required to accept for registration of transfer any Issue Shares acquired by it, except as provided in Section 7, (ii) the Company may require any U.S. Person or any person within the United States who is required under this Subscription Agreement to be a Qualified Purchaser, to provide the Company within 30 calendar days with sufficient satisfactory documentary evidence to satisfy the Company that such Investor shall not cause the Company to be required to be registered as an "investment company" under the U.S. Investment Company Act, (iii) the Company may require any U.S. Person or any person within the United States who is required under this Subscription Agreement to be a Qualified Purchaser, but is not, to transfer the Issue Shares within 30 calendar days with satisfactory evidence of such sale or transfer in a manner consistent with the restrictions set forth in this Subscription Agreement, and (iv) if the obligations under the preceding clauses (ii) or (iii) are not met, such Issue Shares shall be deemed forfeited and the Company is irrevocably authorised, without any obligation, to follow the procedure provided for in the Articles with respect to forfeited shares.

ERISA

10. The Investor confirms that (i) no portion of the assets used to purchase, and no portion of the assets used to hold, the Issue Shares or any beneficial interest therein constitutes or will constitute the assets of (A) an "employee benefit plan" as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (B) a "plan" as defined in Section 4975 of the Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Code; or (C) an entity whose underlying assets are considered to include "plan assets" by reason of investment by an "employee benefit plan" or "plan" described in preceding clause (A) or (B) in such entity pursuant to the U.S. Plan Asset Regulations and (ii) if it is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

PFIC

11. The Investor understands and acknowledges that, under United States federal tax laws, the Issue Shares will be considered an equity interest in a passive foreign investment company (a “**PFIC**”) (as defined in the United States Internal Revenue Code of 1986, as amended). The Investor further understands and acknowledges that it may be subject to adverse U.S. federal income tax consequences as a result of the Company’s PFIC status, and the Investor agrees that it will seek its own independent specialist advice with respect to the U.S. tax consequences of its interest in the Issue Shares.

The Placing

12. The Investor has received a copy of this document. The Investor understands and agrees that this document speaks only as at its date and that the information contained therein may not be correct or complete as at any time subsequent to that date. The Investor has such knowledge and experience in financial, business and international investment matters that it is capable of evaluating the merits and risks of its prospective investment in the Issue Shares. It has the ability to bear the economic risk of its investment in the Issue Shares, has adequate means of providing for its current and contingent needs, has no need for liquidity with respect to its investment and the Issue Shares, and is able to sustain a complete loss of its investment in the Issue Shares. The Investor is aware that there are substantial risks incident to the purchase of the Issue Shares, including those summarised under “Risk Factors” in this document.
13. The Investor has conducted its own independent investigation with respect to the Company and the Issue Shares. It has had access to all information that it believes necessary, sufficient or appropriate in connection with its purchase of the Issue Shares. It has been afforded an opportunity to ask questions concerning the terms and conditions of the offer and sale of Issue Shares. It has had all such questions answered to its satisfaction. It has been supplied all additional information as it has requested, and after being advised by persons deemed appropriate by the Investor concerning this document, the Subscription Agreement and the transactions contemplated hereby, it has made an independent decision to purchase the Issue Shares based on the information it has determined to be adequate to verify the accuracy of (i) the information in this document, and (ii) any other information that the Investor deems relevant to making an investment in the Issue Shares.
14. The Investor is purchasing the Issue Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Issue Shares in any manner that would violate the U.S. Securities Act, the U.S. Investment Company Act or any other applicable securities laws. The Investor has a pre-existing business relationship with the Company or Neuberger Berman LLC that proposes to place the Issue Shares that the Investor proposes to purchase.
15. The party signing this Subscription Agreement is acquiring the Issue Shares for his or her own account or for the account of one or more Investors (which is an Accredited Investor and a Qualified Purchaser) as to which the party signing this Subscription Agreement exercises sole investment discretion and is authorised to make the representations, warranties acknowledgments, and enter into the agreements, contained in this Subscription Agreement. The party signing this Subscription Agreement has indicated on the first page hereof whether it is acquiring the Issue Shares for its own account, as Investor, or for the account of one or more Investors.
16. The Investor became aware of the offer of the Issue Shares by the Company and/or Neuberger Berman LLC and not by any other person and the Issue Shares were offered to the Investor (i) solely by means of this document, (ii) by direct contact between the Investor and the Company and/or (iii) by direct contact between the Investor and Neuberger Berman LLC. The Investor did not become aware of, nor were the Shares offered to the Investor by any other means, including, in each case, by any form of general solicitation or general advertising. In making the decision to purchase the Issue Shares, the Investor relied solely on the information set forth in this document and other information obtained by the Investor directly from the Company or from Neuberger Berman LLC as a result of any inquiries by the Investor or one or more of the Investor’s advisers.

17. The Investor acknowledges that Neuberger Berman LLC has acted as agent for the Company in connection with the sale of the Issue Shares. The Investor consents to the actions of Neuberger Berman LLC in this regard and hereby waives any and all claims, actions, liabilities, damages or demands it may have against Neuberger Berman LLC in connection with any alleged conflict of interest arising from the engagement of Neuberger Berman LLC as an agent of the Company with respect to the sale by Neuberger Berman LLC of the Issue Shares to the Investor.
18. The Investor acknowledges that Neuberger Berman LLC did not make any representation or warranty as to the accuracy or completeness of the information in this document or any other information provided by the Company; that the Investor has not relied and will not rely on any investigation by Neuberger Berman LLC or any person acting on its behalf may have conducted with respect to the Issue Shares, the Company, Neuberger Berman Europe Limited, or Neuberger Berman Fixed Income LLC.
19. The Investor understands that the Issue Shares to be purchased by it are “restricted securities” as defined in Rule 144(a)(3) under the U.S. Securities Act, and acknowledges that neither the Company nor Neuberger Berman LLC nor any of their respective affiliates, makes any representation as to the availability of any exemption under the U.S. Securities Act for the re-offer, re-sale, pledge or transfer of the Issue Shares.
20. The Investor represents that at the time it acquires the Issue Shares, it is not an affiliate of the Company or a person acting on behalf of such affiliate and it is not acquiring the Issue Shares for the account of an affiliate of the Company or of a person acting on behalf of such affiliate.
21. The Investor acknowledges that the Subscription Rights which are conferred by the Subscription Shares may not be exercised for the account or benefit of U.S. Persons except in accordance with the U.S. Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the U.S. Investment Company Act.
22. The Investor acknowledges that the Company reserves the right prior to any exercise of Subscription Rights which are conferred by the Subscription Shares, to require the delivery of such certifications, legal opinions and other information as the Company may reasonably require to confirm the proposed exercise complies with the forgoing restrictions.
23. The Investor acknowledges and agrees that prior to exercising any subscription rights under the Subscription Shares, the Investor will deliver to the Company, with copies to the Registrar and Administrator, a duly executed Certificated Subscription Share Notice in the form set out in Appendix D of this document (or in a form otherwise acceptable to the Company).
24. The Investor agrees on its own behalf and on behalf of any accounts for which it is acting, that if it should deposit any Ordinary Shares or Subscription Shares with a custodian, it will do so only after notifying the Company, with copies to the Administrator and the Registrar, that it intends to deposit Ordinary Shares or Subscription Shares with a custodian in accordance with the terms of this paragraph 24 and obtaining from the custodian a signed letter, set out in Annex III attached hereto, addressed to the Company, with copies to the Administrator and the Registrar, in which the custodian agrees (i) to hold the Ordinary Shares or the Subscription Shares, as the case may be, only in certificated form, and (ii) not to issue a request to the Registrar for such Ordinary Shares or such Subscription Shares, as the case may be, to be dematerialised unless the undersigned obtains a written certification from the transferor in the form of the Offshore Transaction Letter set out in Appendix C of this document (or in a form acceptable to the Company) addressed to the Company, with copies to the Administrator and the Registrar.
25. The Investor acknowledges that it will be required to hold the Issue Shares in registered and certificated form, and only upon transfer of the Issue Shares pursuant to paragraph 7 will the Issue Shares be eligible for settlement through CREST, and that certificates evidencing ownership will bear the following legend:

