

# Neuberger Berman Loan Advisers II LLC

## Client Brochure

March 31, 2023

190 South LaSalle Street  
Chicago, Illinois 60603  
[www.nb.com](http://www.nb.com)

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

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

Additional information about NBLA II 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 SEC or by any state securities authority.

## **Item 2:     Material Changes**

This Brochure dated March 31, 2023, has been prepared in accordance with rules adopted by the U.S. Securities and Exchange Commission. This Brochure will be updated at least annually and we may further provide other ongoing disclosure information about material changes as necessary. This Brochure was last updated on March 31, 2022. There have been no material changes to NBLA II's qualifications and business practices since the last update.

## Item 3: Table of Contents

ITEM 1:	COVER PAGE .....	i
ITEM 2:	MATERIAL CHANGES .....	II
ITEM 3:	TABLE OF CONTENTS.....	III
ITEM 4:	ADVISORY BUSINESS .....	1
	A. Description of the Firm.....	1
	B. Types of Advisory Services.....	3
	C. Client Tailored Services and Client Tailored Restrictions.....	4
	D. Assets under Management.....	4
ITEM 5:	FEES AND COMPENSATION .....	5
	A. Fee Schedule.....	5
	B. Payment Method .....	6
	C. Other Fees and Expenses .....	6
	D. Prepayment of Fees and Refunds.....	8
	E. Sales Compensation .....	8
ITEM 6:	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	10
ITEM 7:	TYPES OF CLIENTS.....	11
ITEM 8:	METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS ..	12
ITEM 9:	DISCIPLINARY INFORMATION .....	58
ITEM 10:	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	59
	A. Registration as a Broker-Dealer or Registered Representative .....	59
	B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor or Associated Person.....	59
	C. Material Relationships.....	59
ITEM 11:	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	64
	A. Code of Ethics .....	64
	B. Participation or Interest in Client Transactions.....	64
	C. Personal Trading.....	68
	D. Other Conflicts of Interest.....	70
ITEM 12:	BROKERAGE PRACTICES.....	77
	A. Criteria for Selection of Broker-Dealers.....	77
	B. Aggregation of Orders/Allocation of Trades.....	78

ITEM 13:	REVIEW OF ACCOUNTS.....	81
A.	Periodic Reviews.....	81
B.	Non-Periodic Reviews.....	81
C.	Client Reports .....	81
ITEM 14:	CLIENT REFERRALS AND OTHER COMPENSATION .....	83
A.	Compensation by Non-Clients .....	83
B.	Compensation for Client Referrals .....	83
ITEM 15:	CUSTODY .....	84
ITEM 16:	INVESTMENT DISCRETION .....	85
ITEM 17:	VOTING CLIENT SECURITIES .....	87
ITEM 18:	FINANCIAL INFORMATION .....	90
A.	Prepayment of Fees (Six or more months in advance).....	90
B.	Impairment of Contractual Commitments .....	90
C.	Bankruptcy Petitions.....	90

## Item 4: Advisory Business

### A. Description of the Firm

Neuberger Berman Loan Advisers II LLC ("**NBLA II**") is a Delaware series limited liability company, formed in October 2019 that commenced operations in 2020. NBLA II's affiliates date back to the founding of Neuberger & Berman in 1939, the predecessor to Neuberger Berman BD LLC (formerly Neuberger Berman LLC). NBLA II's principal office is located in Chicago, Illinois. NBLA II is directly owned by Neuberger Berman Loan Advisers Holdings II LP, a Cayman Islands exempted limited partnership ("**Holdings**"). Class A Interests in Holdings are held by Neuberger Berman Investment Advisers LLC ("**NBIA**"), a Delaware limited liability company and an investment adviser registered with the SEC. NBIA is an indirect wholly-owned subsidiary of Neuberger Berman Group LLC ("**NBG**"). Class B Interests in Holdings are held by Neuberger Berman Loan Advisers Holdings II (Cayman) LP, a Cayman Islands exempted limited partnership, and Neuberger Berman Loan Advisers Holdings II (Delaware) LP, a Delaware limited partnership.

