

# Neuberger Berman LLC

## Client Brochure

### March 30, 2012

605 Third Avenue  
New York, NY 10158  
[www.nb.com](http://www.nb.com)

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This Brochure provides information about the qualifications and business practices of Neuberger Berman LLC ("**NB LLC**"). If you have any questions about the contents of this Brochure, please contact us at 212-476-9000 or by email at: **NBLLC.ADVINFO@nb.com**.

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

Additional information about NB LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

## **Item 2: Material Changes**

This Brochure dated March 30, 2012 has been prepared in accordance with new rules recently adopted by the SEC. This Brochure will be updated at least annually. We may further provide ongoing disclosure information about material changes as necessary. The following is a summary of the material changes set forth herein that have been made to this Brochure since March 31, 2011.

Item No.	Description of Material Changes
5	5A: New standard fee schedules for the MLPs, Global Equity and Flex Equity strategies. Updated one standard fee schedule for Private Asset Management accounts.
7	New Institutional Account minimum account size for Mid Cap Intrinsic Value, MLPs and Global Equity strategies.

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## Item 4: Advisory Business

### A. Description of the Firm

Neuberger Berman LLC (“**NB LLC**”) is a Delaware limited liability company with a legacy dating back to the 1939 founding of Neuberger & Berman, its predecessor firm.

NB LLC is directly owned by Neuberger Berman Holdings LLC. Neuberger Berman Holdings LLC is a subsidiary of Neuberger Berman Group LLC (“**NBG**”).

NB LLC provides a wide range of discretionary investment management services to a variety of clients, including, high net worth individuals, institutions and private investment funds. The firm also provides discretionary investment management services and non-discretionary securities recommendations through wrap-fee programs.

NB LLC holds the following additional registrations and memberships:

- is registered as broker dealer with the SEC and a member of the Financial Industry Regulatory Authority (“**FINRA**”)
- is registered as a Commodity Pool Operator, Commodity Trading Adviser and Futures Commission Merchant with the Commodities Futures Trade Commission (“**CFTC**”) and a member of the National Futures Association.

#### ***Indirect Ownership Background—Neuberger Berman Group***

NBG is a holding company the subsidiaries of which (collectively referred to herein as the “**Firm**” or “**Neuberger Berman**”) provide a broad range of global investment solutions – equity, fixed income and alternatives – to institutions and individuals through customized separately managed accounts, mutual funds and alternative investment funds. As of December 31, 2011, Neuberger Berman had approximately \$193 billion under management.<sup>1</sup>

On September 15, 2008, Lehman Brothers Holdings Inc. (“**LBHI**”), the then-owner of the businesses that now comprise Neuberger Berman, filed for protection under Chapter 11 of the

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

U.S. Bankruptcy Code. On May 4, 2009, in conjunction with a management buyout, Neuberger Berman became an independent, employee majority-controlled asset management firm.

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

Neuberger Berman is headquartered in New York City, where the majority of its asset management services are performed. As of December 31, 2011, Neuberger Berman had approximately 1700 employees across 27 offices in 26 cities and 12 countries around the world.

As of December 31, 2011, approximately 300 employees owned an equity stake in the Firm. All of these employees have entered into agreements that provide strong incentives to continue with the organization, and have a number of restrictive covenants in the event the employee leaves the Firm.

NB LLC's investment management services are discussed further below.

## **B. Types of Advisory Services**

NB LLC currently provides the following types of investment management services:

### ***Separately Managed Accounts- Private Asset Management and Institutional Accounts***

NB LLC offers discretionary investment management services to individual and institutional clients based on the individual investment goals, objectives, time horizon, and risk tolerance of each client. NB LLC provides its advisory services through (i) separate managed accounts for individual and institutional clients ("**Private Asset Management Accounts**") and (ii) separate managed accounts for clients that pay NB LLC an investment advisory fee based on NB LLC's institutional fee schedule or that are serviced by the institutional segment of NB LLC's business ("**Institutional Accounts**"), collectively, ("**Separate Accounts**").

From time to time existing Separate Account clients may direct NB LLC to purchase or sell securities on their behalf ("**Client-Directed Transactions**"). NB LLC will purchase such securities, which will, unless otherwise agreed, generally be held in a segregated portion of the client's account as unsupervised holdings; however, such holdings may or may not be reflected in the custodian's books and records by any specific mark, designation, or other indication. NB LLC will not provide portfolio management services to such segregated portion of the account and will not receive advisory fees with respect to this portion of the account. Any decisions

concerning the retention, disposition, or other change with respect to such holdings shall remain solely with the client. NB LLC generally does not otherwise offer or provide non-discretionary advisory services. See Item 16.

### ***Private Investment Vehicles***

NB LLC acts as the investment manager providing discretionary investment management services to privately offered investment vehicles (“**Private Funds**”). The Private Funds are generally organized or “sponsored” by an affiliate of NB LLC and an affiliate of NB LLC acts as the managing member or general partner of the Private Funds. In some cases, NB LLC may serve as an adviser or sub-adviser to Private Funds that are organized, managed or sponsored by entities that are not affiliated with NB LLC.

Unlike open and closed-end mutual funds that are registered with the SEC under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), the Private Funds are not registered as investment companies with the SEC and are therefore not subject to various provisions of the Investment Company Act. Also, unlike most NB Registered Funds (as defined below), shares or interests in the Private Funds are not registered for sale under the Securities Act of 1933 and are instead sold to qualified investors who meet certain criteria on a private placement basis, both in “closed” offerings and through continuous periodic offerings.

For a list of certain of the Private Funds for which an affiliate of NB LLC acts as general partner or managing member, please reference Section 7.B.(1) and (2) of Schedule D of Part 1 to NB LLC’s Form ADV which is publicly available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### ***Wrap Fee Accounts***

NB LLC offers discretionary investment management services, as well as non-discretionary security recommendations in the form of model portfolios, through its participation in wrap fee programs (“**Wrap Programs**”). See Item 4.D.

### ***Sub-Advised Accounts***

NB LLC acts as sub-adviser to a number of proprietary SEC registered open-end investment and closed-end investment companies (the “**NB Registered Funds**”) and to separate accounts, offshore funds and private investment vehicles managed by affiliated and unaffiliated investment advisers (collectively, the “**Sub-Advised Accounts**”). With respect to the NB Registered Funds, NB LLC’s role as sub-adviser is limited to providing investment research and related services from and consultations with members of NB LLC’s research department. Clients should refer to each fund’s prospectus, offering memorandum or other offering materials (the “**Offering Documents**”) or other offering documentation for additional information.

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

## C. Client Tailored Services and Client Tailored Restrictions

NB LLC enters into discretionary investment management agreements with its Separate Account clients. See Item 16. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their particular investment objectives or needs. NB LLC may decide not to accommodate investment restrictions deemed unduly burdensome or materially incompatible with NB LLC's investment approach. Further, NB LLC may decline to permit any account restriction that affects more than a stated percentage of the account. Imposing account restrictions may adversely affect account performance as compared with other, unrestricted accounts that NB LLC manages with the same investment strategy.

NB LLC enters into discretionary investment management agreements with each Private Fund. Services are performed in accordance with the terms of each investment management agreement. Each Private Fund may impose investment restrictions or guidelines as it deems appropriate. Such investment restrictions and/or guidelines are typically described in the Offering Documents for each Private Fund.

In the case of the Sub-Advised Accounts, NB LLC enters into a sub-advisory agreement with the direct investment adviser (the **"Intermediary Adviser"**) to the Sub-Advised Account. The terms and conditions of these arrangements may vary, and contact between NB LLC and the end client will typically take place through the Intermediary Adviser. Each Sub-Advised Account is managed in accordance with the investment objectives, policies and restrictions set forth in the investment management agreement between the Sub-Advised Account and the Intermediary Adviser.

Separate Account and Wrap Program clients may restrict the ability of portfolio managers to invest in NB Registered Funds or Private Funds.

See Item 4.D for a description of client tailored services and restrictions on Wrap Program Accounts.

## D. Wrap Programs

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

In discretionary Wrap Programs, the Wrap Sponsor typically selects or appoints NB LLC as its sub-advisor to manage designated assets of its Wrap Program Clients in one or more investment



strategies. In these discretionary Wrap Programs, NB LLC has investment discretion over the designated assets in the account of the Wrap Program Clients. NB LLC manages the accounts in accordance with the selected investment strategy and reasonable client-directed restrictions.

NB LLC also participates in non-discretionary Wrap Programs. In these Wrap Programs, NB LLC furnishes investment advice and recommendations to Wrap Sponsors through the provision of model portfolios. The Wrap Sponsors may use NB LLC's model portfolios and updates, either alone or together with other model portfolios, to manage the accounts of the Wrap Program Clients, although the Wrap Sponsors retain investment discretion over the accounts. NB LLC is solely responsible for managing its model portfolios. All decisions with respect to the management of these accounts remain solely with the Wrap Sponsor.

The services provided by each of NB LLC and the Wrap Sponsors are described in the Wrap Sponsors' disclosure materials and the contracts Wrap Sponsors have with their Wrap Program clients.

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

Please refer to Section 5.I.(2) of Schedule D to Part 1 to NB LLC's Form ADV for a full list of the Wrap Programs in which NB LLC participates.

<b>E. Assets Under Management</b>
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<b><u>Discretionary Amounts:</u></b>	<b><u>Non-Discretionary Amounts:</u></b>	<b><u>Date Calculated:</u></b>
\$90,332,000,000	\$0	12/31/2011

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### **I. SEPARATE ACCOUNTS**

NB LLC's standard fee schedules are set forth below.

Management fees for Separate Accounts are typically a percentage of the market value of assets held in the Separate Account. In limited circumstances, NB LLC may provide investment management services to a Separate Account for a fixed fee. A portion of a client's account may consist of Client-Directed Transactions and such transactions are generally not included in the valuation of the account for purposes of calculating the advisory fee payable to NB LLC. See Item 16.

Management fees may vary depending on a variety of factors including, but not limited to, the investment strategy, the identity of the portfolio manager or group managing the account, account size, investment objectives and the type and number of client accounts and the level of customization with NB LLC, including other accounts with affiliates of NB LLC. There may be differences in fees paid by certain clients based on account inception dates or amount of client assets under management. Affiliates of NB LLC and its employees are generally eligible for fee waivers or discounts on NB LLC's products. In some instances, based upon particular facts and circumstances, NB LLC as a courtesy may, in its sole discretion permit "family billing" arrangements, where the account values of two or more related accounts are combined for the purpose of reducing the overall fees paid by the accounts. Such arrangements are non-contractual and NB LLC may terminate such arrangement at any time.

For its Private Asset Management Accounts, NB LLC generally enters into investment advisory agreements that provide for the provision of advisory and brokerage services by NB LLC. Certain of the Fee Schedules below assume that the clients have entered into such agreements and consented to the use of NB LLC as broker for the account. These accounts are billed an "all-inclusive" fee that captures NB LLC's investment management and brokerage fees. No separate fees are charged by NB LLC for brokerage transactions in the account. Clients shall bear all other transaction and transfer-related costs and expenses, as applicable. See Item 5.C below.

Alternatively, clients who have Private Asset Management Accounts may engage NB LLC solely for the provision of investment advisory services. In such instances the account will generally pay separate commission fees to third-party brokers for brokerage transactions. In addition, Institutional Accounts generally engage NB LLC solely for the provision of investment advisory services and generally pay separate commission fees to third party brokers for brokerage transactions.

Certain fee schedules for Private Asset Management Accounts have different fee rates for equity and fixed income securities. Please note that for accounts subject to such fee schedules, only assets that have been designed for permanent investment in fixed income securities will be subject to the fixed income fee rate. Accordingly, cash and cash equivalents that are not held for permanent investment in fixed income securities, will be subject to the equity fee rate.