“NB DISTRESSED DEBT INVESTMENT FUND LIMITED (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “U.S. INVESTMENT COMPANY ACT”) PURSUANT TO THE EXEMPTION PROVIDED IN SECTION 3(C)(7) THEREOF. IN ADDITION, THE OFFER AND SALE OF THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER

THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED, EXERCISED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION COMPLYING WITH THE PROVISIONS OF REGULATION S UNDER THE U.S. SECURITIES ACT TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN BY THE TRANSFEROR TO BE A U.S. PERSON, BY PRE-ARRANGEMENT OR OTHERWISE AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE COMPANY TO REGISTER UNDER THE U.S. INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS, UPON SURRENDER OF THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE AND DELIVERY OF A WRITTEN CERTIFICATION THAT SUCH TRANSFEROR IS IN COMPLIANCE WITH THE REQUIREMENTS OF THIS CLAUSE IN THE FORM OF A DULY COMPLETED AND SIGNED OFFSHORE TRANSACTION LETTER (THE FORM OF WHICH MAY BE OBTAINED FROM THE REGISTRAR) TO THE COMPANY, WITH COPIES TO THE REGISTRAR AND THE ADMINISTRATOR.

IN ADDITION, THIS SECURITY MAY NOT, WITHOUT THE WRITTEN CONSENT OF THE COMPANY, BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON USING THE ASSETS OF (I) (A) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA; (B) A “PLAN” AS DEFINED IN SECTION 4975 OF THE CODE, INCLUDING AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE CODE; OR (C) AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE “PLAN ASSETS” BY REASON OF INVESTMENT BY AN “EMPLOYEE BENEFIT PLAN” OR “PLAN” DESCRIBED IN PRECEDING CLAUSE (A) OR (B) IN SUCH ENTITY PURSUANT TO THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, OR (II) A GOVERNMENTAL, CHURCH, NON-US OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE IF THE PURCHASE, HOLDING OR DISPOSITION OF THE SHARES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR LAW.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THESE SECURITIES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE COMPANY’S SECURITIES, ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK.

THIS SECURITY MAY NOT BE DEMATERIALIZED INTO CREST OR ANY OTHER PAPERLESS SYSTEM UNTIL THE HOLDER OF THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE DELIVERS A WRITTEN CERTIFICATION THAT SUCH HOLDER IS TRANSFERRING SUCH SECURITIES IN COMPLIANCE WITH THE FOREGOING RESTRICTIONS IN THE FORM OF A DULY COMPLETED AND SIGNED OFFSHORE TRANSACTION LETTER (THE FORM OF WHICH MAY BE OBTAINED FROM THE REGISTRAR) TO THE COMPANY, WITH COPIES TO THE REGISTRAR AND THE ADMINISTRATOR.”

26. The Investor agrees, upon a proposed transfer of the Ordinary Shares or the Subscription Shares, to notify any purchaser of such Ordinary Shares or the Subscription Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Ordinary Shares or the Subscription Shares being sold.

General

27. The Investor acknowledges that each of the Company, Neuberger Berman LLC and their respective directors, officers, agents, employees and advisers and others will rely on the representations, warranties, acknowledgments and agreements contained in this Subscription Agreement as a basis for exemption of the sale of the Issue Shares under the U.S. Securities Act, the U.S. Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA and the U.S. Tax Code and for other purposes. If any of the representations, warranties, acknowledgments or agreements made by the investor are no longer accurate or have not been complied with, the party signing this Subscription Agreement will immediately notify the Company and, if it is purchasing the Issue Shares as a fiduciary or agent for one or more accounts, the investor has sole investment discretion with respect to each such account and it has full power to make such foregoing representations, warranties, acknowledgments and agreements on behalf of each such account.
28. Each of the Company, the Investment Managers, Neuberger Berman LLC, Oriel Securities Limited, RBS Hoare Govett Limited and their respective affiliates are irrevocably authorised to produce this Subscription Agreement or a copy hereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters covered hereby.
29. This Subscription Agreement shall be governed by and construed in accordance with the laws of the State of New York.
30. The Investor understands and acknowledges that no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Issue Shares.
31. The Investor agrees to provide, together with this completed and signed Subscription Agreement, a completed and signed Substitute IRS Form W-9, attached hereto as Annex II.
32. The Investor acknowledges that it can obtain a copy of Part II of Form ADV of the Sub-Investment Manager, Neuberger Berman Fixed Income LLC, (including the Neuberger Berman privacy policy) upon written request to the Sub-Investment Manager.

Annex I to Appendix B

Name of Investor (use exact name in which Issue Shares are to be registered)	Address of Investor for registration of Issue Shares	Investor's Social Security Number (if an individual) or Taxpayer Identification Number (if not an individual):	Number of Ordinary Shares Requested:²
1.			
2.			
3.			
4.			
5.			

² Investor agrees that the Company may allocate to it a smaller number of Ordinary Shares than requested. For every five Ordinary Shares acquired, the Investor will be issued one Subscription Share.

Annex II to Appendix B

Substitute IRS Form W-9

Annex III to Appendix B

Custodian Letter

NB Distressed Debt Investment Fund Limited

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 1WA

Capita Registrars

Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

BNP Paribas Fund Services (Guernsey) Limited

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 6BH

Ladies and Gentleman:

In connection with the deposit of ordinary shares (the “**Ordinary Shares**”) and/or the subscription shares (the “**Subscription Shares**”, and the Ordinary Shares, each referred to as the “**Shares**”) of NB Distressed Debt Investment Fund Limited (the “**Company**”) into its custody, the undersigned hereby represents, warrants, acknowledges and agrees with the Company as follows:

Defined terms used in this letter shall have the meaning assigned to them in the prospectus relating to the offer of the Ordinary Shares and the Subscription Shares described therein, except as otherwise stated herein.

1. It will only hold the Shares in certificated form and on a non-fungible basis with any Shares it holds in book entry form.
2. It will not issue a request to the Registrar of the Company for such Shares to be dematerialised unless the undersigned obtains from the transferor a written certification, that such transferor is transferring such Shares in compliance with the transfer restrictions, in the form of the Offshore Transaction Letter set out in Appendix C of this document (or in a form acceptable to the Company) addressed to the Company, with copies to the Administrator and the Registrar.
3. The undersigned acknowledges that each of the Company, Neuberger Berman LLC and their respective directors, officers, agents, employees and advisers and others will rely on the representations, warranties, acknowledgments and agreements contained in this letter as a basis for exemption of the sale of such Shares under the U.S. Securities Act, the U.S. Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA and the U.S. Tax Code and for other purposes. If any of the representations, warranties, acknowledgments or agreements made by the undersigned are no longer accurate or have not been complied with, it will immediately notify the Company.
4. Each of the Company, Neuberger Berman LLC and their respective affiliates are irrevocably authorised to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters covered hereby.

Name of Custodian:	
Signature:	Date:
Name:	
Title:	

Appendix C Offshore Transaction Letter

NB Distressed Debt Investment Fund Limited

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 1WA

Capita Registrars

Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

BNP Paribas Fund Services (Guernsey) Limited

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 6BH

Ladies and Gentlemen:

This letter (an “**Offshore Transaction Letter**”) relates to the sale or other transfer by the undersigned of the ordinary shares (the “**Ordinary Shares**”) and/or the subscription shares (the “**Subscription Shares**” and the Ordinary Shares, each referred to as the “**Shares**”) of NB Distressed Debt Investment Fund Limited (the “**Company**”).

The undersigned acknowledges, or if the undersigned is acting for the account or benefit of another person, such person has confirmed that it acknowledges, that the Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) and that the Company has not registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the “**U.S. Investment Company Act**”) and related rules.