NBLA II's primary business consists of (i) acting as the named collateral manager of a number of U.S. Dollar-denominated collateralized loan obligations transactions, including any type of short-term or long-term warehouse or repurchase agreement facilities in connection therewith (referred to collectively herein as "**CLOs**"); (ii) engaging in trading activities including, but not limited to, entering into conditional sale agreements and agreeing to acquire loans on its own account as an "originator," "sponsor" or "original lender" for purposes of the EU Securitization Rules and the UK Securitization Rules (as defined in Item 11.B.4); (iii) directly, or indirectly through one or more subsidiaries, acting as the holder of investments in the "equity" or "first loss tranche" of CLOs (which may constitute EU Retention Interests (as defined in Item 11.B.4)) (collectively, the "**Retention Interests**"); (iv) acting as the holder of the Preferred Return Notes and Performance Notes (each as defined in Item 5.A) issued by each CLO in respect of which NBLA II holds a Retention Interest; (v) making investments in Outside Investment Opportunities (as defined in Item 11.B.4) through a Sidecar Series (as defined below); and (vi) engaging in any and all activities necessary, advisable or incidental to the foregoing (including complying with any Risk Retention Rules (as defined in Item 11.B.4)).

NBLA II has established a separate series (each a "**Series**", and together, the "**Series**") for (1) CLO collateral management activities (the "**Management Series**"), (2) EU/UK risk retention "origination" activities, if any (the "**EU Originator Series**"), (3) holding the Retention Interests, the Performance Notes and the Preferred Return Notes (the "**Risk Retention Series**"), and (4) holding investments in Outside Investment Opportunities (the "**Sidecar Series**"). The interests in each Series are held by Holdings.

NBLA II is managed by a board of directors (the "**Board of Directors**" or the "**Board**") consisting of at least two directors appointed by Holdings (as directed for these purposes by the holders of the Class A Interests in Holdings (the "**Class A Investors**")). The directors are Brad Tank, Joseph Amato, Kenneth deRegt and Stephen Wright. The Board is the "manager" of NBLA II under the Delaware Limited Liability Company Act with the ultimate responsibility over the business and affairs of NBLA II. A director may be removed by a majority vote of the Board of Directors or by Holdings, as directed for these purposes by the Class A Investors. If a director is removed or

resigns for any reason, then Holdings (as directed for these purposes by the Class A Investors) shall appoint a replacement director.

The Board of Directors has appointed, and delegated authority to make investment decisions within certain pre-defined investment parameters in respect of a CLO and NBLA II's assets, to an investment committee consisting of certain of the employees of NBLA II and subject to the general supervision and oversight of the Board of Directors (the "**Investment Committee**"). The members of the Investment Committee are Joseph Lynch, Stephen Casey and Pim van Schie. NBLA II is able to enter into transactions, including engagement letters with respect to new warehouse and CLO transactions, collateral management agreements, credit agreements, purchase and sale agreements, risk retention letters, subscription agreements and other documentation, on the instruction of the Investment Committee but without prior approval of the Board of Directors or the NBLA II investors if such transactions are consistent with NBLA II's investment parameters. The sponsorship of a new CLO or warehouse facility outside of the investment parameters requires the consent of Holdings, as directed for these purposes by a supermajority-in-interest of the Class B Investors.

NBIA (in such capacity, the "**Sub-Advisor**") acts as sub-advisor to NBLA II with respect to all CLOs managed by NBLA II pursuant to a Sub-Advisory Agreement between the Sub-Advisor and NBLA II (the "**Sub-Advisory Agreement**"). The Sub-Advisor assists NBLA II by, among other things, providing research and credit analysis services, sourcing assets and making recommendations regarding assets to be acquired and sold by NBLA II in its capacity as collateral manager for the CLOs, and making recommendations regarding whether and when to close CLOs or refinance or reprice the notes issued by the CLO issuers. The Sub-Advisor advises NBLA II with regard to all or substantially all of its investment and other activities; *provided* that, in connection with each CLO, the Investment Committee shall retain final responsibility for: (i) approving the collateral management parameters for the CLO issuer, (ii) participating in the credit review of all assets proposed to be acquired by the CLO issuer, and (iii) approving the purchase and sale of any asset by any CLO issuer. For a more complete discussion of NBIA, please refer to NBIA's Form ADV which is publicly available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

NBIA (in such capacity, the "**Staff and Services Provider**") provides (i) certain middle and back-office services (including legal, compliance and execution) (collectively, "**Support Services**"), (ii) other administrative services, infrastructure and shared office space (collectively, "**Administrative Services**"), and (iii) the services of Shared Employees (as defined below) to NBLA II pursuant to a Staff and Services Agreement between the Staff and Services Provider and NBLA II (the "**Staff and Services Agreement**").

The investment management activities of NBLA II, and the day-to-day management of the business and affairs of NBLA II, are performed by NBLA II's officers and employees, with ultimate credit and investment decision-making authority resting with the Investment Committee.