There may be fee schedules used by certain Separate Account clients who became clients as the result of an acquisition or lift-out of a firm or investment personnel by NB LLC, or whose accounts are managed or serviced by individuals or teams who have joined NB LLC through such an acquisition or lift-out. Additionally, some Separate Account clients may be billed on fee schedules that are no longer offered. These schedules are not otherwise available to new or other existing clients of NB LLC. In certain limited circumstances, Institutional Account fee schedules may also be offered to non-Institutional Account clients. Additionally, Private Asset Management Account clients who have assets managed by the portfolio management groups for Institutional Accounts will generally be subject to Private Asset Management Account fee schedules, and vice versa. Certain Private Asset Management Accounts that are serviced by, introduced to or access NB LLC or NB LLC products by or through other entities, such as third party broker dealers and investment advisers, are generally subject to varying types and degrees of client services directly from such other entity and consequently may be subject to a NB LLC fee schedule that provides for lower fees than NB LLC's published fee schedules for the same products serviced directly by NB LLC.

The minimum fee for Private Asset Management Account clients may be changed or waived for some clients, including but not limited to employees of NB LLC or its affiliates. Employees may be charged a lower fee than non-employee clients. In addition, the criteria used to determine eligibility for breakpoint discounts may vary based upon the facts and circumstances unique to a client relationship.

In accordance with NB LLC's standard agreements with clients, its investment advisory fees and commission rates can be modified upon advance written notice to clients.

#### **A. PRIVATE ASSET MANAGEMENT ACCOUNTS--SCHEDULE E**

<b>Private Asset Management Accounts – Schedule E</b>	
<b><u>Type of asset in the account</u></b>	<b><u>Advisory Fee</u></b>
For common stocks, convertible bonds, convertible preferred shares, cash, cash equivalent mutual funds, and all other managed assets of the account not being held for permanent investment in fixed income securities, the annual charge (payable quarterly)	For accounts with a market value of less than \$10 million <ul style="list-style-type: none"> <li>• 1.500% of the first \$2,500,000 of market value</li> <li>• 1.400% of the next \$2,500,000 of market value</li> <li>• 1.300% of the next \$2,500,000 of market value</li> <li>• 1.200% of the next \$2,499,999 of market value</li> </ul>

	<p>For accounts with a market value equal to or greater than \$10 million</p> <ul style="list-style-type: none"> <li>• 1.250% of the first \$10,000,000 of market value</li> <li>• 0.900% of the remaining balance of market value</li> </ul>
For cash equivalents and managed assets held for permanent investment in fixed income securities, the annual charge (payable quarterly)	<ul style="list-style-type: none"> <li>• 0.375% of the market value</li> </ul>
<i>Minimum quarterly fee for the above accounts is \$1,875</i>	

## B. PRIVATE ASSET MANAGEMENT ACCOUNTS—SCHEDULE F

<b>Private Asset Management Accounts - Schedule F</b>	
<b><u>Type of asset in the account</u></b>	<b><u>Advisory Fee</u></b>
For common stocks, convertible bonds, convertible preferred shares, cash, cash equivalent mutual funds, and all other managed assets of the account not being held for permanent investment in fixed income securities, the annual charge (payable quarterly)	<p>For accounts with a market value of less than \$10 million</p> <ul style="list-style-type: none"> <li>• 1.750% of the first \$5,000,000 of market value</li> <li>• 1.500% of the next \$4,999,999 of market value</li> </ul>
	<p>For accounts with a market value equal to or greater than \$10 million</p> <ul style="list-style-type: none"> <li>• 1.600% of the first \$10,000,000 of market value</li> <li>• 1.250% of the remaining balance of market value</li> </ul>
For cash equivalents and managed assets held for permanent investment in fixed income securities, the annual charge (payable quarterly)	<ul style="list-style-type: none"> <li>• 0.375% of the market value</li> </ul>
<i>Minimum quarterly fee for the above accounts is \$2,500</i>	

## C. PRIVATE ASSET MANAGEMENT ACCOUNTS—SCHEDULE 716

Private Asset Management Accounts - Schedule 716	
<u>Type of asset in the account</u>	<u>Advisory Fee</u>
Cash, cash equivalents and managed assets held for permanent investment in fixed income securities	<ul style="list-style-type: none"> <li>• 0.400% of the first \$5,000,000 of market value</li> <li>• 0.300% of the next \$15,000,000 of market value</li> <li>• 0.275% of the next \$30,000,000 of market value</li> <li>• 0.250% of the next \$100,000,000 of market value</li> <li>• 0.150% of the next \$250,000,000 of market value</li> <li>• 0.120% of the remaining balance of market value</li> </ul>
<i>The minimum quarterly fee for the above accounts is \$1,000</i>	

## D. INSTITUTIONAL ACCOUNTS

NB LLC Portfolio Account Fees	
<u>Type of Advisory Account</u>	<u>Advisory Fee</u>
Large Cap Disciplined Growth – Institutional Accounts	<ul style="list-style-type: none"> <li>• .65% of the first \$35 million of market value,</li> <li>• .40% of the next \$65 million,</li> <li>• .30% of the next \$100 million, and</li> <li>• .25% of the balance.</li> </ul>
Mid Cap Growth – Institutional Accounts	<ul style="list-style-type: none"> <li>• .80% of the first \$25 million of market value,</li> <li>• .65% of the next \$25 million,</li> <li>• .60% of the next \$50 million, and</li> <li>• .50% of the balance.</li> </ul>
Small Cap Growth – Institutional Accounts	<ul style="list-style-type: none"> <li>• 1.00% of the first \$25 million of market value,</li> <li>• .80% of the next \$25 million,</li> <li>• .70% of the -balance.</li> </ul>

<b>NB LLC Portfolio Account Fees</b>	
<b><u>Type of Advisory Account</u></b>	<b><u>Advisory Fee</u></b>
Large Cap Value/Systemic Large Cap Value – Institutional Accounts	<ul style="list-style-type: none"> <li>• .65% of the first \$25 million of market value,</li> <li>• .50% of the next \$25 million,</li> <li>• .40% of the next \$50 million, and</li> <li>• .30% of the next \$100 million, and</li> <li>• .25% of the balance.</li> </ul>
Mid Cap Intrinsic Value – Institutional Accounts	<ul style="list-style-type: none"> <li>• .75% of the first \$25 million of market value,</li> <li>• .65% of the next \$25 million,</li> <li>• .60% of the next \$50 million, and</li> <li>• .50% of the balance.</li> </ul>
Small Cap Value – Institutional Accounts	<ul style="list-style-type: none"> <li>• 1.00% of market value of all assets.</li> </ul>
Small Cap Intrinsic Value – Institutional Accounts	<ul style="list-style-type: none"> <li>• 1.00% of the first \$20 million of market value,</li> <li>• .85% of the next \$20 million,</li> <li>• .80% of the next \$20 million, and</li> <li>• .75% of the balance.</li> </ul>
Socially Responsible Investing – Institutional Accounts	<ul style="list-style-type: none"> <li>• 1.00% of the first \$10 million of market value,</li> <li>• .65 % of the next \$25 million, and</li> <li>• .40 % of the balance.</li> </ul>
Real Estate Securities – Institutional Accounts	<ul style="list-style-type: none"> <li>• .75% of the first \$25 million of market value,</li> <li>• .65% of the next \$25 million,</li> <li>• .55% of the next \$100 million, and</li> <li>• .50% of the balance.</li> </ul>
International Large Cap – Institutional Accounts	<ul style="list-style-type: none"> <li>• .85% of the first \$25 million of market value,</li> <li>• .60% of the next \$25 million,</li> <li>• .50% of the next \$150 million, and</li> <li>• .40% of the balance.</li> </ul>
Core Equity – Institutional Accounts	<ul style="list-style-type: none"> <li>• .65% of the first \$25 million of market value,</li> <li>• .50% of the next \$25 million,</li> <li>• .40% of the next \$50 million,</li> <li>• .30% of the next \$100 million and</li> <li>• .25% of the balance.</li> </ul>

<b>NB LLC Portfolio Account Fees</b>	
<b><u>Type of Advisory Account</u></b>	<b><u>Advisory Fee</u></b>
Equity Income – Institutional Accounts	<ul style="list-style-type: none"> <li>• 1.00% of the first \$10 million of market value,</li> <li>• .80% of the next \$15 million,</li> <li>• .60% of the next \$75 million,</li> <li>• .50% of the balance.</li> </ul>
Global Thematic Opportunities – Institutional Accounts	<ul style="list-style-type: none"> <li>• 1.00% of the first \$10 million of market value,</li> <li>• .80% of the next \$15 million,</li> <li>• .60% of the next \$75 million,</li> <li>• .50% of the balance.</li> </ul>
International All Cap – Institutional Accounts	<ul style="list-style-type: none"> <li>• 1.00% of the first \$10 million of market value,</li> <li>• .75% of the next \$25 million, and</li> <li>• .50% of the balance.</li> </ul>
Emerging Markets Equity – Institutional Accounts	<ul style="list-style-type: none"> <li>• 1.00% of the first \$25 million of market value,</li> <li>• .90% of the next \$25 million,</li> <li>• .85% of the next \$150 million, and</li> <li>• .75% of the balance.</li> </ul>
MLPs – Institutional Accounts	<ul style="list-style-type: none"> <li>• .75% of the first \$50 million of market value,</li> <li>• .65% of the next \$50 million, and</li> <li>• .55% of the balance.</li> </ul>
Global Equity – Institutional Accounts	<ul style="list-style-type: none"> <li>• .75% of the first \$25 million of market value,</li> <li>• .55% of the next \$25 million,</li> <li>• .45% of the next \$150 million, and</li> <li>• .40% of the balance.</li> </ul>
Flex Equity – Institutional Accounts	<ul style="list-style-type: none"> <li>• .85% of the first \$50 million of market value,</li> <li>• .80% of the next \$50 million,</li> <li>• .75% of the next \$400 million,</li> <li>• .70% of the next \$500 million, and</li> <li>• .65% of the balance.</li> </ul>

## **II. PRIVATE FUNDS**

Pursuant to NB LLC's investment management agreement with each Private Fund, NB LLC or its designated affiliate will receive an annual management fee that customarily is based on the net asset value of each investor's account in the Private Fund. Such fees may be paid monthly or quarterly, in arrears, or in advance, depending on the particular requirements of each Private

Fund. Management fees may also be calculated based on aggregate net assets of certain investors in a Private Fund. Certain Private Funds also offer “breakpoints” for fees based on net investment amounts held in an investor’s capital account; such breakpoints generally permit NB LLC to charge lower fees for higher net investment amounts held in a capital account, and higher fees for smaller accounts. For these purposes, a net investment amount is generally calculated based on an investor’s contributions, withdrawals and distributions and is not based on capital appreciation or depreciation in an account.

Management fees for the Private Funds may range between .90% to 1.50% annually and may be negotiable under certain circumstances, including for affiliates of NB LLC. NB LLC or a Private Fund’s general partner or managing member will customarily retain discretion to waive, rebate or calculate differently the management fees as to all or any of the investors in a Private Fund or agree with an investor to waive or alter the management fees as to that investor.

Certain Private Funds may permit NB LLC or its designated affiliates to receive annual performance-based fees or allocations based on the net capital appreciation (i.e., capital appreciation less capital depreciation) of each investor’s account in such funds. The performance-based fee or allocation is payable only if, and to the extent that, the net capital appreciation of the investor’s account exceeds any net capital depreciation accumulated in prior years (as adjusted for withdrawals of capital). The capital account of NB LLC or its affiliate, as general partner or managing member of each Private Fund, is not included when calculating any such fees or compensation. Performance fees may be up to 20% of (realized or unrealized) capital gains though a Private Fund may require a higher or lower fee allocation. Depending on the terms of the Private Fund, NB LLC or the Private Fund’s general partner or managing member, each in their discretion, may retain the right to, waive, rebate or calculate differently the performance based fee as to all or any of the investors in a Private Fund or agree with an investor to waive or alter the performance fee distribution as to that investor. Investors should refer to the applicable Offering Documents for more details related to calculation and payment of fees.

### **III. WRAP FEE ACCOUNTS**

NB LLC generally negotiates its sub-advisory fees with each Wrap Sponsor, subject to varying factors including, but not limited to, the Wrap Sponsor’s program size and style, the services performed by the Wrap Sponsor, and other factors. Subject to these factors, NB LLC’s basic annualized fee schedule for a discretionary Wrap Program ranges between 0.36% and 0.65% annually. In a non-discretionary Model Portfolio Wrap Program, NB LLC’s basic annualized fee schedule ranges between 0.20% and 0.45% annually.