The undersigned represents, warrants, acknowledges and agrees, on its own behalf or on behalf of each account for which it is holds such Shares, and makes the representations, warranties, acknowledgments and agreements, on its own behalf or on behalf of each account for which it holds such Shares, as set forth in Sections 1 through 9 of this Offshore Transaction Letter:

1. The sale or transfer is:
 - a. outside the United States in an offshore transaction complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person (as defined in Regulation S under the U.S. Securities Act), by pre-arrangement or otherwise; or
 - b. to the Company or a subsidiary thereof.
2. The undersigned has no reason to believe that any portion of the assets used by the person to whom the undersigned is transferring the Shares to purchase, and no portion of the assets used by such purchaser to hold, the Shares or any beneficial interest therein constitutes or will constitute the assets of (i) an “employee benefit plan” that is subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**U.S. Tax Code**”), (iii) entities whose underlying assets are considered to include “plan assets” of any plan, account or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan, church plan,

non-U.S. plan or other investor whose purchase or holding of Shares would be subject to any state, local, non-U.S. or other laws or regulations similar to Title I of ERISA or section 4975 of the U.S. Tax Code or that would have the effect of the regulations issued by the U.S. Department of Labor set forth at 29 CFR section 2510.3-101, as modified by section 3(42) of ERISA.

3. Neither the undersigned, nor any of the undersigned's affiliates, nor any person acting on the undersigned's or their behalf, has made any "directed selling efforts" (as defined in Regulation S of the U.S. Securities Act) in the United States with respect to the Shares.
4. The proposed transfer of the Shares is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act or the U.S. Investment Company Act.
5. Neither the Company nor any of its agents participated in the sale of the Shares.
6. The undersigned acknowledges that each of the Company, its affiliates and their respective directors, officers, agents, employees and advisers, and others will rely on the representations, warranties, acknowledgments and agreements contained in this Offshore Transaction Letter as a basis for exemption of the sale or other transfer of the Shares under the U.S. Securities Act, the U.S. Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA and the U.S. Tax Code and for other purposes. If any of the representations, warranties, acknowledgments or agreements made by the undersigned are no longer accurate or have not been complied with, the party signing this Offshore Transaction Letter will immediately notify the Company and, if it is selling or otherwise transferring any Shares as a fiduciary or agent for one or more accounts, the party signing this Offshore Transaction Letter has sole investment discretion with respect to each such account and it has full power to make such foregoing representations, warranties, acknowledgments and agreements on behalf of each such account.
7. The Company and its affiliates are irrevocably authorized to produce this Offshore Transaction Letter or a copy hereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters covered hereby.
8. This Offshore Transaction Letter shall be governed by and construed in accordance with the laws of the State of New York.
9. Where there are joint transferors, each must sign this Offshore Transaction Letter. An Offshore Transaction Letter of a corporation must be signed by an authorized officer or be completed otherwise in accordance with such corporation's constitution (evidence of such authority may be required).

Name of Transferor:	
Signature:	Date:
Name:	
Title:	

Appendix D Certificated Subscription Share Notice

To: NB Distressed Debt Investment Fund Limited (the “**Company**”)

Date:

Defined terms used in this Certificated Subscription Share Notice shall have the meaning assigned to them in the prospectus issued by the Company dated 5 May 2010 (the “**Prospectus**”), except as otherwise stated herein.

We being the registered holder of the Subscription Shares represented by the attached certificate hereby exercise our rights in respect of all/_____ of the Ordinary Shares to which the Subscription Shares represented by the attached certificate relate in accordance with the terms and conditions attaching to such Subscription Shares. A remittance for the full amount of the subscription monies payable on such exercise accompanies this Certificated Subscription Share Notice and the attached certificate representing the Subscription Shares.

(*Please complete only the part that is applicable in the circumstances and delete the part that is not applicable)

PART A*

We agree to accept the fully paid Ordinary Shares to be issued pursuant hereto subject to the Articles of the Company. We desire all/_____ of such Ordinary Shares to be registered in our name and hereby authorise the entry of our name in the register of members of the Company in respect thereof and the despatch of the certificate therefore by ordinary post at our risk to the address set out below. In the case of a partial exercise of Subscription Rights which are conferred by the Subscription Shares represented by this certificate, we hereby authorise the issue of a new certificate representing the unexercised Subscription Shares by ordinary post at our risk to:

..... (Name)

at (Address)

.....

.....

If this space is left blank the certificate for the Ordinary Shares and certificate representing the balance of the Subscription Shares (if any) not exercised will be sent to the registered address of the holder of the Subscription Shares or in the case of joint holders of Subscription Shares to the registered address of the first named holder of the Subscription Shares on the register.

OR

PART B*

We hereby authorise and direct you to allot all/_____ of the said Ordinary Shares to be issued pursuant hereto the following person (“Nominee”) who has also signed this Certificated Subscription Share Notice. By signing this Certificated Subscription Share Notice, the Nominee hereby agrees to accept the fully paid Ordinary Shares to be issued pursuant hereto subject to the Articles of the Company, agrees that the Ordinary Shares be registered in his name and authorises the entry of his name in the register of members of the Company in respect thereof and the despatch of the certificate therefore by ordinary post at his risk to the address set out below.

..... (Name)

at (Address)

.....

.....

We hereby authorise the despatch of a new certificate representing the balance of the Subscription Shares (if any) not exercised under this Certificated Subscription Share Notice by ordinary post at our risk to

..... (Name)

at (Address)

.....
If this space is left blank the certificate for the Ordinary Shares and certificate representing the balance of the Subscription Shares (if any) not exercised will be sent to the registered address of the holder of the Subscription Shares or in the case of joint holders of Subscription Shares to the registered address of the first named holder of the Subscription Shares on the register.

The undersigned holder of the Subscription Shares represents, warrants, acknowledges and agrees with/to the Company, on its own behalf or on behalf of each account for which it is acting, that at the time of exercise of the Subscription Rights which are conferred by the Subscription Shares and at the time it acquires any Ordinary Shares issuable upon exercise of the Subscription Rights which are conferred by the Subscription Shares to at least one of the following (please tick):

- ☐ The Subscriber is not a U.S. Person (as defined in Regulation S of the Securities Act), is not located within the United States and is not acquiring the Ordinary Shares issued upon the exercise of Subscription Rights which are conferred by the Subscription Shares for the account or benefit of a U.S. Person, and *all* of the following are true:
1. The Subscriber is acquiring the Ordinary Shares issued upon the exercise of Subscription Rights which are conferred by the Subscription Shares in an offshore transaction meeting the requirements of Regulation S.
 2. The Subscriber acknowledges that the Ordinary Shares issued upon exercise of the Subscription Rights which are conferred by the Subscription Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons absent registration or an exemption from registration under the U.S. Securities Act.
 3. The Subscriber acknowledges that the Company has not registered under the U.S. Investment Company Act and that the Company has put in place restrictions to ensure that the Company is not and will not be required to register under the U.S. Investment Company Act.
 4. No portion of the assets used by such investor to purchase, and no portion of the assets used by such investor to hold, the Ordinary Shares or any beneficial interest therein constitutes or will constitute the assets of: (i) an employee benefit plan as defined in section 3(3) of ERISA that is subject to the provisions of Title I of ERISA; (ii) a “plan” as defined in Section 4975 of the U.S. Tax Code; or (iii) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in the preceding clause (i) or (ii) in such entity pursuant to the U.S. Department of Labor Regulation at 29 C.F.R. 2510.3-101, as modified by Section 3(42) of ERISA. If the Subscriber is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the United States Internal Revenue Code of 1986, as amended (the “Code”), its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially similar law.
 5. The Subscriber acknowledges that if any Ordinary Shares issued upon exercise of the Subscription Rights which are conferred by the Subscription Shares pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect unless otherwise determined by the Company in accordance with applicable law:

NB DISTRESSED DEBT INVESTMENT FUND LIMITED (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “U.S. INVESTMENT COMPANY ACT”). IN ADDITION, THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES

ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT OR AN EXEMPTION THEREFROM AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE COMPANY TO REGISTER UNDER THE U.S. INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS.