Certain employees of NBLA II ("**Shared Employees**") are jointly employed by NBLA II and the Staff and Services Provider pursuant to the Staff and Services Agreement (and may be employed by other entities that are affiliated with the Staff and Services Provider), but such employees are under the direction and supervision of the Board of Directors in the performance of their duties related to NBLA II. In addition, NBLA II may hire certain employees that are not employees of the Staff and Services Provider. All of the employees of NBLA II have entered into employment

agreements with NBLA II, in addition to any provision for such employees in the Staff and Services Agreement.

### ***Background – Neuberger Berman Group***

NBG is a holding company the subsidiaries of which (collectively referred to herein as the “**Firm**”) provide a broad range of global investment solutions – equity, fixed income, multi-asset class and alternatives – to institutions and individuals through products including separately managed accounts, registered funds and private investment vehicles. As of December 31, 2022, the Firm had approximately \$427 billion under management.<sup>1</sup>

NBG’s voting equity is wholly owned by NBSH Acquisition, LLC (“**NBSH**”). NBSH is owned by current and former employees, directors, consultants and, in certain instances, their permitted transferees.

The Firm is headquartered in New York, New York. As of December 31, 2022, the Firm had approximately 2,690 employees in 39 cities around the world.

NBLA II’s investment management services are further discussed below.

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

NBLA II serves as the collateral manager to CLOs, providing discretionary collateral management services. NBLA II’s investment services are limited to CLOs. CLOs typically issue rated senior and mezzanine notes and unrated subordinated notes in private placement transactions only to persons or entities that are (i) both “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act of 1933, as amended (the “**Securities Act**”), and “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), provided that certain notes may be issued to persons or entities that are both “accredited investors” as defined in Section 501(a) of Regulation D under the Securities Act and either qualified purchasers or “knowledgeable employees” within the meaning of Rule 3c-5 under the Investment Company Act, or (ii) not “U.S. Persons” in offshore transactions under Regulation S under the Securities Act.

NBLA II provides investment services that may include, among other things, (i) approving the collateral management parameters for the CLO issuer, (ii) participating in the credit review of all assets proposed to be acquired by the CLO issuer, and (iii) approving the purchase and sale of any asset by any CLO issuer. Clients should refer to each CLO’s offering circular, indenture and other constitutional and offering documents (collectively, the “**CLO Offering Materials**”) for additional information.

NBLA II’s primary business consists of (i) acting as the named collateral manager of U.S. Dollar-denominated CLOs; (ii) engaging in trading activities including, but not limited to, entering into conditional sale agreements and agreeing to acquire loans on its own account as an “originator,”

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<sup>1</sup> Firm assets under management figures reflect the collective assets for the various subsidiaries and affiliates of NBG.

“sponsor” or “original lender” for purposes of complying with the EU Securitization Rules and UK Securitization Rules; (iii) directly, or indirectly through one or more subsidiaries, acting as the holder of Retention Interests in the CLOs; (iv) acting as the holder of the Preferred Return Notes and Performance Notes issued by each CLO in respect of which NBLA II holds a Retention Interest; (v) making investments in Outside Investment Opportunities through a Sidecar Series; and (vi) engaging in any and all activities necessary, advisable or incidental to the foregoing.

The loans and interests therein held by the CLOs managed by NBLA II consist primarily of non-investment grade loans or interests in non-investment grade loans (“**Collateral Obligations**”), together with certain related assets and cash equivalents (collectively, the “**Assets**”). Clients should refer to the applicable CLO Offering Materials for additional information.

The CLOs rely on Section 3(c)(7) of the Investment Company Act, or other applicable exceptions or exemptions under the Investment Company Act, as the basis for their exemptions from the registration requirements of the Investment Company Act.

The CLOs for which NBLA II serves as collateral manager may also be collectively referred to herein as the “**Client Accounts**.”

### **C. Client Tailored Services and Client Tailored Restrictions**

NBLA II enters into discretionary collateral management agreements with the CLOs. Services are performed in accordance with the terms of each such agreement. Each CLO may impose investment restrictions as it deems appropriate. Such investment restrictions are typically set forth in the applicable CLO Offering Materials.

Each CLO has a Trustee and an independent board of directors that is responsible for providing oversight of the CLO. Each CLO and its Trustee and board of directors may have the ability to impose restrictions on investing in certain securities or types of securities.

The performance of Client Accounts that are subject to restrictions imposed by clients will vary from the account performance of unrestricted accounts that NBLA II and/or NBIA manages with the same investment strategy.

### **D. Assets under Management**

As of December 31, 2021, NBLA II had approximately \$8,295,928,236 in discretionary assets under management.