### **IV. SUB-ADVISED ACCOUNTS**

Sub-advisory fees for the sub-advised accounts are individually negotiated and vary depending on the account. NB LLC’s fees may be consistent with the basic fee information and terms described above for the type of client (e.g., Separate Accounts, Private Funds (as defined below)).



NB LLC receives management fees and may receive performance fees in its role as sub-adviser to certain Affiliated Funds (as defined below).

## **B. Payment Method**

### ***Calculation and Payment of Fees:***

*Private Asset Management Accounts*— advisory fees are typically charged quarterly, in advance, at the beginning of each calendar quarter, based on the market value of the client's account on the last business day of the previous calendar quarter. New accounts are charged a pro-rata fee for the quarter based on the market value of the account on the date the account is established.

*Institutional Accounts*—Fees for Institutional Accounts are generally paid to NB LLC on a quarterly basis, either in arrears or in advance, as provided in the contract between NB LLC and the Institutional Account client.

Payment of fees for Separate Accounts will either be made through a quarterly debit to the client's account at the custodian bank or broker/dealer or will be made upon invoice, which will be due within 30 days of the date of the invoice. In general, Separate Account clients contractually agree to allow NB LLC to debit any fees from their accounts. At the client's request, NB LLC will send the client an informational statement of the fees due each quarter.

*Private Funds* —Management fees generally will be paid by each Private Fund quarterly or monthly, in advance or in arrears, by communications between NB LLC or its designated affiliate and each Private Fund's administrator and custodian to effect the appropriate deduction of the management fee from each investor's capital account in each Private Fund. Where a Private Fund applies a performance fee or allocation, such fee or allocation may be charged at the end of the relevant Private Fund's fiscal year, upon withdrawal by an investor from a Private Fund or at such other times as disclosed in the applicable Offering Documents.

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

*Sub-Advised Accounts*—Payment of fees may vary depending on the sub-advisory agreement in place. Payment method is generally set forth in the sub-advisory agreement.

## ***Valuation for Fee Calculation Purposes***

*Separate Accounts*—In determining the market value of assets, the total market value of securities purchased on margin is included. This may result in higher advisory fees than would otherwise be charged the client if no margin debit existed in the account. Accounts are also charged interest on debit balances at NB LLC's posted rate. The market value of securities may be valued by unaffiliated third-party service providers which may also serve as custodian and clearing agent for NB LLC accounts. The market values of securities are generally obtained from various quotation services. In rare circumstances, securities may be valued in whole or in part based upon internally generated values furnished by a group within NB LLC as may be designated from time to time. As NB LLC's compensation is generally based on the net asset value of an account, a conflict arises when NB LLC is valuing the assets held in an account rather than a third-party valuation firm. To mitigate that conflict, NB LLC has adopted methodologies designed to result in securities valuations that in its judgment reflect the market prices of the securities at such time. In such instances, there is no guarantee that such price will be obtained. Prices are provided only as a general guide to portfolio value. Total value of client accounts does not include unpriced securities.

*Private Funds*— Private Fund assets are valued according to valuation policies set forth in the relevant Private Fund's Offering Memorandum. Generally, a Private Fund will retain a third-party administrator to provide various administrative services to the funds. These services include calculating each Private Fund's net asset value ("NAV") with the assistance of NB LLC's fund accounting and administration team ("FAA"), as well as other administrative services on behalf of the funds. Typically, the FAA reviews and approves periodic accounting reports provided by the third-party administrator, though the FAA may in certain cases directly provide administrative services for Private Funds.

For positions held by Private Funds in which there is no readily available third party pricing or as to which NB LLC or the fund's general partner, managing member or trustee believes third-party pricing does not accurately reflect the fair value of these positions, fair value may be determined for the fund solely to the extent permitted by the Private Fund's constitutional documents and applicable law.

### **C. Other Fees and Expenses**

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

*Custodial Fees*—Separate Account clients who elect to have account assets held in the custody of a bank, trust company, broker-dealer or other entity selected by the client will bear any custodial fees associated with such account. To the extent that cash is held in such accounts and fees are charged by the provider of such service, including any chargeable for short-term reinvestment of cash, the fees so incurred by the Client will be in addition to the fee payable to NB LLC on the overall value of the account. See Item 15.

*Brokerage Fees*—The majority of Private Asset Management Accounts consent to the use of NB LLC as broker-dealer for securities transactions for their account. These accounts pay NB LLC one all-inclusive fee which covers investment management fees, trade execution, custodial services and other administrative fees. Private Asset Management Accounts who do not consent to the use of NB LLC as broker-dealer and the majority of Institutional Accounts generally must pay a separate brokerage fee to a third party broker for all securities transactions affected for the account. See Item 5. E and Item 12.A.

*Additional Fees Related to Investments in Pooled Investment Vehicles*— Subject to the investment guidelines of a Client Account, NB LLC may invest Client Accounts in the NB Registered Funds, affiliated Private Funds or other affiliated commingled investment vehicles (collectively, the **“Affiliated Funds”**). On occasion and subject to the investment guidelines of the Client Account, NB LLC may invest Client Accounts in non-affiliated investment companies, non-affiliated Private Funds and other pooled investment vehicles (**“Non-Affiliated Funds”**).

For certain retirement accounts, including those subject to the Employee Income Security Act of 1974, as amended, and Section 4975 of the Internal Revenue Code, and for certain other accounts in NB LLC’s discretion, Client assets that are invested in Affiliated Funds will not be subject to two levels of advisory fees. Either the advisory fee associated with the underlying Client Account will be waived or reimbursed or the advisory fee charged by the Affiliated Fund will be reimbursed. However, Client assets that are invested in Affiliated and Non-Affiliated Funds will incur other fees and expenses associated with their investments in such funds. Mutual fund expenses are generally described in each fund’s prospectus and Private Fund expenses are described in the Private Fund Offering Documents. These expenses will generally include brokerage and other transaction-related costs and the fees and expenses of other service providers to these funds such as custodians, transfer agents, administrators, valuation agents, auditors and counsel.

In addition, the Affiliated and Non-Affiliated Funds may themselves invest in other funds as described in each fund’s Offering Documents, prospectus or other offering documentation. To the extent an Affiliated or Non-Affiliated Fund invests in another underlying fund, it will bear the costs and expenses associated with an investment in that underlying fund. See Item 10.C.2.

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

*Other Fees*—Clients shall bear all other transaction and transfer related costs and expenses, as applicable. Each of these additional charges may be charged to the Client’s Account or reflected in the price paid or received for a given security. Such charges include, but are not limited to (i) dealer mark-ups or mark-downs by executing broker-dealers (including on fixed-income, foreign securities, ADRs or other over-the counter transactions) or spreads; (ii) transfer taxes and any other applicable taxes; (iii) auction fees; (iv) odd-lot differentials fees/expense;

(v) exchange or similar fees (such as for ADRs) charged by third parties, including issuers; (vi) fees charged in connection with short sale transactions; (vii) margin interest and fees for any securities that are deemed hard to borrow in connection with long/short strategies; (viii) mutual fund redemption fees and contingent deferred sales charges; (ix) commission charges for transactions in foreign ordinary securities and dealer spreads or mark-ups in connection with a foreign currency conversion, including in connection with ADRs; (x) electronic fund, wire, and other account transfer fees; and (xi) any fees or other charges imposed or mandated by law.

*Comparable Services*—NB LLC believes that the charges and fees offered within its investment management and brokerage services are competitive with alternative programs available through other firms that offer a similar range of services; however, lower fees for comparable services may or may not be available from other sources. A client could invest in mutual funds directly, without the services of NB LLC. The expenses of a Private Fund, including NB LLC's management fee and performance-based fee or allocation, may constitute a higher percentage of average net assets than would be found in other investment vehicles not managed by NB LLC or its affiliates.

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

#### **D. Prepayment of Fees and Refunds**

*Separate Accounts*—As described in Item 5.B, management fees for Private Asset Management Accounts are paid in advance. Management fees for Institutional Accounts are paid either in arrears or in advance. In the event a Separate Account client terminates an investment advisory agreement, the client will be entitled to pro-rata reimbursement of that portion of the quarterly or monthly (as applicable) investment advisory fee paid for any portion of the quarter or month remaining as of the date the investment advisory relationship terminates; provided however that clients may be responsible for any transaction costs, as applicable, related to the unwinding of transactions in connection with the termination of the account.

*Private Funds*--As described in Item 5.B, management fees may be paid monthly or quarterly, in arrears, or in advance, depending on the particular requirements of each Private Fund. Certain Private Funds charge performance fees or allocations at the end of their fiscal year, upon withdrawal by an investor or on such other terms described by the Private Fund's Offering Documents or investment management agreement. NB LLC does not intend to cause any

Private Fund to terminate its investment management relationship with NB LLC absent NB LLC's liquidation, bankruptcy or contrary provision of its investment management agreement with such Private Fund. In addition, Private Fund investors are generally only permitted to withdraw or redeem from a Private Fund on a limited basis on terms described in each fund's Offering Documents and constitutional documents. If an investor in a Private Fund withdraws or redeems the investor's full shares or interests held in a Private Fund in a manner other than as prescribed by the Private Fund, and if such withdrawal or redemption does not permit the full calculation of management fees applicable to the withdrawing or redeeming investor, NB LLC or the managing member/general partner of the Private Fund may reserve the right, subject to such terms, to impose a pro rated management fee against the withdrawn or redeemed funds. Notwithstanding anything to the contrary above, certain Private Funds may include terms permitting the general partner, managing member or other designees to effect a compulsory withdrawal or redemptions of investors in funds for any reason or no reason, subject to certain limitations.

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

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

*Sub-Advised Accounts:* In the event of termination of a sub-advisory agreement, NB LLC will be paid its pro rata portion of the sub-advisory fee and performance fee, as applicable, in accordance with the sub-advisory agreement.

## **E. Sales Compensation**

NB LLC's advisory products and strategies are marketed by the Firm's central salesforce which also markets the products and strategies of NB LLC's affiliates. Certain members of the central salesforce are registered representatives of NB LLC. Subject to applicable law, certain of those members are entitled to a sales commission if NB LLC is engaged to provide investment management services for a Separate Account. The commission is generally a percentage of the management fee paid to NB LLC for a specified number of years, payable to the salesperson on the same basis as NB LLC is paid, subject to the terms and conditions of the applicable sales compensation plan and contingent compensation program.

Certain Affiliated Funds may offer classes of interests that do not pay a sales commission to NB LLC.

Certain registered representatives of NB LLC may receive compensation related to Affiliated Funds and unaffiliated investment companies. For example, NB LLC acts as placement agent in offering certain of the Affiliated Funds to investors. As placement agent, NB LLC is entitled to a sales commission or fee ("**Placement Fee**") which is based on the class of limited partner interest or, if applicable, tranche an investor selects. In addition, certain affiliates of NB LLC provide marketing and distribution services to unaffiliated investment companies. In such situation, these affiliates may receive fees from such investment companies related to marketing, distribution and servicing of the funds. These fees may include fees from such investment companies' Rule 12b-1 Plans.

Given that the salespersons may market a wide range of products offered by NB LLC and its affiliates, with differing sales compensation, the sale persons may have an incentive to promote or recommend certain products over others based on the compensation to be received and not on the specific requirements or investment objectives of the client. NB LLC trains its employees on a regular basis regarding the suitability and sale of securities products to investors which it believes mitigates this potential conflict.

In its capacity as a registered broker-dealer, NB LLC may execute transactions for the NB Registered Funds for which it serves as subadviser. Such transactions are performed in accordance with the requirements of Rule 17e-1 under the Investment Company Act. NB LLC does not offset its sub-advisory fee for the commissions it receives in connection with such transactions. Please see Item 12 below for a further discussion regarding NB LLC's brokerage practices.

NB LLC may execute transactions for some of the Separate Accounts or the Affiliated Funds. Please see Item 12 for a further discussion regarding NB LLC's brokerage practices.

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

**“Performance-Based Fees”** are fees that are based on a share of the capital gains or capital appreciation of the assets of an account. Examples of Performance-Based Fees include but are not necessarily limited to:

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

Generally, NB LLC does not charge performance fees in connection with its Separate Accounts. In very limited circumstances and as permitted by applicable law, NB LLC may receive performance-based fees or allocation in connection with provision of advisory services to the Private Funds, Separate Accounts or Sub-Advised Accounts.