6. If in the future the Subscriber decides to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the U.S. Securities Act and under circumstances which will not require the Company to register under the U.S. Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles.
7. The Subscriber is acquiring the Ordinary Shares issued upon exercise of the Subscription Rights which are conferred by the Subscription Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares in any manner that would violate the U.S. Securities Act, the U.S. Investment Company Act or any other applicable securities laws.
8. The Subscriber acknowledges that the Company reserves the right to make inquiries of any holder of the Ordinary Shares or interests therein at any time as to such person’s status under the federal U.S. securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under the U.S. securities laws to transfer such Ordinary Shares or interests in accordance with the Articles.
9. The Subscriber acknowledges that Subscription Rights which are conferred by the Subscription Shares may not be exercised for the account or benefit of U.S. Persons except in accordance with the U.S. Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the U.S. Investment Company Act.
10. The Subscriber acknowledges that the Company reserves the right prior to any exercise of the Subscription Rights which are conferred by the Subscription Shares, to require the delivery of such certifications, legal opinions and other information as the Company may reasonably require to confirm the proposed exercise complies with the foregoing restrictions.
11. The Subscriber is entitled to acquire the Ordinary Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, its affiliates and their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the issuance of Ordinary Shares upon exercise of the Subscription Rights which are conferred by the Subscription Shares.
12. The Subscriber acknowledges that the Company, its affiliates, and their respective directors, officers, agents, employees and advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements. If any of the representations, warranties, acknowledgments or agreements made by the Subscriber are no longer accurate or have not been complied with, the party signing this Certificated Subscription Share Notice will immediately notify the Company and, if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, the party signing this Certificated Subscription Share Notice has sole investment discretion with respect to each such account and it has full power to make such foregoing representations, warranties, acknowledgments and agreements on behalf of each such account.

OR

- ☐ The Subscriber is a U.S. Person (as defined in Regulation S of the Securities Act), is located within the United States, or is acquiring the Ordinary Shares issued upon the exercise of Subscription Rights which are conferred by the Subscription Shares for the account or benefit of a U.S. Person, and *all* of the following are true:

Accredited Investor and Qualified Purchaser Status

1. The Subscriber certifies that it is (i) a “qualified purchaser” (a “**Qualified Purchaser**”) within the meaning of Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the “**U.S. Investment Company Act**”) and related rules and (ii) it is exercising the Subscription Rights attaching to the Subscription Shares from the Company only for its account or for the account of another individual/entity that is a Qualified Purchaser.
2. The Subscriber understands that, subject to certain exceptions, to be a Qualified Purchaser, an individual must have US\$5 million, and an entity must have US\$25 million, in “investments” as defined in Rule 2a51-1 of the U.S. Investment Company Act.
3. The Subscriber certifies that it is (i) an “accredited investor” (an “**Accredited Investor**”) as defined in Rule 501(a) of Regulation D under the U.S. Securities Act and (ii) it is exercising the Subscription Rights which are conferred by the Subscription Shares from the Company only for its account or for the account of another individual/entity that is an Accredited Investor.
4. The Subscriber understands that, to be an Accredited Investor (i) an individual must have (a) a net worth that exceeds US\$1 million, individually or jointly with the individual’s spouse, or (b) an individual income in excess of US\$200,000 in each of the two most recent years or joint income with the individual’s spouse in excess of US\$300,000 in each of those years, with a reasonable expectation of reaching the same income level in the current year, (ii) a trust must have total assets in excess of US\$5 million, not have been formed for the specific purpose of acquiring the Ordinary Shares and must be directed by a sophisticated person meeting the standards of the first sentence of Section 4 of this Subscription Agreement and (iii) any other entity must be an Accredited Investor as defined in Rule 501(a) of Regulation D.
5. The Subscriber is knowledgeable, sophisticated and experienced in business and financial matters as to be capable of evaluating, and has evaluated, the merits and risks of an investment in the Ordinary Shares and it fully understands the limitations on ownership and transfer and the restrictions on sales of the Ordinary Shares. It is able to bear the economic risk of its investment in the Ordinary Shares and is currently able to afford the complete loss of such investment. It is aware that there are substantial risks incident to the acquisition of the Ordinary Shares upon exercise of the Subscription Rights which are conferred by the Subscription Shares.

Transfer Restrictions

6. The Subscriber understands and agrees, on its own behalf and on behalf of any accounts for which it is acting, that the Subscription Shares and the Ordinary Shares to be issued upon exercise of the Subscription Rights which are conferred by the Subscription Shares have not been and will not be registered under the U.S. Securities Act, that the Company has not been and will not be registered as an “investment company” under the U.S. Investment Company Act and that the Subscription Shares nor any Ordinary Shares issued pursuant to the exercise of the Subscription Rights which are conferred by such Subscription Shares may not be transferred except as permitted in this Section 6. It agrees that, if it should offer, resell, pledge or otherwise transfer such Ordinary Shares, such Ordinary Shares will be offered, resold, pledged or otherwise transferred only as follows:
 - a. outside the United States in an offshore transaction complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person (as defined in Regulation S under the U.S. Securities Act), by pre-arrangement or otherwise; and upon

delivery of a written certification to the Company, with copies to the Administrator and the Registrar, by the transferor in the form of the Offshore Transaction Letter set out in Appendix C of this document (or in a form otherwise acceptable to the Company); or

- b. to the Company or a subsidiary thereof.

Each of the foregoing restrictions is subject to any requirement by law that the disposition of the Subscriber's property or the property of such investor account or accounts on behalf of which the Subscriber holds the Ordinary Shares be at all times within the control of the Investor or of such accounts and subject to compliance with any applicable state securities laws. It understands that any certificates representing Ordinary Shares acquired by it will bear a legend reflecting, among other things, the substance of this Section 6.

U.S. Investment Company Act

- 7. The Subscriber understands and acknowledges that the Company has not registered and will not register under the U.S. Investment Company Act and that the Company has elected to impose the transfer and offering restrictions with respect to persons in the United States and U.S. Persons described herein so that the Company will qualify for the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act and will have no obligation to register as an "investment company" even if it were otherwise determined to be an "investment company".
- 8. The Subscriber understands and acknowledges that (i) the Company will not be required to accept for registration of transfer any Ordinary Shares acquired by it, except as provided in Section 6, (ii) the Company may require any U.S. Person or any person within the United States who is required under this Certificated Subscription Share Notice to be a Qualified Purchaser, to provide the Company within 30 calendar days with sufficient satisfactory documentary evidence to satisfy the Company that such Subscriber shall not cause the Company to be required to be registered as an "investment company" under the U.S. Investment Company Act, (iii) the Company may require any U.S. Person or any person within the United States who is required under this Certificated Subscription Share Notice to be a Qualified Purchaser, but is not, to transfer the Ordinary Shares immediately in a manner consistent with the restrictions set forth in this Certificated Subscription Share Notice, and (iv) if the obligations under the preceding clauses (ii) or (iii) are not met, such Ordinary Shares shall be deemed forfeited and the Company is irrevocably authorised, without any obligation follow the procedure provided for in the Articles with respect to the forfeited shares.

ERISA

- 9. The Subscriber confirms that (i) no portion of the assets used to purchase, and no portion of the assets used to hold, the Shares or any beneficial interest therein constitutes or will constitute the assets of (A) an "employee benefit plan" as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (B) a "plan" as defined in Section 4975 of the Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Code; or (C) an entity whose underlying assets are considered to include "plan assets" by reason of investment by an "employee benefit plan" or "plan" described in the preceding clause (A) or (B) in such entity pursuant to the U.S. Department of Labor Regulation at 29 C.F.R. 2510.3-101, as modified by Section 3(42) of ERISA and (ii) if it is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

PFIC

10. The Subscriber understands and acknowledges that, under United States federal tax laws, the Ordinary Shares will be considered an equity interest in a passive foreign investment company (a “**PFIC**”) (as defined in the Code). It further understands and acknowledges that it may be subject to adverse U.S. federal income tax consequences as a result of the Company’s PFIC status, and the Investor agrees that it will seek its own independent specialist advice with respect to the U.S. tax consequences of its interest in the Issue Shares.