## Item 5: Fees and Compensation

### A. Fee Schedule

Pursuant to NBLA II's collateral management agreement with each CLO, NBLA II receives senior and subordinated management fees ("**Collateral Management Fees**"). Senior Collateral Management Fees are paid in each CLO's priority of payments after the payment of certain CLO expenses but prior to payments on any notes issued by the CLO. Subordinated Collateral Management Fees are paid in each CLO's priority of payments after the payment of certain CLO expenses and payments on the secured notes issued by the CLO, but prior to any payments on the CLO's equity.

NBLA II may also receive a portion of certain subordinated fee notes being issued by a CLO for services rendered to the CLO issuer. Holders of subordinated fee notes are generally paid in each CLO's priority of payments at the same time as subordinated Collateral Management Fees.

Specific details of payment terms and compensation, including the method of calculation, will be set forth in the applicable CLO Offering Materials.

The Collateral Management Fees may be negotiable under certain circumstances.

NBLA II, acting through the Risk Retention Series, purchases from each CLO managed by NBLA II one or more notes (a "**Preferred Return Note**") entitling NBLA II to a preferred return calculated as a percentage of the overall assets of such CLO, payable on a quarterly basis immediately prior to direct payments of interest and principal proceeds on the subordinated notes or other equity interests of such CLO, which percentage will equal at least one-ninth of the aggregate percentage used to calculate the senior and subordinated Collateral Management Fees payable to NBLA II.

NBLA II, acting through the Risk Retention Series, purchases from each CLO managed by NBLA II a note (the "**Performance Note**") entitling NBLA II to a performance return, payable on a quarterly basis immediately prior to distributions on the equity of such CLO, expected to equal 20% of amounts remaining that would otherwise be available to be paid to the holders of the CLO's equity, once the cumulative distributions by the CLO to the holders of its equity are sufficient to generate an annual internal rate of return of 12%, compounded annually, on such holders' aggregate investment in the CLO (which performance return shall include, for the avoidance of doubt, any amounts that would otherwise be payable as an incentive fee or incentive allocation by such CLO).

## **B. Payment Method**

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

Generally, the Collateral Management Fees, the Preferred Return Notes and the Performance Notes are payable quarterly directly by each CLO pursuant to the priority of payments effected on each quarterly payment date, except to the extent that NBLA II elects to waive any Collateral Management Fees. Investors should refer to the applicable CLO Offering Materials with respect to the calculation and payment of the Collateral Management Fees, the Preferred Return Notes and the Performance Notes.

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

Assets that are not in default or subject to certain other specified impairments are generally valued at their outstanding principal balance for purposes of calculating the Collateral Management Fees and the payments on the Preferred Return Notes, while amounts payable under the Performance Notes are payable based on amounts paid to equity investors. Investors should refer to the applicable CLO Offering Materials for more information with respect to the valuation of assets.

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

In addition to the Collateral Management Fees paid to NBLA II, CLOs pay other fees and expenses associated with their accounts and investments, as described in the applicable CLO Offering Materials, including the following:

*Administrative Expenses* — Each CLO bears its own organizational, operating and offering expenses, which may include: fees and expenses of the trustee and its agents and counsel; bank fees and expenses; taxes or governmental fees (including annual return fees) owing by the CLO issuer or any of its subsidiaries; fees and expenses of independent accountants, agents (other than NBLA II) and legal counsel of the CLO issuer; fees and expenses of rating agencies (including any annual fees, amendment fees and surveillance fees) in connection with any rating of the CLO's secured notes or in connection with the rating of (or provision of credit estimates in respect of) any Collateral Obligations; NBLA II's fees and expenses, including reasonable expenses of NBLA II (including fees and expenses for its accountants, agents and counsel) incurred in connection with the purchase or sale of any Collateral Obligations, any other expenses incurred in connection with the Collateral Obligations and certain amounts payable pursuant to the collateral management agreement but excluding the Collateral Management Fees; fees and expenses of the CLO's administrator, AML service provider and registered office; facility rating fees and all legal and other fees and expenses incurred in connection with the purchase or sale of any Collateral Obligations and any other expenses incurred in connection with the Collateral Obligations; fees and expenses relating to the listing of the CLO's notes on any stock exchange or trading system; indemnification expenses; other expenses incurred by NBLA II or the CLO's collateral administrator or trustee in connection with any sales, liquidation or other disposition of any Assets; communication and notification expenses; fees and expenses relating to any refinancing, repricing or other issuance of new and/or additional notes; fees and expenses in connection with

the appointment of any co-trustee; fees and expenses of any authentication agent; fees and expenses incurred by any subsidiaries; and reserves. All or a portion of the Administrative Expenses for any CLO may be capped, as detailed in the applicable CLO Offering Materials. Other than as stated above, the CLO issuer will bear, and will pay directly in accordance with its indenture, all other costs and expenses incurred by it or on its behalf in connection with its organization, operation or liquidation.