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

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

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

## **Item 7: Types of Clients**

NB LLC provides investment management services to individuals and institutional investors, including registered investment companies, financial institutions, pension and profit sharing plans, trusts, pooled investment vehicles, charitable organizations, foundations, endowment funds, corporations, other business entities and state and municipal entities.

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

### ***Private Asset Management Accounts***

Private Asset Management Accounts are available to individuals and institutional investors. In general, there is a minimum size of \$1,000,000 for Private Asset Management Accounts. This minimum may be changed or waived for particular clients, including but not limited to employees of NB LLC or its affiliates.

### ***Institutional Accounts***

Institutional Accounts are available only to certain institutional investors. There is a minimum account size of \$25 million for all Institutional Accounts, except for the following, although such minimums may be waived in NB LLC's discretion.

- Equity Income: \$10 million
- Global Equity: \$25 million
- Global Thematic Opportunities: \$10 million
- Mid Cap Intrinsic Value: \$10 million
- MLPs: \$25 million
- Real Estate Securities Portfolio: \$10 million
- Small Cap Intrinsic Value Portfolio: \$10 million
- Small Cap Value Portfolio: \$100 million
- Socially Responsible Investing Portfolio: \$10 million

### ***Private Funds***

Investors in the Private Funds must be "accredited investors" under Regulation D under the Securities Act of 1933 and for certain Private Funds, "qualified purchasers" or "knowledgeable



employees” as such terms are defined in the Investment Company Act. For those funds which charge performance fees, investors must be “qualified clients” as defined in the Advisers Act.

The minimum investment required by an investor in a Private Fund typically ranges from \$100,000 to \$500,000, though the amount could be more or less, depending on the requirements of the relevant Private Fund. Investment minimums are generally subject to waiver by NB LLC or the Private Fund’s general partner or managing member.

Investors should review the Offering Documents for the relevant Private Fund for further information with respect to minimum requirements for investment.

### ***Wrap Fee Accounts***

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

### ***Sub-Advised Accounts***

Minimum account requirements for Sub-Advised Accounts are established by the Intermediary Adviser.

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

### **A. Methods of Analyses**

#### **Methods of Analysis**

NB LLC's investment teams employ distinct investment processes that incorporate various methods of security analysis, including one or more of the following: charting, cyclical, fundamental, technical, macro-economic and quantitative/investment modeling. NB LLC's sources of information include financial newspapers, magazines, websites, trade journals, timing services, inspections of corporate activities, annual reports, prospectuses, filings with the Securities and Exchange Commission, company press releases, corporate rating services, internal and third-party research reports and meetings, company presentations/interviews, internal or external assessments, including assessments of general or specific world events, and other sources of material deemed appropriate.

No method of securities analysis can guarantee a particular investment result or outcome and the use of investment tools cannot and does not guarantee investment performance. The methods of analysis utilized by NB LLC involve the inherent risk that any valuations, pricing inefficiencies, or other opportunities identified may not materialize or have the anticipated impact on the price of a security. Prices of securities may raise, decline, underperform or outperform regardless of the method of analysis used to identify securities. Each method of analysis relies in varying degrees on information furnished from third-party and publically available sources. This presents the risk that methods of analysis may be compromised by inaccurate, incomplete, false, biased or misleading information. Security prices may be impacted by various factors independent of the methodology used to select securities. For example, a security price may be influenced by the overall movement of the market, rather than any specific company or economic factors. In addition, certain methods of analysis, such as the use of quantitative/investment models, involve the use of mathematical models that are based upon various assumptions. Assumptions used for modeling purposes may prove incorrect, unreasonable or incomplete.

#### **Investment Strategies**

NB LLC has a comprehensive investment platform and broad based-client solutions for Separate Accounts, Wrap Programs, Private Funds and Sub-Advised Accounts. The following is a summary of NB LLC's significant investment strategies. Separate account client portfolios are customized which may impact the specific investment strategy or strategies implemented for a particular client, including the allocation within a portfolio to equity or fixed income securities.

## **Equity Strategies.**

NB LLC's equity strategies are managed by teams comprised of experienced portfolio managers and investment analysts that are supported by the firm's Global Equity Research Department. NB LLC's equity suite of strategies spans the market capitalization ("**cap**") and style spectrum, including the following:

Large-Cap Growth	Unconstrained/Flexible
Large-Cap Value	Multi-Cap/All-Cap
Large-Cap Core	International
Mid-Cap Growth	Emerging Markets
Mid-Cap Value	Systematic/Quantitative
Small-Cap Growth	Income Oriented
Small-Cap Value	Real Estate Securities
Small-Mid Cap Value	Socially Responsive Investing
Global	Master Limited Partnerships

NB LLC's equity strategies involve various material risks, including the risks associated with certain market caps categories (*i.e.*, mid-cap and small-cap) and certain specialty strategies (*i.e.*, Master Limited Partnerships and Socially Responsive Investing). The following is a summary of material risks associated with NB LLC equity investment strategies. Please note that certain risks may not apply to all NB LLC investment strategies or apply to a material degree. Investors in Affiliated Funds and non-Affiliated Funds should look to Offering Documents and other fund offering documentation for further information on the risks associated with a particular fund.

- **Risk of Loss.** Investing in securities involves risk of loss, including possible loss of principal. Clients should be prepared to bear this risk before investing.
- **Equity Market Risk.** Investments in equity securities (e.g., common stocks, preferred stocks, convertible securities, rights, warrants and Depositary Receipts ("**DRs**")) are subject to market risks that may cause their prices to fluctuate over time. Historically, the equity markets have moved in cycles and the value of the strategy's securities may fluctuate substantially from day to day. Investments in income-producing equity securities are also subject to the risk that the issuer may discontinue paying dividends.
- **Foreign and Emerging Market Risk.** Foreign securities involve risks in addition to those associated with comparable U.S. securities. Additional risks include exposure to less developed or less efficient trading markets; social, political or economic instability; fluctuations in foreign currencies; nationalization or expropriation of assets; settlement, custodial or other operational risks; and less stringent auditing and legal standards. As a result, foreign securities can fluctuate more widely in price, and may also be less liquid, than comparable U.S. securities. World markets may all react in similar fashion to

important economic or political developments. In addition, foreign markets can perform differently than the U.S. market. Following the market turmoil of 2008-2009, some national economies continue to show profound instability, which may in turn affect their international trading partners. Investing in emerging market countries involves risks in addition to those generally associated with investing in developed foreign countries. Securities of issuers in emerging market countries may be more volatile and less liquid than securities of issuers in foreign countries with more developed economies or markets.

- **Market Capitalization Risk (Small-, Mid- and Large-Cap Stocks Risk).** To the extent a strategy emphasizes small-, mid-, or large-cap stocks, it takes on the associated risks. Compared to small- and mid-cap companies, large-cap companies may be less responsive to changes and opportunities. At times, the stocks of larger companies may lag other types of stocks in performance. The stocks of small- and mid-cap companies are often more volatile and less liquid than the stocks of larger companies and may be more affected than other types of stocks by the underperformance of a sector or during market downturns. Compared to large-cap companies, small and mid-cap companies may have a shorter history of operations, and may have limited product lines, markets or financial resources.
- **Issuer-Specific Risk.** The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.
- **Sector Risk.** To the extent a strategy invests more heavily in particular sectors, its performance will be especially sensitive to developments that significantly affect those sectors. Individual sectors may move up and down more than the broader market. The several industries that constitute a sector may all react in the same way to economic, political or regulatory events.
- **Growth Stock Risk.** Because the prices of most growth stocks are based on future expectations, these stocks tend to be more sensitive than value stocks to bad economic news and negative earnings surprises. Bad economic news or changing investor perceptions can negatively affect growth stocks across several industries and sectors simultaneously.
- **Value Stock Risk.** Value stocks may remain undervalued during a given period or may not ever realize their full value. This may happen, among other reasons, because of a failure to anticipate which stocks or industries would benefit from changing market or economic conditions.
- **Illiquidity Risk.** A strategy may hold securities that are illiquid and cannot be transferred or redeemed for a substantial period of time, and there may be little or no near-term cash flow available to investors in the interim. Likewise, a portfolio may not receive any distributions representing the return of capital on an illiquid security for an indefinite period of time.

- **Brokerage Commissions/Transaction Costs/High Portfolio Turnover Risk.** With respect to those accounts which pay separate commissions, a high portfolio turnover rate increases a strategy's transaction costs, including brokerage commissions and dealer costs). Additionally, there is the risk that a broker may become insolvent, which could lead to a lower return and adversely impact the strategy's performance. Further, higher portfolio turnover may result in the realization of more short-term capital gains than if the strategy had lower portfolio turnover.
- **Social Investing Risk.** A strategy managed in accordance with social policy guidelines could cause it to underperform similar accounts that do not have a social policy. Among the reasons for this are: the social policy could cause the portfolio manager to sell or avoid stocks that subsequently perform well; undervalued stocks that do not meet the social criteria could outperform those that do; or economic or political changes could make certain companies less attractive for investment.
- **Master Limited Partnerships (MLPs) Risk.** MLPs are limited partnerships that are publicly traded and which have the tax benefits of a limited partnership and the liquidity of a publicly traded company. Investments in securities (units) MLPs involve risks that differ from an investment in common stock. Holders of the units of MLPs have more limited control and limited rights to vote on matters affecting the partnership. For example, unit holders may not elect the general partner or the directors of the general partner and they have limited ability to remove a MLP's general partner. MLPs may issue additional common units without unit holder approval, which would dilute existing unit holders. In addition, conflicts of interest may exist between common unit holders, subordinated unit holders and the general partner of a MLP, including a conflict arising as a result of incentive distribution payments. As an income producing investment, MLPs could be affected by increases in interest rates and inflation. There are also certain tax risks associated with an investment in units of MLPs.
- **REIT and Real Estate Risk.** A strategy's investments in the securities of Real Estate Investment Trusts ("REITs") and companies principally engaged in the real estate industry may be subject to risks associated with the direct ownership of real estate. These risks include fluctuations in the value of underlying properties, the impact of economic conditions on real estate values, the strength of specific industries renting properties and defaults by borrowers or tenants. In addition to these risks, REITs are dependent on specialized management skills and some REITs may have investments in relatively few properties, or in a small geographic area or a single type of property. The properties held by REITs could fall in value for a variety of reasons, such as declines in rental income, poor property management, environmental liabilities, uninsured damage, increased competition, or changes in real estate tax laws. There is also a risk that REIT stock prices overall will decline over short or even long periods because of rising interest rates. These factors may increase the volatility of the strategies investments in REITs. Investments in REITs will cause the investors to bear their pro rata portion of the REITs management fees and other expenses, which may result in duplicative expenses.

- **Concentration of Investments.** A strategy that invests a higher percentage of its assets in any one issuer could increase the risk of loss and volatility, because the value of issue holdings would be more susceptible to adverse events affecting that issuer.
- **Investment Strategy and Portfolio Management Risk.** There can be no assurance that an investment strategy will produce an intended result, which would result in losses to an investor, including, potentially, a complete loss of principal. The performance of a strategy depends on the skill of NB LLC and its portfolio manager(s) in making appropriate investment decisions.
- **Tax Risk.** A strategy's U.S. federal income tax liability with respect to income and gains on an investment may exceed its overall return for such a year. Further, a strategy may face limitations with respect to its ability to use its allocable share of deductions and losses from its investments in certain securities.

**Fixed Income Strategies.** NB LLC's fixed income strategies are managed by teams comprised of experienced portfolio managers and investment analysts. NB LLC's fixed income suite of strategies, including the following:

Investment Grade Fixed Income  
Tax-Exempt Municipal

NB LLC's fixed income strategies involve various material risks. The following is a summary of material risks associated with NB LLC fixed investment strategies. Please note that certain risks may not apply to all NB LLC investment strategies or apply to a material degree. Investors in Affiliated Funds and Non-Affiliated Funds should look to the Offering Documents and other fund offering documentation for further information on the risks associated with a particular fund.