The Offer

11. The Subscriber is exercising the Subscription Rights which are conferred by the Subscription Shares and acquiring the Ordinary Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares received thereto in any manner that would violate the U.S. Securities Act, the U.S. Investment Company Act or any other applicable securities laws.
12. The party signing this Certificated Subscription Share Notice is exercising the Subscription Rights which are conferred by the Subscription Shares and acquiring the Ordinary Shares for his or her own account or for the account of one or more Investors (which is an Accredited Investor and a Qualified Purchaser) as to which the party signing this Certificated Subscription Share Notice exercises sole investment discretion and is authorised to make the representations, warranties and acknowledgments, and enter into the agreements, contained in this Certificated Subscription Share Notice.
13. The Subscriber understands that the Ordinary Shares to be acquired by it upon exercise of the Subscription Rights which are conferred by the Subscription Shares are “restricted securities” as defined in Rule 144(a)(3) under the U.S. Securities Act, and acknowledges that neither the Company nor any of its affiliates, makes any representation as to the availability of any exemption under the U.S. Securities Act for the re-offer, re-sale, pledge or transfer of the Ordinary Shares acquired upon exercise of the Subscription Rights which are conferred by the Subscription Shares.
14. The Subscriber represents that at the time it acquires the Ordinary Shares upon exercise of the Subscription Rights which are conferred by the Subscription Shares, it is not an affiliate of the Company or a person acting on behalf of such affiliate and it is not acquiring the Ordinary Shares for the account of an affiliate of the Company or of a person acting on behalf of such affiliate.
15. The Subscriber acknowledges that the Subscription Rights which are conferred by Subscription Shares may not be exercised for the account or benefit of U.S. Persons except in accordance with the U.S. Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the U.S. Investment Company Act.
16. The Subscriber acknowledges that the Company reserves the right prior to any exercise of Subscription Rights which are conferred by the Subscription Shares, to require the delivery of such certifications, legal opinions and other information as the Company may reasonably require to confirm the proposed exercise complies with the forgoing restrictions.
17. The Subscriber agrees on its own behalf and on behalf of any accounts for which it is acting, that if it should deposit any Ordinary Shares it acquired upon exercise of the Subscription Rights which are conferred by the Subscription Shares with a custodian, it will do so only after notifying the Company, with copies to the Administrator and the Registrar, that it intends to deposit Ordinary Shares with a custodian in accordance with the terms of this paragraph 17 and obtain from the custodian a signed letter, set out in Annex I attached hereto, addressed to the Company, with copies to the Administrator and the Registrar, in which the custodian agrees (i) to hold the Ordinary Shares only in certificated form, and (ii) not to issue a request to the Registrar for such Ordinary Shares to be dematerialised unless the undersigned obtains a written certification from the transferor in the form of the Offshore Transaction Letter (or in a form acceptable to the Company) addressed to the Company, with copies to the Administrator and the Registrar.

18. The Subscriber acknowledges that it will be required to hold the Ordinary Shares it acquired upon exercise of the Subscription Rights which are conferred by the Subscription Shares in registered and certificated form, and only upon transfer of the Ordinary Shares pursuant to paragraph 6 will such Ordinary Shares be eligible for settlement through CREST, and that certificates evidencing ownership will bear the following legend:

“NB DISTRESSED DEBT INVESTMENT FUND LIMITED (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “U.S. INVESTMENT COMPANY ACT”) PURSUANT TO THE EXEMPTION PROVIDED IN SECTION 3(C)(7) THEREOF. IN ADDITION, THE OFFER AND SALE OF THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION COMPLYING WITH THE PROVISIONS OF REGULATION S UNDER THE U.S. SECURITIES ACT TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN BY THE TRANSFEROR TO BE A U.S. PERSON, BY PRE-ARRANGEMENT OR OTHERWISE AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE COMPANY TO REGISTER UNDER THE U.S. INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS, UPON SURRENDER OF THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE AND DELIVERY OF A WRITTEN CERTIFICATION THAT SUCH TRANSFEROR IS IN COMPLIANCE WITH THE REQUIREMENTS OF THIS CLAUSE IN THE FORM OF A DULY COMPLETED AND SIGNED OFFSHORE TRANSACTION LETTER (THE FORM OF WHICH MAY BE OBTAINED FROM THE REGISTRAR) TO THE COMPANY, WITH COPIES TO THE REGISTRAR AND THE ADMINISTRATOR.

IN ADDITION, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON (I) USING THE ASSETS OF (A) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA; (B) A “PLAN” AS DEFINED IN SECTION 4975 OF THE CODE, INCLUDING AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE CODE; OR (C) AN ENTITY AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE “PLAN ASSETS” BY REASON OF INVESTMENT BY AN “EMPLOYEE BENEFIT PLAN” OR “PLAN” DESCRIBED IN PRECEDING CLAUSE (A) OR (B) IN SUCH ENTITY PURSUANT TO THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, OR (II) A GOVERNMENTAL, CHURCH, NON-US OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE IF THE PURCHASE, HOLDING OR DISPOSITION OF THE SHARES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR LAW.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THESE SECURITIES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE COMPANY’S SECURITIES, ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK.

THIS SECURITY MAY NOT BE DEMATERIALIZED INTO CREST OR ANY OTHER PAPERLESS SYSTEM UNTIL THE HOLDER OF THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE DELIVERS A WRITTEN CERTIFICATION THAT SUCH HOLDER IS TRANSFERRING SUCH SECURITIES IN COMPLIANCE WITH THE FOREGOING RESTRICTIONS IN THE FORM OF A DULY COMPLETED AND SIGNED OFFSHORE TRANSACTION LETTER (THE FORM OF WHICH MAY BE OBTAINED FROM THE REGISTRAR) TO THE COMPANY, WITH COPIES TO THE REGISTRAR AND THE ADMINISTRATOR.”

19. The Subscriber agrees, upon a proposed transfer of the Ordinary Shares it acquired upon exercise of the Subscription Rights which are conferred by the Subscription Shares, to notify any purchaser of such Ordinary Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Ordinary Shares being sold.

General

20. The Subscriber acknowledges that each of the Company, its affiliates, and their respective directors, officers, agents, employees and advisers and others will rely on the representations, warranties, acknowledgments and agreements contained in this Certificated Subscription Share Notice as a basis for exemption of the issuance of the Ordinary Shares pursuant to the exercise of the Subscription Rights which are conferred by the Subscription Shares under the U.S. Securities Act, the U.S. Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA and the U.S. Tax Code and for other purposes. If any of the representations, warranties, acknowledgments or agreements made by the Subscriber are no longer accurate or have not been complied with, the party signing this Certificated Subscription Share Notice will immediately notify the Company and, if it is acquiring the Ordinary Shares as a fiduciary or agent for one or more accounts, the investor has sole investment discretion with respect to each such account and it has full power to make such foregoing representations, warranties, acknowledgments and agreements on behalf of each such account.
21. The Company and its affiliates are irrevocably authorised to produce this Certificated Subscription Share Notice or a copy hereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters covered hereby.
22. The Subscriber understands and acknowledges that no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Ordinary Shares.
23. The Subscriber agrees to provide, together with this completed and signed Certificated Subscription Share Notice, a completed and signed Substitute IRS Form W-9, attached hereto as Annex II.
24. The Investor acknowledges that it can obtain a copy of Part II of Form ADV of the Sub-Investment Manager (including the Neuberger Berman privacy policy) upon written request to the Sub-Investment Manager.

IN WITNESS WHEREOF this document has been executed as a Deed the day and year first written above.

If holder of Subscription Shares is an entity

If holder of Subscription Shares is an individual

Executed as a deed and delivered by

Executed as a deed and delivered by

.....

.....

(Name)

acting by

In the presence of:

Name:

..... (Name of Director)

..... (Name of Director/Secretary)

Address:

Occupation:

Important:

When lodged, this Certificated Subscription Notice is irrevocable save with the consent of the directors of the Company.