*Petition Expenses* — Each CLO bears the costs and expenses relating to the filing of an answer and any other appropriate pleading objecting to (i) the institution of any proceeding to have the CLO issuer, the CLO co-issuer or any subsidiary, as the case may be, adjudicated as bankrupt or insolvent or (ii) the filing of any petition seeking relief, reorganization, arrangement, adjustment or composition in respect of the CLO issuer, the CLO co-issuer or any subsidiary, as the case may be, under applicable bankruptcy law or any other applicable law.

*NBLA II Expenses* — Each CLO issuer may be obligated to pay or reimburse NBLA II (and in the case of clause (i)(x) below, on or about the CLO's closing date) for its payment of any and all reasonable costs and expenses incurred on behalf of the CLO issuer, including: (i) the costs and expenses of NBLA II incurred in connection with (x) the negotiation and preparation of the applicable CLO Offering Materials and (y) any amendments or supplements thereto (including proposed amendments or supplements); (ii) any transfer fees necessary to register any Collateral Obligation in accordance with the CLO's indenture; (iii) any fees and expenses in connection with the acquisition, management or disposition of Assets or otherwise in connection with the CLO issuer or the notes issued by the CLO (including (a) investment related travel, communications and related expenses, (b) loan processing fees, legal fees and expenses and other reasonable and customary expenses of third-party professionals retained by NBLA II on behalf of the CLO issuer, and (c) amounts in connection with the termination, cancellation or abandonment of a potential acquisition or disposition of any Asset that is not consummated); (iv) any and all taxes and governmental charges that may be incurred or payable by the CLO issuer; (v) any and all insurance premiums or expenses incurred in connection with the activities of the CLO issuer by NBLA II; (vi) any and all costs, fees and expenses incurred in connection with the rating of the CLO's notes or obtaining ratings or credit estimates on Collateral Obligations, NBLA II's communications with the holders (including charges related to annual meetings) and costs and expenses for services to the CLO issuer in respect of the Assets relating to specialty software licensing and development fees (which may be subject to a cap) (which software expenses will be allocated in an equitable manner among the CLO issuer and all other clients of NBLA II and NBIA for whose benefit such software is utilized); (vii) any and all expenses incurred to comply with any law or regulation related to the activities of the CLO issuer and NBLA II and, to the extent relating to the CLO issuer, NBLA II and the Assets; and (viii) the fees and expenses of any independent advisor employed to value or consider Collateral Obligations.

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

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

None.

#### **E. Sales Compensation**

Each CLO will select an initial purchaser to act as sole manager and bookrunner with respect to the CLO's notes. In this capacity, the initial purchaser will generally purchase the CLO's notes, sell such notes in individually negotiated transactions at varying prices to be determined in each case at the time of sale and deliver or arrange for the delivery of such notes. The initial purchaser will receive from the applicable CLO issuer certain fees and reimbursement of certain expenses (including legal expenses) for its services as initial purchaser. Additional introducers may be selected by a specific CLO from time to time.

NBLA II's products and strategies are marketed by the Firm's central salesforce (the members of the Firm's central salesforce, the "**NB Salespersons**"), which also markets the products and strategies of NBIA and NBLA II's other affiliates. Certain NB Salespersons are registered representatives of Neuberger Berman BD LLC ("**NBBD**"), an affiliate of NBLA II and a registered investment adviser and broker-dealer and member of the Financial Industry Regulatory Authority ("**FINRA**"). Generally, NB Salespersons are compensated, directly or through compensation pools, based, in large part, on the revenues generated by NBIA and its affiliates with respect to the clients they cover. Certain NB Salespersons receive a fixed draw rather than commissions and are also eligible for special payouts when assets under management reach certain targets.

Given that the salespersons (including NB Salespersons) generally market a wide range of products with differing sales compensation (which can differ by product or strategy, or by the client or financial intermediary to which the salesperson is selling), the salespersons (including NB Salespersons) 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. Specifically, as the compensation for NB Salespersons is generally revenue-based, this creates an incentive for NB Salespersons to increase the amount of assets invested with NBLA II and its affiliates. Where an NB Salesperson receives a fixed draw and is eligible for special payouts upon hitting certain targets, the NB Salesperson has an incentive to take actions to hit those targets. To increase the amount of assets invested with NBLA II and its affiliates (whether to increase revenue (and therefore compensation) or to hit certain targets), NB Salespersons have an incentive to promote or recommend that clients or prospective clients invest more of their money with NBLA II and its affiliates, including by transferring assets from other managers to NBLA II for NBLA II to manage. In addition, because NB Salespersons are compensated based on the revenues generated NBLA II and its affiliates with respect to its clients, this creates an incentive for NB Salespersons to promote or recommend products and strategies that generate more revenue for NBLA II and its affiliates, including strategies and products that have higher fees, and proprietary strategies and products over non-proprietary strategies and products.