- **Risk of Loss.** Investing in securities involves risk of loss, including possible loss of principal. Clients should be prepared to bear this risk before investing.
- **Fixed-Income Securities Risk.** Fixed-income securities include traditional debt securities issued by corporations, such as bonds and debentures and debt securities that are convertible into common stock and interests. The market value of fixed-income securities is sensitive to changes in interest rates. In general, when interest rates rise, the fixed-income security's market value declines and when interest rates decline, its value rises. Normally, the longer the remaining maturity of a security, the greater the effect of interest rate changes on the market value of the security. Fixed income securities are subject to the credit risk of the issuer. Changes in the ability of an issuer to make payments of interest and principal and in the market's perception of an issuer's creditworthiness affect the market value of fixed-income securities of that issuer.

Fixed-income securities may also be subject to yield curve risk. When the yield curve shifts, the price of a bond, which was initially priced based on the initial yield curve, will

change. Keeping the duration of the bond portfolio relatively short reduces yield curve risk.

Fixed-income securities may also be subject to call risk. When interest rates are low, issuers will often repay the obligation underlying a “callable security” early, in which case the strategy may have to reinvest the proceeds in an investment offering a lower yield and may not benefit from any increase in value that might otherwise result from declining interest rates.

Additionally, fixed-income securities are subject to inflation risk, liquidity risk and reinvestment risk. Inflation risk is the risk that inflation will erode the purchasing power of the cash flows generated by debt securities held under this strategy. Fixed-rate debt securities are more susceptible to this risk than floating rate debt securities. Liquidity risk is the risk that certain fixed income securities may be difficult to sell at the time and at the price the strategy would like, which may cause the strategy to hold these securities for longer than it would like or to forego other investment opportunities. Reinvestment risk is the risk that when interest income from debt securities is reinvested, interest rates will have declined so that income must be reinvested at a lower interest rate. A decline in income could affect a strategy’s overall return.

- **Municipal Securities Risk.** The municipal securities market could be significantly affected by adverse political and legislative changes, as well as uncertainties in the municipal securities market related to taxation or the rights of security holders. Municipal Securities backed by current or anticipated revenues from a specific project or specific asset may be adversely impacted by declines in revenue collection from the project or asset. Changes in the financial health of a municipality may make it difficult for it to make interest and principal payments when due. To the extent that a strategy invests in “private activity bonds,” a part of its dividends will be a tax preference item for purposes of the federal alternative minimum tax. In addition, changes in market conditions and the financial condition of the issuers may adversely affect the yield and value of a strategy’s municipal securities investments.
- **Foreign and Emerging Market Risk.** Foreign securities involve risks in addition to those associated with comparable U.S. securities. Additional risks include exposure to less developed or less efficient trading markets; social, political or economic instability; fluctuations in foreign currencies; nationalization or expropriation of assets; settlement, custodial or other operational risks; and less stringent auditing and legal standards. As a result, foreign securities can fluctuate more widely in price, and may also be less liquid, than comparable U.S. securities. World markets may all react in similar fashion to important economic or political developments. In addition, foreign markets can perform differently than the U.S. market. Following the market turmoil of 2008-2009, some national economies continue to show profound instability, which may in turn affect their international trading partners. Investing in emerging market countries involves risks in addition to those generally associated with investing in developed foreign countries.

Securities of issuers in emerging market countries may be more volatile and less liquid than securities of issuers in foreign countries with more developed economies or markets.

- **Lower-Rated Debt Securities Risk.** Lower-rated debt securities involve greater risks than investment grade debt securities. Lower-rated debt securities may fluctuate more widely in price and yield than investment grade debt securities and may fall in price during times when the economy is weak or is expected to become weak. Lower-rated debt securities carry a greater risk that the issuer of such securities will default in the timely payment of principal and interest. Issuers of securities that are in default may fail to resume principal or interest payments, in which case an account may lose its entire investment.
- **Illiquidity Risk.** A strategy may hold securities that are illiquid and cannot be transferred or redeemed for a substantial period of time, and there may be little or no near-term cash flow available to investors in the interim. Likewise, a portfolio may not receive any distributions representing the return of capital on an illiquid security for an indefinite period of time.
- **Investment Strategy and Portfolio Management Risk.** There can be no assurance that an investment strategy will produce an intended result, which would result in losses to an investor, including, potentially, a complete loss of principal. The performance of a strategy depends on the skill of NB LLC and its portfolio manager(s) in making appropriate investment decisions.
- **Tax Risk.** A strategy's U.S. federal income tax liability with respect to income and gains on an investment may exceed its overall return for such a year. Further, a strategy may face limitations with respect to its ability to use its allocable share of deductions and losses from its investments in certain securities.

**Private Fund Strategies.** NB LLC's private fund strategies include proprietary single-manager private investment vehicles that incorporate "long only" investment strategies (*i.e.*, no short positions) and funds that utilize long/short equity, relative value and event-driven trading styles, among others.

The following is a summary of the inherent material risks associated with investing in private funds (otherwise known as "hedge funds"). Investors in Private Funds should look to the Offering Documents and other fund offering memoranda and documentation for further information on the risks associated with a particular fund.

- **Leveraged and Speculative Investments.** An investment in hedge funds is speculative and involves a high degree of risk. Hedge funds commonly engage in swaps, futures, forwards, options and other derivative transactions that can result in volatile fund performance. Leveraging may increase risk.



- **Limited Liquidity.** There are limited channels in the secondary market through which investors can attempt to sell and/or purchase interests in hedge funds. An investor's ability to transact business in the secondary market is subject to restrictions on transferring interest in hedge funds, and hedge funds may suspend or limit the right of redemption under certain circumstances. Thus, an investment in hedge funds should be regarded as illiquid.
- **Absence of Regulatory Oversight.** Hedge funds are not required to be registered under the Investment Company Act; therefore hedge funds are not subject to the same regulatory requirements as mutual funds.
- **Dependence upon Investment Manager.** The general partner or manager of a hedge fund normally has total trading authority over its respective fund. The use of a single advisor applying generally similar trading programs could mean the lack of diversification and consequently, higher risk.
- **Foreign Exchanges.** Selective hedge funds may execute a portion of their trades on foreign exchanges. Material economic conditions and/or events involving those exchanges may affect future results.
- **Fees and Expenses.** Hedge funds often charge high fees; such fees and expenses may offset trading profits.
- **Complex Tax Structures.** Hedge funds may involve complex tax structures and delays in distributing important tax information.
- **Limited Reporting.** While hedge funds generally may provide periodic performance reports and annual audited financial statements, they are not otherwise required to provide periodic pricing or valuation information to investors.
- **Business and Regulatory Risks of Hedge Funds.** Legal, tax and regulatory changes could occur during the term of a hedge fund that may adversely affect the fund or its managers.

Private fund strategies may pursue a variety of strategies, including strategies that incorporate equity and fixed income strategies. Accordingly, private fund strategies that incorporate equity and fixed income strategies will be subject to the material risks associated with NB LLC equity and fixed income strategies as described above, and other risks, including:

- **Risk of Loss.** Investing in securities involves risk of loss, including possible loss of principal. Clients should be prepared to bear this risk before investing.
- **Short Selling.** A strategy may engage in short selling. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later

date. Short selling allows the investor to profit from declines in securities. There can be no assurance that the security necessary to cover a short position will be available for purchase, nor that the price of the underlying security will not increase, thus increasing the cost of buying those securities to cover the short position.

- **Investment Strategy and Portfolio Management Risk.** There can be no assurance that an investment strategy will produce an intended result, which would result in losses to an investor, including, potentially, a complete loss of principal. The performance of a strategy depends on the skill of NB LLC and its portfolio manager(s) in making appropriate investment decisions.

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

## Item 9: Disciplinary Information

NB LLC does not believe it has any legal or disciplinary events that are material to a client's evaluation of NB LLC's advisory business or the integrity of NB LLC's management. NB LLC is both a broker-dealer and registered investment adviser. From time-to-time, it has been the subject of regulatory reviews regarding its broker-dealer operations and allegations of alleged violations of applicable rules of FINRA and its predecessor regulatory bodies. None of these matters were related to its investment advisory activities and the firm believes none were material as contemplated herein. In general, the firm settled them without admitting or denying liability, and paid fines ranging from \$5,000 to \$500,000. Additional detailed information can be found in Part I of Neuberger's Form ADV.

	<b><u>Regulator</u></b>	<b><u>Description</u></b>	<b><u>Fine Amount</u></b>
1	NYSE	Listed equity trade regulatory reporting accuracies	\$500,000.00
2	NASD	ACT: OTC trade reporting accuracy	\$15,000.00
3	NASD	MSRB: municipal trade reporting accuracy or timeliness	\$75,000.00
4	FINRA	TRACE corporate debt trade reporting accuracy or timeliness	\$5,000.00
5	FINRA	TRACE/MSRB corporate and municipal debt trade reporting accuracy or timeliness	\$20,000.00
6	FINRA	OATS: OTC trade reporting accuracy or timeliness	\$12,500.00
7	FINRA	OATS: OTC trade reporting accuracy or timeliness	\$12,500.00
8	FINRA	MSRB: municipal debt trade reporting accuracy or timeliness	\$80,000.00
9	FINRA	Short interest regulatory reporting	\$35,000.00
10	FINRA	OATS: OTC trade reporting accuracy or timeliness	\$15,000.00

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker-Dealer or Registered Representative**

NB LLC is a registered broker-dealer and many of its management personnel are registered as representatives with FINRA. For the majority of portfolio transactions for Separate and Wrap Program Accounts, NB LLC does not receive a brokerage commission for effecting securities trades. NB LLC receives an “all-inclusive fee” for advisory and brokerage services. In those cases where NB LLC does receive brokerage commissions, they are at a negotiated rate. Subject to applicable law, NB LLC or its affiliates may also receive sales commissions in connection with the sale of interests in the Affiliated Funds.

See Item 5.E. and Item 12.A for further information with respect to fees NB LLC receives in connection with securities transactions.

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

NB LLC is registered as a Commodity Pool Operator, a Commodity Trading Advisor and a Futures Commission Merchant with the CFTC and is a member of the NFA. Many of NB LLC’s management personnel are registered as associated persons with the NFA.

### **C. Material Relationships**

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

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

NB LLC is affiliated with NBM, a limited purpose broker-dealer and SEC-registered adviser that organizes and forms the NB Registered Funds. See Items 10C.1, 10.C.2 and 10.C.3 below for further information regarding arrangements between NB LLC and NBM.

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

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

## **2. Investment Company or other pooled investment vehicle**

NB LLC acts as adviser or sub-adviser to certain Affiliated Funds (including the NB Registered Funds and affiliated Private Funds). Management persons of NB LLC may act as directors or officers of Affiliated Funds.

In its capacity as a registered broker-dealer, NB LLC may execute transactions for certain of the Affiliated Funds and receive brokerage commissions in that regard. Further information on these functions and relationship is contained in the offering materials for such funds. Any transactions for the NB Registered Funds are conducted in accordance with the requirements of Rule 17e-1 under the Investment Company Act.

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

NB LLC acts as placement agent for certain of the Affiliated Funds and may receive sales compensation in that regard (See Item 5). For Affiliated Funds that are managed (and not sub-advised) by a related party of NB LLC, such compensation is normally paid out of any management fees or incentive allocations payable by the Affiliated Fund pursuant to terms of its Offering Documents and not by means of an additional fee charged by such fund.

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

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

## **3. Other investment adviser or financial planner**

NB LLC has relationships that are material to its advisory business with the following affiliated investment advisers (the "**Advisory Affiliates**").

SEC-Registered Advisers:

Neuberger Berman Management LLC  
Neuberger Berman Fixed Income LLC  
NB Alternative Advisers LLC  
NB Alternative Investment Management LLC  
NB Alternative Fund Management LLC  
Neuberger Berman Asia Ltd.

Non-SEC-Registered Advisers:

Neuberger Berman Europe Ltd.  
Neuberger Berman East Asia Limited (f/k/a Neuberger Berman Japan Limited.).  
Neuberger Berman Australia Pty Limited

Where required, personnel of non-SEC-registered Advisers are considered “access persons” of NB LLC and are subject to certain NB LLC policies and procedures as well as supervision and periodic monitoring.

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

Depending on the strategy, investment professionals from such Advisory Affiliates may have decision-making roles for NB LLC clients.

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

Subject to the written consent of the client, NB LLC may engage one or more of these Advisory Affiliates as a sub-adviser to manage its Separate Accounts. (see Item 10.D).