Annex I of Appendix D

Custodian Letter

NB Distressed Debt Investment Fund Limited

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 1WA

Capita Registrars

Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

BNP Paribas Fund Services (Guernsey) Limited

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 6BH

Ladies and Gentleman:

In connection with the deposit of ordinary shares (the “**Ordinary Shares**”) of NB Distressed Debt Investment Fund Limited (the “**Company**”) into its custody, the undersigned hereby represents, warrants, acknowledges and agrees with the Company as follows:

Defined terms used in this letter shall have the meaning assigned to them in the prospectus relating to the offer of the Ordinary Shares and the Subscription Shares described therein, except as otherwise stated herein.

1. It will only hold the Ordinary Shares in certificated form and on a non-fungible basis with any Ordinary Shares it holds in book entry form.
2. It will not issue a request to the Registrar of the Company for such Ordinary Shares to be dematerialised unless the undersigned obtains from the transferor a written certification, that such transferor is transferring such Ordinary Shares in compliance with the transfer restrictions, in the form of the Offshore Transaction Letter set out in Appendix C of this document (or in a form acceptable to the Company) addressed to the Company, with copies to the Administrator and the Registrar.
3. The undersigned acknowledges that each of the Company and its directors, officers, agents, employees and advisers and others will rely on the representations, warranties, acknowledgments and agreements contained in this letter as a basis for exemption of the sale of such Ordinary Shares under the U.S. Securities Act, the U.S. Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA and the U.S. Tax Code and for other purposes. If any of the representations, warranties, acknowledgments or agreements made by the undersigned are no longer accurate or have not been complied with, it will immediately notify the Company.
4. Each of the Company and its affiliates are irrevocably authorised to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters covered hereby.

Name of Custodian:	
Signature:	Date:
Name:	
Title:	

Annex II to Appendix D

Substitute IRS Form W-9

Appendix E

NB Distressed Debt Investment Fund Limited

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 1WA

BNP Paribas Fund Services (Guernsey) Limited

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 6BH

CREST participant ID of the accepting CREST number:

CREST member account ID of the accepting CREST member from which the Subscription Shares are to be debited:

INVESTOR CODE

Name and address:

This letter relates to the exercise of the Subscription Rights which are conferred by the Subscription Shares to subscribe for new Ordinary Shares in NB Distressed Debt Investment Fund Limited (the “**Company**”), as described in the prospectus dated 5 May 2010 (the “**Prospectus**”) which sets out the terms and conditions of the issuance and exercise of such Subscription Rights conferred by the Subscription Shares. Defined terms used in this letter (the “**Uncertificated Subscription Share Notice**”) shall have the meanings ascribed to them in this document.

As described more fully in Part V of this document, if you wish to exercise Subscription Rights which are conferred by the Subscription Shares for your own account, or for any account for which you are acting you must follow the procedures set out in paragraph 1(e) of Part V of this document and **you must sign and return this Uncertificated Subscription Share Notice to the Company's Registrars at the address below at the time you send an Uncertificated Subscription Instruction:**

Capita Registrars

Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

Capital Registrars must receive this signed Uncertificated Subscription Share Notice within five (5) days of the Uncertificated Subscription Instruction in order for the Uncertificated Subscription Instruction to be accepted.

Ordinary Shares will not be credited to CREST stock accounts unless and until Capita Registrars have received this signed Uncertificated Subscription Share Notice on behalf of the Company.

The undersigned holder of Subscription Shares represents, warrants, agrees and acknowledges with/to the Company, on its own behalf or on behalf of each account for which it is acting, as follows at the time of exercise of the Subscription Rights attaching to the Subscription Shares and the time it acquires any Ordinary Shares issuable upon exercise of the Subscription Shares at to at least one of the following (please tick):

The undersigned holder of the Subscription Shares represents, warrants, acknowledges and agrees with/to the Company, on its own behalf or on behalf of each account for which it is acting, that at the time of exercise of the Subscription Rights which are conferred by the Subscription Shares and at the time it acquires any Ordinary Shares issuable upon exercise of the Subscription Rights which are conferred by the Subscription Shares to at least one of the following (please tick):

- ☐ The Subscriber is not a U.S. Person (as defined in Regulation S of the Securities Act), is not located within the United States and is not acquiring the Ordinary Shares issued upon the exercise of Subscription Rights which are conferred by the Subscription Shares for the account or benefit of a U.S. Person, and *all* of the following are true:
1. The Subscriber is acquiring the Ordinary Shares issued upon the exercise of Subscription Rights which are conferred by the Subscription Shares in an offshore transaction meeting the requirements of Regulation S.
 2. The Subscriber acknowledges that the Ordinary Shares issued upon exercise of the Subscription Rights which are conferred by the Subscription Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons absent registration or an exemption from registration under the U.S. Securities Act.
 3. The Subscriber acknowledges that the Company has not registered under the U.S. Investment Company Act and that the Company has put in place restrictions to ensure that the Company is not and will not be required to register under the U.S. Investment Company Act.
 4. No portion of the assets used by such investor to purchase, and no portion of the assets used by such investor to hold, the Ordinary Shares or any beneficial interest therein constitutes or will constitute the assets of: (i) an employee benefit plan as defined in section 3(3) of ERISA that is subject to the provisions of Title I of ERISA; (ii) a "plan" as defined in section Section 4975 of the U.S. Tax Code; or (iii) an entity whose underlying assets are considered to include "plan assets" by reason of investment by an "employee benefit plan" or "plan" described in the preceding clause (i) or (ii) in such entity pursuant to the U.S. Department of Labor Regulation at 29 C.F.R. 2510.3-101, as modified by Section 3(42) of ERISA. If the Subscriber is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the United

States Internal Revenue Code of 1986, as amended (the “Code”), its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

5. The Subscriber acknowledges that if any Ordinary Shares issued upon exercise of the Subscription Rights which are conferred by the Subscription Shares pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect unless otherwise determined by the Company in accordance with applicable law:

NB DISTRESSED DEBT INVESTMENT FUND LIMITED (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “U.S. INVESTMENT COMPANY ACT”). IN ADDITION, THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT OR AN EXEMPTION THEREFROM AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE COMPANY TO REGISTER UNDER THE U.S. INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS.

6. If in the future the Subscriber decides to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the U.S. Securities Act and under circumstances which will not require the Company to register under the U.S. Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles.
7. The Subscriber is acquiring the Ordinary Shares issued upon exercise of the Subscription Rights which are conferred by the Subscription Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares in any manner that would violate the U.S. Securities Act, the U.S. Investment Company Act or any other applicable securities laws.
8. The Subscriber acknowledges that the Company reserves the right to make inquiries of any holder of the Ordinary Shares or interests therein at any time as to such person’s status under the federal U.S. securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under the U.S. securities laws to transfer such Ordinary Shares or interests in accordance with the Articles.
9. The Subscriber acknowledges that Subscription Rights which are conferred by the Subscription Shares may not be exercised for the account or benefit of U.S. Persons except in accordance with the U.S. Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the U.S. Investment Company Act.
10. The Subscriber acknowledges that the Company reserves the right prior to any exercise of the Subscription Rights which are conferred by the Subscription Shares, to require the delivery of such certifications, legal opinions and other information as the Company may reasonably require to confirm the proposed exercise complies with the forgoing restrictions.
11. The Subscriber is entitled to acquire the Ordinary Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, its affiliates and their

respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the issuance of Ordinary Shares upon exercise of the Subscription Rights which are conferred by the Subscription Shares.

12. The Subscriber acknowledges that the Company, its affiliates, and their respective directors, officers, agents, employees and advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements. If any of the representations, warranties, acknowledgments or agreements made by the Subscriber are no longer accurate or have not been complied with, the party signing this Uncertificated Subscription Share Notice will immediately notify the Company and, if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, the party signing this Uncertificated Subscription Share Notice has sole investment discretion with respect to each such account and it has full power to make such foregoing representations, warranties, acknowledgments and agreements on behalf of each such account.