NBIA or its affiliates train its employees, including NB Salespersons, regarding suitability and other regulatory standards of conduct in connection with sales of securities and strategies

involving securities to investors, which NBLA II believes mitigates this conflict. NB Salespersons are also generally required to undergo product specific training for all products that they market. See Item 11.D.7 for additional discussion regarding conflicts of interest relating to compensation arrangements.

From time to time, NB Salespersons also market the advisory products and services of NBLA II for which the NB Salesperson does not receive any direct compensation. Certain Firm employees who are not NB Salespersons are eligible to earn an account referral bonus for referring a client to NBLA II.

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

CLOs sell Performance Notes to NBLA II.

In addition, members of the Investment Committee are investment advisory personnel of one or more of NBLA II's affiliated investment advisers, including NBIA, Neuberger Berman Loan Advisers LLC ("**NBLA I**") and Neuberger Berman Loan Advisers IV LLC ("**NBLA IV**"). See Item 10.C.3 for a list of such affiliates. In such capacity, they manage accounts (including CLOs) for which the affiliated investment adviser may receive performance fees.

To the extent that the members of the Investment Committee, in their capacity as Shared Employees, manage accounts that charge only management fees as well as accounts that charge both management fees and performance fees, the members of the Investment Committee or NBBD salespersons have a conflict of interest in that an account with a performance fee will offer the potential for higher profitability when compared to an account with only a management fee. Performance fee arrangements generally create an incentive for NBLA II, the members of the Investment Committee or NB Salespersons to recommend or make investments that are riskier or more speculative than those that would be recommended or made under a different fee arrangement. Performance fee arrangements may also create an incentive to favor higher fee-paying accounts over other accounts in the devotion of time, resources and allocation of investment opportunities. While performance fee arrangements can align the interests of NBLA II and the members of the Investment Committee with those of the clients, in situations where performance fees are paid when an investment is realized, a conflict exists because NBLA II and the members of the Investment Committee can effectively determine when they are paid. It is possible that, in order to receive the performance fee at a certain time, NBLA II or the Investment Committee will realize an investment other than at maximum value.

To manage those conflicts, NBLA II has adopted a number of compliance policies and procedures. While the CLOs are not clients of NBIA, in view of the numerous roles and relationships of NBIA, its employees and affiliates with respect thereto, NBLA II and NBIA have agreed that NBIA's investment allocation and conflict policies and procedures generally will be applied to NBLA II. These policies and procedures include (i) the Neuberger Berman Code of Ethics (see Item 11), (ii) the NBLA II Compliance Manual, (iii) trade allocation and aggregation policies that seek to ensure that investment opportunities are allocated fairly among the clients of NBLA II, NBIA and their respective affiliates and that accounts are managed in accordance with their investment mandate, and (iv) allocation review procedures reasonably designed to identify unfair or unequal treatment of accounts. NBLA II and NBIA do not consider fee structures in allocating investment opportunities. See also Item 11.D.6.

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

NBLA II will serve as the collateral manager to CLOs, providing discretionary collateral management services. In general, as noted above, CLOs issue rated senior and mezzanine notes and unrated subordinated notes (equity) in private placement transactions only to persons or entities that are either (i) non-U.S. Persons in offshore transactions in reliance on Regulation S under the Securities Act, or (ii) both “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act and “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act, provided that certain notes may be issued to persons or entities that are both “accredited investors” as defined in Section 501(a) of Regulation D under the Securities Act and either qualified purchasers or “knowledgeable employees” within the meaning of Rule 3c-5 of the Investment Company Act. NBLA II anticipates that a broad range of institutional investors, which may include related entities of NBLA II or the Firm, meeting the criteria set forth above, will invest in CLOs managed by NBLA II.

The minimum investment required by an investor varies depending on the CLO. Investors should review the applicable CLO Offering Materials for further information with respect to minimum requirements for investment.

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

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

#### ***Investment Analysis***

NBLA II's investment team employs distinct investment processes that incorporate various methods of analysis, including one or more of the following: cyclical, fundamental, macroeconomic, environmental, social and corporate governance (“**ESG**”), statistical, technical, qualitative, and quantitative/investment modeling.