The views and opinions of NB LLC, and those of its Advisory Affiliates and their research departments, may differ from one another. As a result, products managed by NB LLC or its Advisory Affiliates may hold securities or pursue strategies that reflect differing investment opinions or outlooks at the time of their acquisition or subsequent thereto. See Item 11.B.7. The Firm has established policies and procedures reasonably designed to prevent the misuse by the Firm and its personnel of material information regarding issuers of securities that have not been publicly disseminated. See Item 11.D.1.

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

Please see discussion above in Item 10.C.3. for relationship with Neuberger Berman Fixed Income LLC (CTA) and NB Alternative Fund Management LLC (CTA).

**5. Banking or thrift institution**

NB LLC is affiliated with Neuberger Berman Trust Company N.A. and Neuberger Berman Trust Company of Delaware N.A. (collectively the “**NB Trust Companies**”). NB Trust Companies provide comprehensive wealth management services to high net worth individuals, families and their related entities, including, investment management, custody, tax planning, trust and estate administration, planned giving and philanthropic advisory services. In addition, the Neuberger Berman Trust Company N.A. provides investment management, custody, and other fiduciary services to institutional clients. NB Trust Companies may appoint NB LLC to serve as its sub-custodian and investment sub-adviser pursuant to agreements with NB LLC, and in such circumstances, NB LLC may also be utilized as the broker-dealer. Certain personnel of NB LLC provide investment management support and client relationship management services to the NB Trust Companies, pursuant to an Administrative Services Agreement between the NB Trust Companies and Neuberger Berman Group LLC.

**6. Accountant or accounting firm**

None.

**7. Lawyer or law firm**

None.

**8. Insurance company or agency**

None.

**9. Pension consultant**

None.

**10. Real estate broker or dealer**

None.

**11. Sponsor or syndicator of limited partnerships**

Affiliates of NB LLC act as the general partner with respect to certain Private Fund entities managed by NB LLC. See Item 10.C.2. Further information about the partnerships where affiliates of NB LLC serve as the general partner is available in Section 7.B of Schedule D of Part I of NB LLC and its affiliated SEC-Registered investment advisers’ Form ADVs. See Item 10.C.2.

#### **D. Selection of Other Investment Advisers**

In limited circumstances, NB LLC may engage other advisers, including its affiliates, to act as sub-advisers for its Separate Accounts. NB LLC may invest client assets in the Affiliated Funds or Non-Affiliated Funds. In connection with these investments and the selection of potential sub-advisers, NB LLC makes recommendations and/or selections of underlying investment managers for these clients.

NB LLC performs detailed due diligence on potential sub-advisers or advisers to these pooled investment vehicles before selecting them, including but not limited to, analysis of the adviser's investment process and results, including the length of their track record, consideration of the assets under management, and interviews with members of the adviser's senior management and investment teams. NB LLC's decision to continue to use a sub-adviser or invest in a fund managed by another adviser depends upon various factors which may include, but not be limited to, the sub-adviser's performance record, management style, number and continuity of investment professionals, and client servicing capabilities.



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

### **A. Code of Ethics**

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

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

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

Clients may obtain a copy of the Code of Ethics by contacting their Client Service Representative.

### **B. Participation or Interest in Client Transactions**

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

## **1. *Principal and Agency Transactions:***

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from, or sells any security to, an advisory client. A principal transaction would occur if NB LLC bought securities for its own inventory from an NB LLC advisory client or sold securities from its inventory to an NB LLC advisory client. NB LLC does not have its own inventory of securities and therefore will not engage directly in principal transactions with clients.

However, if NB LLC, its affiliates or principals owns a substantial equity interest in a Client Account, transactions involving that Client Account and another client could be characterized as a principal transaction. For example, if NB LLC, its affiliates or principals have a substantial equity interest in an Affiliated Fund, the transfer of securities from that Affiliated Fund's account to a Separate Account could be a principal transaction.

Affiliated Funds may engage in such principal transactions with a NB LLC Separate Account if permitted in its particular offering memoranda, prospectus or other offering document. In such a situation, NB LLC would (i) disclose the transaction to the client and obtain the client's consent in accordance with Section 206-3 of the Advisers Act, and (ii) comply with applicable federal law, as well as any requirements imposed by the funds themselves. The potential conflicts of interest are disclosed in the relevant fund's Offering Documents. Such principal transactions present conflicts of interest which may include the adviser or affiliate earning a fee or earning (or losing) money as a result of the transaction.

An "agency cross transaction" is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. An agency cross trade would occur if securities are purchased or sold between one of NB LLC's Separate Accounts through NB LLC and a non-discretionary account client for which NB LLC acts as broker. NB LLC may infrequently engage in agency cross transactions.

NB LLC acts as broker or "agent" to effect securities transactions for some of its Client Accounts. Please see the response to Item 12.A. for a discussion of the conflicts associated with this practice.

## **2. *Cross Transactions***

Cross trades involve the transfer, sale or purchase of assets from one client to another client without the use of a broker-dealer. NB LLC may engage in cross trading where permissible, if it determines that such action would be favorable to both clients and the conditions for the transaction, fair to both parties. In such circumstances, NB LLC will not receive compensation for the transaction.

### **3. *Affiliated Broker***

NB LLC is affiliated with NBM. NBM is a limited purpose broker-dealer and does not execute transactions for NB LLC Client Accounts.

### **4. *Financial Interests in Securities or Investment Products***

NB LLC may invest Client Accounts in investments in which NB LLC or its affiliates have a direct or indirect financial interest. Such financial interest could include, but is not limited to, having a business relationship (whether client, broker, vendor or investment consultant) or serving as investment adviser or general partner for a particular investment product. In such instances the purchase or sale of a security as directed by NB LLC on behalf of its client(s) may have an impact on the price of such security, which may indirectly benefit (or act to the detriment of) its affiliates.

NB LLC and its Advisory Affiliates act in various capacities with respect to the Affiliated Funds from which they receive advisory, distribution or other fees. When appropriate and in accordance with applicable law, NB LLC may invest client funds in the Affiliated Funds. Due to the compensation NB LLC and/or its affiliates derive from the Affiliated Funds, NB LLC has an incentive to use the Affiliated Funds for client investments instead of other similar investments which could be more or less beneficial to a client. See Item 5.C. and 10.C.2.

### **5. *Employee Investment in NB LLC Products***

NB LLC employees may be investors in the Firm's Private Funds or NB Registered Funds. Any such investments are made in conformity with the Conflicts Procedures (see below) which has procedures regarding the use of confidential information and personal investing. NB LLC also maintains Separate Accounts for employees. NB LLC has a policy on "insider accounts" that do not pay investment advisory fees are not permitted to receive a more favorable execution price than that received on the same day by other NB LLC Client Accounts.

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

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

NB LLC manages Separate Accounts for employees and other related persons. NB LLC may recommend the purchase of Affiliated Funds to these "insider" accounts as well as to Client Accounts. NB LLC may also recommend to clients securities in which a related person has established an interest independent of NB LLC. NB LLC may purchase and sell securities for its accounts that the Firm or its employees have seeded.

NB LLC provides investment advisory services to various clients which may differ from the advice given, or the timing and nature or action taken, with respect to any one account. NB LLC,

its affiliates, and employees (to the extent not prohibited by the Code of Ethics), and other clients may have, acquire, increase, decrease, or dispose of securities or interests at or about the same time that NB LLC is purchasing or selling securities or interests for an account which are or may be deemed to be inconsistent with the actions taken by such persons.

All such investments is made in conformity with the Conflicts Procedures (see below) and NB LLC's Aggregation and Allocation Procedures (See Item 12.B).

## **7. *Other Interests in Client Transactions***

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

### **C. Personal Trading**

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

NB LLC's employees and those of its affiliates, may participate directly or indirectly in Private Fund investments to the extent permitted by the terms of the relevant Private Fund's partnership agreement. Such participation in each investment will be on substantially the same terms and conditions as provided for in the offering materials of the Private Funds. The sale or disposition by NB LLC or an employee or affiliate must also be consummated in accordance with internal policies and applicable law.

It is the Firm's policy to monitor and in some cases prohibit personal securities transactions for the Firm, its affiliates and their respective employees. The Conflicts Procedures contains employee trading policies and procedures that are closely monitored by the Legal and Compliance Department. Key aspects of the employee trading policies and procedures include:

- a) a requirement for securities accounts to be maintained at NB LLC or other approved entities;
- b) an employee price restitution policy;
- c) prohibitions against employee participation in certain IPOs and trading on the basis of material non-public information;
- d) pre-approval requirements for certain security transactions such as private placement offerings;
- e) a minimum holding period of 30 days for most personal securities transactions, and

f) annually affirming in writing that, i) all transactions occurring during the year were reported to the Firm; ii) all reportable positions were disclosed; iii) all newly opened securities accounts and/or private placements were disclosed; and, iv) that the employee has read, understood and complied with the Code of Ethics.

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

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

## **D. Other Conflicts of Interest**

### **1. *Non Public Material Inside Information/Insider Trading***

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

In the ordinary course of operations, certain businesses within the Firm may seek access to material non-public information. For instance, the loan and distressed debt businesses within certain affiliates may utilize material non-public information in purchasing loans and other debt instruments and from time to time, certain affiliates' portfolio managers may be offered the opportunity on behalf of applicable clients to participate on a creditors committee, which participation may provide access to material non-public information.

The MNPI Procedures address the process by which material non-public information may be acquired intentionally by the Firm. When considering whether to acquire material non-public information, the Firm will attempt to balance the interests of all clients, taking into

consideration relevant factors, including, but not limited to, the extent of the prohibition on trading that may occur, the size of the Firm's existing position in the issuer, if any, and the value of the information as it relates to the investment decision-making process. The intentional acquisition of material non-public information may give rise to a potential conflict of interest since NB LLC may be prohibited from rendering investment advice to clients regarding the public securities of such issuer and thereby potentially limiting the universe of public securities that NB LLC may purchase or potentially limiting the ability of NB LLC to sell such securities. Similarly, where the Firm declines access to (or otherwise does not receive) material non-public information regarding an issuer, NB LLC may base its investment decisions with respect to assets of such issuer solely on public information, thereby limiting the amount of information available to NB LLC in connection with such investment decisions. In determining whether or not to elect to receive material non-public information, the Firm will endeavor to act fairly to its clients as a whole.

In general, under such policies and procedures and applicable law, when NB LLC is in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither NB LLC nor its personnel are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information that NB LLC is no longer deemed to be material non-public information.

## **2. *Gifts/Gratuities/Entertainment***

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

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

In addition to the above prohibitions, the Firm imposes restrictions on providing gifts and entertainment to particular types of clients or client representatives, such as government officials at all levels and representatives of U.S. Labor Organizations. Furthermore, other public, as well as private, institutions may have their own internal rules regarding the acceptance of gifts or entertainment by their personnel and other representatives. Neuberger Berman personnel are reminded to be aware that institutions with whom they deal may have certain additional restrictions.

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

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

### **3. *Political Contributions***

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

### **4. *Outside Business Activities***

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

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

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

## **5.      *Outsourcing/Service Providers***

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

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

NB LLC and its personnel may have differing investment or pecuniary interests in different accounts managed by NB LLC, and its personnel may have differing compensatory interests with respect to different accounts. Similarly, NB LLC personnel who are dual employees with an Advisory Affiliate may have different interests with respect to accounts managed for NB LLC and accounts managed for the Advisory Affiliate. Certain NB LLC portfolio management personnel, who are dual employees of an Advisory Affiliate, manage the NB Funds. As such, the dually employed personnel manage both a mutual fund and regular funds under different Advisory Affiliates.

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

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



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

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

Clients who receive brokerage, custody or other services from other broker dealers including but not limited to related persons of NB LLC may not benefit from some or all of these policies.

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

## **Item 12: Brokerage Practices**

### **A. Criteria for Selection of Broker-Dealers**

#### **In General—Brokerage Selection**

In addition to being registered as an investment adviser, NB LLC is also a registered broker-dealer. As such, NB LLC and its associated persons, in their separate capacities as registered representatives, will be able to effect securities transactions for clients for which they will receive separate and customary compensation.