OR

- ☐ The Subscriber is a U.S. Person (as defined in Regulation S of the Securities Act), is located within the United States, or is acquiring the Ordinary Shares issued upon the exercise of Subscription Rights which are conferred by the Subscription Shares for the account or benefit of a U.S. Person, and *all* of the following are true:

Accredited Investor and Qualified Purchaser Status

1. The Subscriber certifies that it is (i) a “qualified purchaser” (a “**Qualified Purchaser**”) within the meaning of Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the “**U.S. Investment Company Act**”) and related rules and (ii) it is exercising the Subscription Rights attaching to the Subscription Shares from the Company only for its account or for the account of another individual/entity that is a Qualified Purchaser.
2. The Subscriber understands that, subject to certain exceptions, to be a Qualified Purchaser, an individual must have US\$5 million, and an entity must have US\$25 million, in “investments” as defined in Rule 2a51-1 of the U.S. Investment Company Act.
3. The Subscriber certifies that it is (i) an “accredited investor” (an “**Accredited Investor**”) as defined in Rule 501(a) of Regulation D under the U.S. Securities Act and (ii) it is exercising the Subscription Rights which are conferred by the Subscription Shares from the Company only for its account or for the account of another individual/entity that is an Accredited Investor.
4. The Subscriber understands that, to be an Accredited Investor (i) an individual must have (a) a net worth that exceeds US\$1 million, individually or jointly with the individual’s spouse, or (b) an individual income in excess of US\$200,000 in each of the two most recent years or joint income with the individual’s spouse in excess of US\$300,000 in each of those years, with a reasonable expectation of reaching the same income level in the current year, (ii) a trust must have total assets in excess of US\$5 million, not have been formed for the specific purpose of acquiring the Ordinary Shares and must be directed by a sophisticated person meeting the standards of the first sentence of Section 5 of this Subscription Agreement and (iii) any other entity must be an Accredited Investor as defined in Rule 501(a) of Regulation D.
5. The Subscriber is knowledgeable, sophisticated and experienced in business and financial matters as to be capable of evaluating, and has evaluated, the merits and risks of an investment in the Ordinary Shares and it fully understands the limitations on ownership and transfer and the restrictions on sales of the Ordinary Shares. It is able to bear the economic risk of its investment in the Ordinary Shares and is currently able to afford the complete loss of such investment. It is aware that there are substantial risks incident to the acquisition of the Ordinary Shares upon exercise of the Subscription Rights which are conferred by the Subscription Shares.

Transfer Restrictions

6. The Subscriber understands and agrees, on its own behalf and on behalf of any accounts for which it is acting, that the Subscription Shares and the Ordinary Shares to be issued upon exercise of the Subscription Rights which are conferred by the Subscription Shares have not been and will not be registered under the U.S. Securities Act, that the Company has not been and will not be registered as an “investment company” under the U.S. Investment Company Act and that the Subscription Shares nor any Ordinary Shares issued pursuant to the exercise of the Subscription Rights which are conferred by such Subscription Shares may not be transferred except as permitted in this Section 7. It agrees that, if it should offer, resell, pledge or otherwise transfer such Ordinary Shares, such Ordinary Shares will be offered, resold, pledged or otherwise transferred only as follows:
 - a. outside the United States in an offshore transaction complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person (as defined in Regulation S under the U.S. Securities Act), by pre-arrangement or otherwise; and upon delivery of a written certification to the Company, with copies to the Administrator and the Registrar, by the transferor in the form of the Offshore Transaction Letter set out in Appendix C of this document (or in a form otherwise acceptable to the Company); or
 - b. to the Company or a subsidiary thereof.

Each of the foregoing restrictions is subject to any requirement by law that the disposition of the Subscriber’s property or the property of such investor account or accounts on behalf of which the Subscriber holds the Ordinary Shares be at all times within the control of the Investor or of such accounts and subject to compliance with any applicable state securities laws. It understands that any certificates representing Ordinary Shares acquired by it will bear a legend reflecting, among other things, the substance of this Section 6.

U.S. Investment Company Act

7. The Subscriber understands and acknowledges that the Company has not registered and will not register under the U.S. Investment Company Act and that the Company has elected to impose the transfer and offering restrictions with respect to persons in the United States and U.S. Persons described herein so that the Company will qualify for the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act and will have no obligation to register as an “investment company” even if it were otherwise determined to be an “investment company”.
8. The Subscriber understands and acknowledges that (i) the Company will not be required to accept for registration of transfer any Ordinary Shares acquired by it, except as provided in Section 6, (ii) the Company may require any U.S. Person or any person within the United States who is required under this Uncertificated Subscription Share Notice to be a Qualified Purchaser, to provide the Company within 30 calendar days with sufficient satisfactory documentary evidence to satisfy the Company that such Subscriber shall not cause the Company to be required to be registered as an “investment company” under the U.S. Investment Company Act, (iii) the Company may require any U.S. Person or any person within the United States who is required under this Uncertificated Subscription Share Notice to be a Qualified Purchaser, but is not, to transfer the Ordinary Shares within 30 calendar days with satisfactory evidence of such sale or transfer in a manner consistent with the restrictions set forth in this Uncertificated Subscription Share Notice, and (iv) if the obligations under the preceding clauses (ii) or (iii) are not met, the Company is irrevocably authorised, without any obligation, to follow the procedure provided for in the Articles with respect to the forfeited shares.

ERISA

9. The Subscriber confirms that (i) no portion of the assets used to purchase, and no portion of the assets used to hold, the Shares or any beneficial interest therein constitutes or will constitute the assets of (A) an “employee benefit plan” as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (B) a “plan” as defined in Section 4975 of the Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Code; or (C) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in the preceding clause (A) or (B) in such entity pursuant to the U.S. Department of Labor Regulation at 29 C.F.R. 2510.3-101, as modified by Section 3(42) of ERISA and (ii) if it is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

PFIC

10. The Subscriber understands and acknowledges that, under United States federal tax laws, the Ordinary Shares will be considered an equity interest in a passive foreign investment company (a “**PFIC**”) (as defined in the Code). It further understands and acknowledges that it may be subject to adverse U.S. federal income tax consequences as a result of the Company’s PFIC status, and the Investor agrees that it will seek its own independent specialist advice with respect to the U.S. tax consequences of its interest in the Issue Shares.

The Offer

11. The Subscriber is exercising the Subscription Rights which are conferred by the Subscription Shares and acquiring the Ordinary Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares received thereto in any manner that would violate the U.S. Securities Act, the U.S. Investment Company Act or any other applicable securities laws.
12. The party signing this Uncertificated Subscription Share Notice is exercising the Subscription Rights which are conferred by the Subscription Shares and acquiring the Ordinary Shares for his or her own account or for the account of one or more Investors (which is an Accredited Investor and a Qualified Purchaser) as to which the party signing this Uncertificated Subscription Share Notice exercises sole investment discretion and is authorised to make the representations, warranties and acknowledgments, and enter into the agreements, contained in this Uncertificated Subscription Share Notice.
13. The Subscriber understands that the Ordinary Shares to be acquired by it upon exercise of the Subscription Rights which are conferred by the Subscription Shares are “restricted securities” as defined in Rule 144(a)(3) under the U.S. Securities Act, and acknowledges that neither the Company nor any of its affiliates, makes any representation as to the availability of any exemption under the U.S. Securities Act for the re-offer, re-sale, pledge or transfer of the Ordinary Shares acquired upon exercise of the Subscription Rights which are conferred by the Subscription Shares.
14. The Subscriber represents that at the time it acquires the Ordinary Shares upon exercise of the Subscription Rights which are conferred by the Subscription Shares, it is not an affiliate of the Company or a person acting on behalf of such affiliate and it is not acquiring the Ordinary Shares for the account of an affiliate of the Company or of a person acting on behalf of such affiliate.
15. The Subscriber acknowledges that the Subscription Rights which are conferred by Subscription Shares may not be exercised for the account or benefit of U.S. Persons except in accordance with the U.S. Securities Act or an

exemption therefrom and under circumstances which will not require the Company to register under the U.S. Investment Company Act.