- Cyclical analysis— involves the analysis of business and market cycles to find favorable conditions for buying or selling a Collateral Obligation.
- Fundamental analysis— involves the analysis of financial statements, the general financial health of companies, or the analysis of management or competitive advantages.
- Macroeconomic— involves reviewing the domestic or international economies as a whole, potentially including factors such as historical, present and estimated GDP, securities markets activity and valuations, and other economic data such as unemployment, labor force participation, productivity levels, geopolitical issues and domestic political issues.
- ESG and impact analysis— involves the analysis of financially material ESG and impact factors and their implications on valuation, risk and growth potential. While that analysis is inherently subjective and may be informed by both internally generated and third-party metrics, data and other information, NBLA believes that the consideration of financially material ESG factors, alongside traditional financial metrics, enhances its overall investment process, and is designed to have a positive effect on the risk/return profile of client portfolios. The consideration of ESG factors as part of an integrated investment process does not mean that NBLA pursues a specific “impact” or “sustainable” investment strategy for any particular Client Account, other than as described in those particular Client Accounts.
- Statistical analysis— involves the examination of data to draw conclusions or insights, and determine cause-and-effect patterns between events.
- Technical analysis— involves the analysis of past market data, primarily price and volume.
- Qualitative analysis— involves the subjective evaluation of non-quantifiable factors such as the quality of management, labor relations, and strength of research and development, factors not readily subject to measurement, in an attempt to predict changes based on that data.
- Quantitative analysis— uses computer, mathematical, or other types of models to capture and process data, including market data, industry information, and financial data for

companies, in an attempt to forecast price activity or other market activity that is affected by that data.

No method of 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 NBLA II involve the inherent risk that any valuations, pricing inefficiencies, or other opportunities identified will not materialize or have the anticipated impact on a Collateral Obligation. Prices of Collateral Obligations may rise, 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 publicly available sources. This presents the risk that methods of analysis will be compromised by inaccurate, incomplete, false, biased or misleading information. Prices of Collateral Obligations are impacted by various factors independent of the methodology used to select Collateral Obligations. For example, the price of a Collateral Obligation 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. It is possible that assumptions used for modeling purposes will prove incorrect, unreasonable or incomplete.

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

### ***Sources of Information***

In conducting its investment analysis, NBLA II utilizes a broad spectrum of information, including:

- annual reports, prospectuses and filings with the SEC or with non-U.S. regulators
- contact with affiliated and outside analysts and consultants
- discussions and meetings with company management
- reviews of private corporate documents (including business plans, financial records and projections)
- discussions and meetings with third party research analysts
- discussions and meetings with industry contacts, including existing relationships and external contacts established through industry events and conferences
- financial publications and industry and trade journals
- issuer press releases, presentations and interviews (in person or by telephone)
- newspapers, magazines and websites
- personal assessment of the financial consequences of world events derived from general information
- rating services
- research materials prepared by internal staff or third parties
- timing services
- inspections of issuer activities
- quantitative tools that assist in analyzing securities, including analysis of which securities are likely

- technology-based internet and data analytics
- to financially benefit or suffer from changes in weather patterns, regulation or technology shifts
- such other material as is appropriate under the particular circumstances

NBLA II will rely on the research and portfolio management expertise of the Sub-Advisor and NBLA II's affiliated investment advisers. See Item 10.C.3.

NBLA II evaluates investments based on a variety of factors as described in the CLO Offering Materials.

In researching potential investments for clients, NBLA II will collect publicly available data from websites, purchase consumer transaction data from third party vendors or otherwise obtain data from outside sources. Certain websites contain terms of service that prohibit collecting data from that site. Collecting data from a website that prohibits data collection could lead to civil liability to the owner of the site for copyright infringement or a similar legal theory of action (e.g., misappropriation) as well as possible criminal law actions. Neuberger Berman has adopted Data Collection Policies and Procedures that are designed to prevent NBLA II from collecting data from a website in a manner that would expose NBLA II to liability. Additionally, the data provided to NBLA II by a vendor may include data that the vendor did not have the right to provide to NBLA II or may be inconsistent with privacy laws. If NBLA II were provided with such data, NBLA II could face liability for its use of the data in its research. To mitigate this risk, Neuberger Berman has obtained representations from its data vendors that the vendor has the right to transmit the data being provided to Neuberger Berman and that Neuberger Berman's receipt of such data does not violate any laws including privacy laws.

## **B. Investment Strategies**

Below is a summary of NBLA II's investment strategies. Certain client portfolios may include customized investment features that may impact the specific investment strategy or strategies implemented for a particular client. As financial markets and products evolve, NBLA II may invest in other securities or instruments, whether currently existing or developed in the future, when consistent with client guidelines, objectives and policies and applicable law.