For the majority of Private Asset Management Accounts, NB LLC does not engage in such activities for separate commission compensation. For those Private Asset Management Accounts which have consented to the use of NB LLC as broker, NB LLC will charge an “all-inclusive” fee for brokerage and advisory services and will not charge a separate brokerage commission. When a client opens a Private Asset Management Account, NB LLC will seek the client's consent to effect brokerage transactions through NB LLC consistent with the requirements of the federal securities laws and other applicable laws. A client may grant or revoke this consent at any time. Clients will be advised that they are not required to use NB LLC as broker for their account. NB LLC will disclose to its clients its dual role as securities broker and investment adviser.

NB LLC does not engage in such activities with Wrap Fee Program Clients for separate commission compensation. While NB LLC and its investment professionals act as registered representatives in such accounts, all commissions are generally included within the wrap fee charged, except as it may relate to transactions in foreign securities. Pursuant to contractual authority, NB LLC may be granted brokerage discretion for Wrap Program Client. Under these circumstances, NB LLC will generally execute all securities transactions in Wrap Program Client Accounts with the Wrap Sponsor or the broker dealer delegated by the Wrap Sponsor. NB LLC's execution procedures are designed to make every attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. Clients should consider whether or not the participation in a Wrap Program may or may not result in certain costs or disadvantages to the client as a result of possibly less favorable executions

NB LLC occasionally acts as broker for securities transactions for its Institutional Accounts and Private Funds. Institutional Accounts will not pay any brokerage commissions for trades in fixed income securities effected through NB LLC and will pay no more than 4 cents per share for transactions in US equities.

While NB LLC and its portfolio managers endeavor at all times to put the interest of NB LLC's advisory clients first as part of NB LLC's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making advisory/investment recommendations. In all cases in which transactions are directed to NB LLC, or to any other broker, NB LLC and its portfolio managers

will determine in good faith that the commissions charged in connection with those trades are reasonable in relation to the value of the brokerage, research and other services provided by NB LLC, viewed in terms of either the specific transaction or NB LLC's overall responsibilities to its clients. Nevertheless, NB LLC's clients may be able to obtain more favorable brokerage commission rates elsewhere.

NB LLC has no obligation to seek the lowest commission cost for commission-paying clients. Applicable commission cost for NB LLC's brokerage services are normally set in accordance with NB LLC's posted rates as provided for in the investment advisory agreements with clients. Unless otherwise agreed with the client, NB LLC's brokerage rates can only be increased if NB LLC provides at least thirty days prior written notice to the increase and the client does not object to such increase. In some instances, with or without notice, NB LLC may elect to temporarily reduce its commissions for the client. In such cases, NB LLC shall not be required to declare the reduction as temporary and shall be entitled to charge the original commission rate on some or all other transactions a such time as it sees fit.

With respect to those clients that do not consent to the use of NB LLC as broker for the account, NB LLC selects brokers for transactions in the account based on a number of criteria. NB LLC seeks to obtain the best results for the client, taking into consideration such relevant factors as price, the broker's execution ability, facilities, reliability and financial responsibility and ability to help effect the transaction by contributing to the determination of such important elements as timing and order size. When NB LLC is not used as the broker, NB LLC will also consider the research services provided by such broker to NB LLC (see "research and soft dollars" below). Commission rates, being component of purchase/sale price are also considered as a factor. NB LLC does not obligate itself to seek the lowest commission cost except to the extent that it contributes to the overall goal of obtaining the best results for clients. When unaffiliated brokers are used, in accordance with client directions, such brokers may be permitted to charge commissions in excess of that which another broker might have charged for effecting the same transaction in recognition of the value of brokerage, research or other services provided by that broker to that client (see directed brokerage below).

Employees with responsibilities for supervision of the account may receive a portion of the commissions (except for accounts in the large funds group) paid to NB LLC by the account.

When entering orders for different classes of Clients, e.g., Private Asset Management Accounts, Institutional Accounts, Wrap Program Clients, or providing the model portfolio to the Wrap Sponsors, NB LLC rotates its order entry for these different classes, in what it deems to be a fair and orderly manner. As a consequence of this rotation, different classes of Clients are likely to receive different execution prices and consequently will experience different rates of return. See Section B. below on trade allocation procedures.

## **Research and Other Soft Dollar Benefits**

Use of Soft Dollars: NB LLC may consider research and other services in making brokerage decisions and, as it deems appropriate, may use a portion of the commissions generated when executing client transactions (commonly referred to as "soft dollars") to acquire research and

brokerage services (“**soft dollar benefits**”) in a manner consistent with the “safe harbor” provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. Under the safe harbor, as it has been interpreted by the SEC, NB LLC may use soft dollars to pay for soft dollar benefits, even where such benefits may also be available for cash, to the extent appropriate and permitted by law, when such benefits assist NB LLC in meeting clients’ investment objectives or in managing Client Accounts.

The use of soft dollars to receive research and services benefits NB LLC by allowing NB LLC, at no cost to it, to (i) supplement and enhance its own research and analysis activities, (ii) receive the views and information of individuals and research staff of other securities firms, and (iii) gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors. Subject to NB LLC’s policies and procedures, NB LLC takes into account the value of permissible soft dollar benefits provided by a broker-dealer, as long as such consideration is not inconsistent with the objective of seeking best price and execution for client transactions, and clients may pay a higher commission to a broker-dealer in recognition of such soft dollar benefits than might otherwise be obtained in the absence of such considerations.

When appropriate under its discretionary authority and consistent with the duty to seek best execution, NB LLC may execute brokerage transactions for Client Accounts through broker-dealers who provide NB LLC with useful soft dollar benefits and may pay to those broker-dealers an amount or rate of commission that is higher than might have been paid absent the receipt of soft dollar benefits. NB LLC may select broker-dealers based on their assessment of each broker-dealer’s ability to provide quality executions and their belief that the research, information and other services provided by such broker-dealer may benefit Client Accounts. Often, it is not possible to place a dollar value on the quality executions or on the soft dollar benefits NB LLC receives from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers selected by NB LLC may be paid commissions for effecting portfolio transactions for Client Accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions, if NB LLC determines in good faith that such amounts are reasonable in relation to the value of the soft dollar benefits provided by those broker-dealers, viewed either in terms of a particular transaction or NB LLC’s overall duty to discretionary accounts.

*Allocation of Soft Dollar Research:* Research obtained with soft dollars will not always be utilized by NB LLC for the specific Client Account or Accounts that generated the soft dollars. It should be noted that the value of many soft dollar benefits cannot be measured precisely, and commissions paid for such services certainly cannot always be allocated to clients in direct proportion to the value of the services to each client. Because, as discussed below, NB LLC may aggregate or “bunch” client transactions, brokerage commissions attributable to one or more Client Accounts may be allocated to brokers who provide statistical data and other research used by NB LLC in managing the Client Accounts. NB LLC may use “step outs” or “commission sharing arrangements” to obtain soft dollar benefits. A step out occurs when NB LLC directs a broker-dealer, who executes a trade, to allocate (or “step out”) a portion of the trade to another broker-dealer for clearance and settlement. NB LLC primarily uses step-outs for block trades and believes that this practice assists in seeking best execution.

In commission sharing arrangements, NB LLC may effect transactions, subject to best execution, through a broker and request that the broker allocate a portion of the commission or commission credits to a segregated “research pool” maintained by the broker. NB LLC may then direct such broker to pay for eligible products and services. Participating in commission sharing arrangements may enable NB LLC to (1) strengthen its key brokerage relationships; (2) consolidate payments for eligible products and services; and (3) continue to receive a variety of high quality eligible products and services while facilitating best execution in the trading process.

A factor in the allocation of brokerage is NB LLC’s evaluation of the quality of the brokers’ research, meaning the extent to which such brokerage benefits some or all accounts. For purposes of evaluating such research, points are awarded in several categories and the allocation to brokerage business is made based upon the number of points each broker receives. Research is often received on an unrequested basis from brokers who are not awarded points. Often research received from others is not used. Brokers who are not being awarded points for research are nonetheless sometimes used in the interest of securing best execution.

Commissions paid by one Client Account may, in effect, subsidize services that benefited another Client Account. However, any distortions should balance out over time as NB LLC’s various sources of research and brokerage services enable NB LLC to make better investment decisions and execute more effective trades. Therefore, NB LLC does not usually attempt to allocate the relative costs or benefits of research or brokerage services among Client Accounts. NB LLC believes that, in the aggregate, the services it receives benefit clients and assist NB LLC in fulfilling its overall fiduciary duty to clients.

NB LLC may receive directives from certain clients to make a “best effort” attempt to transact business with a client-designated broker in consideration of services received solely by that client from the broker. In such instances, only the particular client’s own soft dollars are used. Unless contrary written instructions are provided by the client, primary consideration is still given to seeking best execution of such transactions.

*Types of Soft-Dollar Products and Services:* Research services provided by a broker-dealer can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third party (created by a third party but provided by broker-dealer). NB LLC may use soft dollars to acquire either type of research and any permissible brokerage services. NB LLC has received the following soft-dollar products and services during the last fiscal year: current and historical data concerning particular companies, industries and the financial economy as a whole, as well as information and analysis thereof, technical and statistical studies and data dealing with various investment opportunities, risks and trends, and analysis involving special situations.

*Directed Brokerage for Soft Dollar Services* In limited circumstances, NB LLC may enter into an agreement or understanding with a broker-dealer that would obligate NB LLC to exclusively direct a specific amount of brokerage transactions or commissions in return for such research (or brokerage) services. In some cases, NB LLC may enter into a commission sharing arrangement pursuant to which soft dollars generated are held in an account for the benefit of

NB LLC, and credits from that account may be used to acquire soft dollar items. NB LLC also may, but is not obligated to, pay cash for soft dollar items.

### **Brokerage for Client Referrals**

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

### **Directed Brokerage**

Certain clients of NB LLC may elect to use a specific broker for securities transactions in their account. Upon such election, NB LLC is required to direct some or all of the trades for such account to such other broker dealer. NB LLC does not have any role in, and does not have any responsibility for, client's selection of this broker-dealer. NB LLC does not have any control over the broker's services, including, but not limited to commissions charged by such broker, and the nature and quality of executions provided by such broker. As such, NB LLC cannot ensure in any given transaction for these accounts that it will be able to obtain the best price. For example, NB LLC may elect to purchase a security on behalf of one of its Separate Accounts (where it acts as broker) in advance of purchasing the identical security for one of these directed brokerage accounts. The purchase of the security for such Separate Account could have an impact on the security price. This would result in the directed brokerage account paying more than it otherwise would have had the account's order been aggregated with the Separate Account.

A client's selection of another broker may result in the client not receiving certain benefits afforded NB LLC's clients for whom NB LLC does provide brokerage. These benefits include, but are not limited to, potential efficiencies in execution; clearance and settlement resulting from, among other things, the bunching of orders for various clients (see Item 12.B below).

If, in NB LLC's best judgment, the use of another broker would not be consistent with NB LLC's fiduciary obligations to obtain best price and best execution or where NB LLC is not confident of the selected broker's execution capability for that particular transaction, then NB LLC generally has no obligation to use such broker. Therefore, on any such transactions in which NB LLC is unable to allocate the brokerage to the broker NB LLC will incur no liability. NB LLC may use step outs for client recapture purposes in order to mitigate dispersion and achieve best execution.

### **Trade Errors**

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

## **B. Aggregation of Orders/Allocation of Trades**

### ***Aggregation:***

There may be occasions when NB LLC decides to purchase or sell the same security for several clients at approximately the same time (including Separate Accounts and certain fee-paying employee accounts, the Private Funds and any Sub-Advised Account). NB LLC may (but is not obligated to) combine or “bunch” such orders in order to secure certain efficiencies and results with respect to execution, clearance and settlement of orders.

Similarly NB LLC may elect to combine client orders with orders entered for the same security for clients of its Advisory Affiliates (“**Affiliate Accounts**”). The portfolio manager is not obligated to include any Client Account in an aggregated trade. Transactions for any Client Account may not be aggregated for execution if the practice is prohibited or inconsistent with that client’s investment management agreement.

While NB LLC may effect trades in this manner to reduce the overall level of brokerage commissions paid or otherwise enhance the proceeds or other benefits of the trade for its clients, NB LLC may direct transactions to brokers based on both the broker’s ability to provide high quality execution and the nature and quality of research services, if any, such brokers provide to NB LLC. As a result, NB LLC clients may not always pay the lowest available commission rates where their trades are affected in this manner, so long as NB LLC believes that they are nonetheless obtaining best price and execution under the circumstances and considering the soft dollar benefits provided.