16. The Subscriber acknowledges that the Company reserves the right prior to any exercise of Subscription Rights which are conferred by the Subscription Shares, to require the delivery of such certifications, legal opinions and other information as the Company may reasonably require to confirm the proposed exercise complies with the forgoing restrictions.
17. The Subscriber agrees on its own behalf and on behalf of any accounts for which it is acting, that if it should deposit any Ordinary Shares it acquired upon exercise of the Subscription Rights which are conferred by the Subscription Shares with a custodian, it will do so only after notifying the Company, with copies to the Administrator and the Registrar, that it intends to deposit Ordinary Shares with a custodian in accordance with the terms of this paragraph 17 and obtain from the custodian a signed letter, set out in Annex I attached hereto, addressed to the Company, with copies to the Administrator and the Registrar, in which the custodian agrees (i) to hold the Ordinary Shares only in certificated form, and (ii) not to issue a request to the Registrar for such Ordinary Shares to be dematerialised unless the undersigned obtains a written certification from the transferor in the form of the Offshore Transaction Letter (or in a form acceptable to the Company) addressed to the Company, with copies to the Administrator and the Registrar.
18. The Subscriber acknowledges that it will be required to hold the Ordinary Shares it acquired upon exercise of the Subscription Rights which are conferred by the Subscription Shares in registered and certificated form, and only upon transfer of the Ordinary Shares pursuant to paragraph 6 will such Ordinary Shares be eligible for settlement through CREST, and that certificates evidencing ownership will bear the following legend:

“NB DISTRESSED DEBT INVESTMENT FUND LIMITED (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “U.S. INVESTMENT COMPANY ACT”) PURSUANT TO THE EXEMPTION PROVIDED IN SECTION 3(C)(7) THEREOF. IN ADDITION, THE OFFER AND SALE OF THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION COMPLYING WITH THE PROVISIONS OF REGULATION S UNDER THE U.S. SECURITIES ACT TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN BY THE TRANSFEROR TO BE A U.S. PERSON, BY PRE-ARRANGEMENT OR OTHERWISE AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE COMPANY TO REGISTER UNDER THE U.S. INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS, UPON SURRENDER OF THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE AND DELIVERY OF A WRITTEN CERTIFICATION THAT SUCH TRANSFEROR IS IN COMPLIANCE WITH THE REQUIREMENTS OF THIS CLAUSE IN THE FORM OF A DULY COMPLETED AND SIGNED OFFSHORE TRANSACTION LETTER (THE FORM OF WHICH MAY BE OBTAINED FROM THE REGISTRAR) TO THE COMPANY, WITH COPIES TO THE REGISTRAR AND THE ADMINISTRATOR.

IN ADDITION, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON (I) USING THE ASSETS OF (A) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA; (B) A “PLAN” AS DEFINED IN SECTION 4975 OF THE CODE, INCLUDING AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE CODE; OR (C) AN ENTITY AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE “PLAN ASSETS” BY REASON OF INVESTMENT BY AN “EMPLOYEE BENEFIT PLAN” OR “PLAN” DESCRIBED IN PRECEDING CLAUSE (A) OR (B) IN SUCH ENTITY PURSUANT TO THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA OR (II) A GOVERNMENTAL, CHURCH, NON-US OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY FEDERAL,

STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE IF THE PURCHASE, HOLDING OR DISPOSITION OF THE SHARES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR LAW.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THESE SECURITIES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE COMPANY'S SECURITIES, ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK.

THIS SECURITY MAY NOT BE DEMATERIALIZED INTO CREST OR ANY OTHER PAPERLESS SYSTEM UNTIL THE HOLDER OF THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE DELIVERS A WRITTEN CERTIFICATION THAT SUCH HOLDER IS TRANSFERRING SUCH SECURITIES IN COMPLIANCE WITH THE FOREGOING RESTRICTIONS IN THE FORM OF A DULY COMPLETED AND SIGNED OFFSHORE TRANSACTION LETTER (THE FORM OF WHICH MAY BE OBTAINED FROM THE REGISTRAR) TO THE COMPANY, WITH COPIES TO THE REGISTRAR AND THE ADMINISTRATOR."

19. The Subscriber agrees, upon a proposed transfer of the Ordinary Shares it acquired upon exercise of the Subscription Rights which are conferred by the Subscription Shares, to notify any purchaser of such Ordinary Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Ordinary Shares being sold.

General

20. The Subscriber acknowledges that each of the Company, its affiliates, and their respective directors, officers, agents, employees and advisers and others will rely on the representations, warranties, acknowledgments and agreements contained in this Uncertificated Subscription Share Notice as a basis for exemption of the issuance of the Ordinary Shares pursuant to the exercise of the Subscription Rights which are conferred by the Subscription Shares under the U.S. Securities Act, the U.S. Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA and the U.S. Tax Code and for other purposes. If any of the representations, warranties, acknowledgments or agreements made by the Subscriber are no longer accurate or have not been complied with, the party signing this Uncertificated Subscription Share Notice will immediately notify the Company and, if it is acquiring the Ordinary Shares as a fiduciary or agent for one or more accounts, the investor has sole investment discretion with respect to each such account and it has full power to make such foregoing representations, warranties, acknowledgments and agreements on behalf of each such account.
21. The Company and its affiliates are irrevocably authorised to produce this Uncertificated Subscription Share Notice or a copy hereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters covered hereby.
22. The Subscriber understands and acknowledges that no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Ordinary Shares.
23. The Subscriber agrees to provide, together with this completed and signed Uncertificated Subscription Share Notice, a completed and signed Substitute IRS Form W-9, attached hereto as Annex II.
24. The Investor acknowledges that it can obtain a copy of Part II of Form ADV of the Sub-Investment Manager (including the Neuberger Berman privacy policy) upon written request to the Sub-Investment Manager.

IN WITNESS WHEREOF this document has been executed as a Deed the day and year first written above.

If holder of Subscription Shares is an entity

If holder of Subscription Shares is an individual

Executed as a deed and delivered by

Executed as a deed and delivered by

.....

.....

(Name)

acting by

In the presence of:

Name:

..... (Name of Director)

..... (Name of Director/Secretary)

Address:

Occupation:

Important:

When lodged, this Uncertificated Subscription Share Notice is irrevocable save with the consent of the directors of the Company.

Annex I to Appendix E

Custodian Letter

NB Distressed Debt Investment Fund Limited

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 1WA

Capita Registrars

Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

BNP Paribas Fund Services (Guernsey) Limited

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 6BH

Ladies and Gentleman:

In connection with the deposit of ordinary shares (the “**Ordinary Shares**”) of NB Distressed Debt Investment Fund Limited (the “**Company**”) into its custody, the undersigned hereby represents, warrants, acknowledges and agrees with the Company as follows:

Defined terms used in this letter shall have the meaning assigned to them in the prospectus relating to the offer of the Ordinary Shares and the Subscription Shares described therein, except as otherwise stated herein.

1. It will only hold the Ordinary Shares in certificated form and on a non-fungible basis with any Ordinary Shares it holds in book entry form.
2. It will not issue a request to the Registrar of the Company for such Ordinary Shares to be dematerialised unless the undersigned obtains from the transferor a written certification, that such transferor is transferring such Ordinary Shares in compliance with the transfer restrictions, in the form of the Offshore Transaction Letter set out in Appendix C of this document (or in a form acceptable to the Company) addressed to the Company, with copies to the Administrator and the Registrar.
3. The undersigned acknowledges that each of the Company and its directors, officers, agents, employees and advisers and others will rely on the representations, warranties, acknowledgments and agreements contained in this letter as a basis for exemption of the sale of such Ordinary Shares under the U.S. Securities Act, the U.S. Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA and the U.S. Tax Code and for other purposes. If any of the representations, warranties, acknowledgments or agreements made by the undersigned are no longer accurate or have not been complied with, it will immediately notify the Company.
4. Each of the Company and its affiliates are irrevocably authorised to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters covered hereby.

Name of Custodian:	
Signature:	Date:
Name:	
Title:	

Annex II to Appendix E

Substitute IRS Form W-9