NB LLC will aggregate and allocate orders in a manner designed to ensure that no particular client or account is favored and that participating Client Accounts are treated in a fair and equitable manner over time. NB LLC may not allocate trades in such a way that Affiliated Accounts receive more favorable treatment than Client Accounts. Similarly, NB LLC may not allocate profitable trades at each day’s end so as to disproportionately favor certain clients without appropriate disclosure.

When a bunched order is completely filled, each participating account will generally participate at the average price paid or received on that day for the bunched order, and share in any associated transaction costs, based upon the initial amount requested for the account (subject to certain size- or cost-related exceptions).

NB LLC will receive no additional compensation or remuneration of any kind as a result of the aggregation of client trades.

NB LLC will act in a manner it believes is equitable for its clients as a group when bunching and price averaging.

To secure best execution and equitable allocating among the participating accounts in bunched transactions in equity securities, NB LLC may effect the execution in the marketplace for the

entire block, although the participating accounts may include equity accounts not using NB LLC as a broker or accounts directing the brokerage in that transaction to other brokers. For the portions of the block for clients for which NB LLC is not acting as broker in that transaction NB LLC will then step out of the transaction leaving the brokers for such portions of the block with the delivery and accounting functions and all other aspects involved in clearing the transaction for such accounts. NB LLC receives no part of the commission charged for the portions of the block purchased or sold for the accounts using such other brokers.

### ***Allocation of Investment Opportunities:***

NB LLC serves as investment adviser for a number of clients and may face conflicts of interest when allocating investment opportunities among its various clients. For example: (i) NB LLC receives different management and/or performance fees from different clients; and (ii) NB LLC and its affiliates, owners, officers and employees may invest substantial amounts of their own capital in certain collective vehicles (including the Private Funds) in which clients also invest. The majority of NB LLC's clients pursue specific investment strategies, many of which are similar. NB LLC expects that, over long periods of time, most clients pursuing similar investment strategies may experience similar, but not identical, investment performance. Many factors affect investment performance, including but not limited to: (i) the timing of cash deposits and withdrawals to and from an account; (ii) the fact that NB LLC may not purchase or sell a given security on behalf of all clients pursuing similar strategies; (iii) price and timing differences when buying or selling securities; and (iv) the clients' own different investment restrictions. NB LLC's trading policies are designed to minimize possible conflicts of interest in trading for its clients.

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

NB LLC attempts to allocate limited investment opportunities, including IPOs, among clients in a manner that is fair and equitable. NB LLC follows detailed procedures allocating shares in equity IPOs and in secondary offerings. The factors taken into account in allocating shares of IPOs include cash available and legal restrictions on the account.



## **Item 13: Review of Accounts**

### **A. Periodic Reviews**

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

The Legal and Compliance Department reviews transactions for possible conflicts and adherence to the Code of Ethics and regulatory obligations, on a daily basis. Reviews are in the form of trade data and exception reports and are generally conducted by one of several compliance analysts. Topics covered in the review include, but are not limited to, front running and trading on the basis of material, non-public information. In addition, members of NB LLC's Asset Management Business Control Department review, among other things, new account forms for suitability, account update forms including changes to investment objectives and daily option trading. The Asset Management Guideline Oversight department serves as an independent supervisory group responsible for ensuring that portfolios are managed in accordance with client investment guidelines.

The number of Client Accounts supervised by different portfolio managers varies depending upon a particular portfolio manager's workload and can change from time to time. A portfolio manager may be responsible for managing both Private Funds and institutional separate account clients of an Advisory Affiliate. The process relating to the review of the non-Fund accounts would be governed by the policies of the affiliated advisory firm.

A complete set of accounting and performance reports is compiled internally on a monthly basis and is available to Clients upon request.

### **B. Non-Periodic Reviews**

Other than the periodic review of accounts described above, certain account or market anomalies may trigger non-periodic reviews of Client Accounts.

### **C. Client Reports**

**Separate Accounts**—NB LLC will provide periodic reports to its Separate Account clients regarding the status of their accounts based on the needs of the individual client. Such reports may vary among client accounts based on size and type of account or client. Clients will also receive reports from the qualified custodians (chosen by such clients). When required by the

client, confirmations are sent to such client on the next business day following the execution of a transaction in the client's account. Statements are also sent each month in which there is activity in the account. In addition to the reports described above, clients may periodically meet with their NB LLC representative.

NB LLC account statements may reflect securities positions that are designated as "unsupervised holdings." NB LLC does not take investment advisory responsibility and shall not provide investment advisory services with regard to any such unsupervised holdings. Any decisions concerning the retention, disposition, or other change with respect to these assets, shall remain solely with the client.

**Private Funds**—Private Funds receive such reports as are permitted by terms described in the Private Fund's Offering Documents (or as otherwise negotiated with NB LLC). To comply with the Custody Rule provisions of the Advisers Act, where NB LLC is deemed to have custody of an affiliated Private Fund's assets, Private Fund audited financial statements are prepared in accordance with Generally Accepted Accounting Principles (or "**GAAP**") and distributed to investors within 120 days after the end of the Private Fund's fiscal year or as otherwise permitted under applicable provisions of the Advisers Act.

**Wrap Accounts**—Wrap Program Clients will typically receive the monthly/quarterly statements and confirmations of transactions from their broker dealer and/or custodian. They may receive reports from the Program Sponsor. NB LLC will not provide any reports to these clients. Wrap Program Clients should refer to each Wrap Program's disclosure document for additional information about the reports provided to program participants.

## **Item 14: Client Referrals and Other Compensation**

### **A. Compensation by Non-Clients**

Not applicable.

### **B. Compensation for Client Referrals**

From time to time, in accordance with applicable law, NB LLC may retain and compensate independent contractors for introducing new investment advisory clients to NB LLC. The compensation to such parties generally represents a percentage of the management fee and incentive fees (if any) paid by the client to NB LLC. Clients may pay a higher aggregate fee than they would otherwise pay due to the solicitor's involvement in the introduction. In addition to referrals from external sources, Firm employees may be eligible, subject to applicable law, to earn an account referral commission for referring a potential client to NB LLC that engages NB LLC to provide investment management services.

#### **Consultants**

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

## **Item 15: Custody**

### **Separate Accounts**

Neither NB LLC nor its affiliates will maintain physical possession of the funds or securities that a client maintains in a Separate Account. The assets in a Separate Account typically are deposited with a qualified custodian. Institutional Accounts typically select their own custodian. Under the investment management agreement, NB LLC generally invoices the Institutional Account client and the client directs its custodian to pay NB LLC. Private Asset Management Accounts to which Neuberger also serves as broker-dealer are typically introduced by NB LLC to its clearing firm, J.P. Morgan Clearing Corp., which serves as the client's custodian. In limited circumstances, NB LLC will have custody due to certain control it may have over a client's custodial account with a broker-dealer, bank or other qualified custodian ("**Qualified Custodian**"). In those instances, the Qualified Custodian will send account statements, no less than quarterly, directly to the client. Clients should carefully review those statements and compare them to any reports received from NB LLC.

### **Private Funds**

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

Although NB LLC or its affiliates will not have physical possession or custody of any Private Fund assets, under the Custody Rule, an adviser has "constructive" custody if, among other things, it has the authority to possess client assets by withdrawing funds on a client's behalf. With respect to affiliated Private Funds, an affiliate of NB LLC, by virtue of acting as general partner or managing member of such fund, has the authority to withdraw funds or securities from the Private Fund. Accordingly, NB LLC is deemed to have "constructive" custody over the assets in an affiliated Private Fund.

In order to comply with the Custody Rule, these affiliated Private Funds undergo an annual audit performed by a PCAOB-registered independent accountant. In addition, the audited financial statements, prepared in accordance with GAAP are distributed to all investors within 120 days of the end of the fund's fiscal year for single manager funds.

As described in Item 13.C above, the Qualified Custodian will provide Private Fund investors with performance reports and account statements.

### **Wrap Programs**

NB LLC does not maintain possession or custody of the funds or securities that a Wrap Program Client transfers to a Wrap Program. The assets in a Wrap Program Client's Account

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

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

## **Item 16: Investment Discretion**

**Discretionary**--Unless a client otherwise instructs, NB LLC has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of securities to be bought or sold, the broker dealer(s) to be used and commission rates paid. NB LLC's discretionary authority is derived from an express grant of authority under each Separate Account's discretionary investment advisory agreement with NB LLC, each sub-advisory agreement for Sub-Advised Accounts and contractual arrangements with the Private Funds.

Purchases and sales must be suitable for the particular client and limitations may be imposed as a result of instructions from the client through investment guidelines or other writings. Clients may limit NB LLC's authority by prohibiting or by limiting the purchasing of certain securities or industry groups. In addition, clients may further limit NB LLC's authority by requiring that all or a portion of client's transactions be executed through client's designated broker/dealer.

Limitations may also be imposed when such purchase, when aggregated with positions in such security held by NB LLC for itself, insider and other clients would exceed applicable law or NB LLC's self-imposed rules with regard to maximum size of positions in a security.

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

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

**Non-Discretionary**-- From time to time existing Separate Account clients may direct NB LLC to purchase or sell securities on their behalf. In each such case, NB LLC will not assume investment advisory responsibility for such transactions. The client is the final decision maker on all buy, sell and hold decisions with respect to these transactions. Further, NB LLC shall not provide investment advisory services with regard to such holdings.

## Item 17: Voting Client Securities

NB LLC generally has voting power with respect to securities in its Separate Accounts. NB LLC has adopted written Proxy Voting Policies and Procedures (the “**Proxy Policy**”) which are designed to reasonably ensure that it votes proxies prudently and in the best interest of its Separate Account clients.

The Proxy Policy provides for the process by which proxy voting decisions are made, handling of material conflicts of interest, disclosing the Proxy Policy to Clients, maintaining appropriate books and records relating to proxies, and proxy voting guidelines for common proxy proposals.

NB LLC generally votes proxies with a view to enhancing the value of the shares of stock held in the Separate Accounts. The financial interest of its clients is the primary consideration in determining how proxies should be voted. As a general rule, NB LLC will vote all proxies relating to a particular proposal the same way for all Separate Accounts holding the security in accordance with the proxy voting guidelines set forth in the Proxy Policy, unless a client specifically instructs NB LLC in writing to vote such securities otherwise.

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

For Non-Socially Responsive clients, NB LLC’s Proxy Policy guidelines generally adopt the voting recommendations of Glass Lewis. For Socially Responsive clients, NB LLC has adopted Socially Responsive voting guidelines. In the event the Socially Responsive voting guidelines do not address how a proxy should be voted, the proxy will be voted in accordance with the Glass Lewis recommendations. NB LLC retains final authority and fiduciary responsibility for proxy voting.

### Conflicts:

NB LLC is sensitive to conflicts of interest that may arise in the proxy voting process. We are committed to resolving all conflicts in our clients’ best interest and will generally vote pursuant to the Proxy Policy guidelines when conflicts of interest arise. When there are proxy voting proposals, however, that give rise to conflicts of interest that are not addressed by the Guidelines, the Proxy Committee, will determine the approach to be taken to address the conflict.

All NB LLC clients receive a summary of NB LLC’s Proxy Voting Policy and are provided with instructions on how to obtain a copy of NB LLC’s Proxy Voting Policy and information about how NB LLC voted proxies on their behalf. Clients may obtain a copy of the Proxy Voting Policy or obtain information about how NB LLC voted their specific proxies by contacting their Client Service Representative.

#### Class Action Lawsuits:

From time to time a security held in a client's account may become the subject of a class action lawsuit. In such cases NB LLC may receive notice of the class action pertaining to the security and will forward the notice to the client. Unless otherwise agreed with the client, NB LLC has no additional responsibilities with regard to the class action process.



## **Item 18: Financial Information**

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

With respect to Separate Accounts, NB LLC may require the prepayment of more than \$500 in fees per client. However, this prepayment will generally be for 3 months or less in advance.

### **B. Impairment of Contractual Commitments**

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

### **C. Bankruptcy Petitions**

NB LLC has not been the subject of a bankruptcy proceeding.