Subject to firm-wide policies on suitability and conflicts of interest and other regulatory standards of conduct, and compliance with securities laws and regulations, the purchase and sale of Collateral Obligations and other financial instruments for the CLOs is based upon the judgment of the members of the Investment Committee.

Certain material risks associated with these strategies are set forth in Item 8.C. This is a summary only. Clients should not rely solely on the descriptions provided below. The principal investment strategy for each CLO is more particularly described in the applicable CLO Offering Materials. Prospective investors should carefully read the applicable CLO Offering Materials and consult with their own counsel and advisers as to all matters concerning an investment in any CLO.

NBLA II offers advice on a range of Collateral Obligations and other financial instruments including:

- Loan assets
- Money market instruments
- Collateralized loan obligations
- Bonds
- Participations, total return swaps and other synthetic exposure instruments relating to loan assets

NBLA II strategies may also hold cash and cash equivalents. NBLA II's investments may be denominated in currencies other than the U.S. dollar. Those assets may be issued by sovereign entities and corporations. NBLA II may use investments in derivative instruments for hedging and non-hedging purposes. Derivative investments may only be entered into in accordance with a client's investment guidelines and applicable laws.

In addition, NBLA may in the future provide advice with respect to other assets.

NBLA II will invest in and manage CLOs, which will concentrate in debt obligations of non-investment grade obligors. The members of the Investment Committee are members of NBIA's non-investment grade credit team, and manage NBIA's floating rate loan strategy.

## C. Material Risks

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

The following is a summary of the principal risks associated with the investment strategies employed by NBLA II, as discussed in Item 8.B. This is a summary only and not every strategy will invest in each type of Collateral Obligation or other asset discussed below nor will all accounts be subject to all the risks below. Each client should review the investment strategy associated with its particular account. CLO investors should review the applicable CLO Offering Materials for further information relating to the strategies and risks associated with the particular CLO.

### General Risks

The following is a summary of material risks that apply to NBLA II's investment strategies. Please note that certain risks, other than *Risk of Loss*, may not apply to all NBLA II strategies or apply to a material degree. Investors should refer to the applicable CLO Offering Materials that may contain additional or different risk disclosure.

**Risk of Loss.** Clients should understand that all investment strategies and the investments made pursuant to such strategies involve risk of loss, including the potential loss of the entire investment in the Client Accounts, which clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client's investments will fluctuate due to market conditions and other factors. The investment decisions made and the actions taken for Client Accounts will be subject to various market, liquidity, currency, economic, political and other risks, and will not

necessarily be profitable and it is possible they will lose value. Past performance of Client Accounts or accounts managed by NBIA is not indicative of future performance.

The risks listed below are listed in alphabetical order and not in order of importance. In addition to the risks listed here, there are additional material risks associated with the types of products in which a Client Account invests. Clients should refer to the applicable CLO Offering Materials for a discussion of applicable risk factors for that particular investment.

- **Absence of Regulatory Oversight for CLOs.** The CLOs are not registered as investment companies under the Investment Company Act. Accordingly, investors in CLOs will not have the benefit of the protection afforded by the Investment Company Act to investors in registered investment companies (which, among other protections, require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company, and regulate the relationship between the adviser and the investment company).
- **Bankruptcy of a Trustee.** Assets of a Client Account held by a trustee may be held in the name of the trustee in a securities depository, clearing agency or omnibus customer account of such trustee. To the extent that assets are held in the United States by a trustee in a segregated account or a customer account, such assets may be entitled to certain protections from the claims of creditors of the trustee. However, a Client Account with assets held in a segregated account by a trustee may experience delays and expense in receiving a distribution of such assets in the case of a bankruptcy, receivership or other insolvency proceeding of such trustee. Assets held by a broker-trustee in a customer account are entitled to certain protections from the claims of creditors of the trustee but many do not have the same level of protection applicable to segregated accounts held by a non-broker trustee and thus it is possible they would not be sufficient to satisfy the full amount of customer claims. Assets held by non-U.S. trustees are often not subject to the same regulations regarding the segregation of customer assets from the assets of the trustee, or from assets held on behalf of other customers of the trustee, and accordingly it is possible that assets held by a non-U.S. trustee will not be protected from the claims of creditors of the trustee to the same extent as assets held by a U.S. trustee.
- **CLOs: Lack of Liquidity.** There is no public market for interests in the CLOs. Substantial transfer restrictions typically exist with respect to such interests. Investors can only transfer all or any permissible part of their investments in accordance with the applicable CLO Offering Materials.
- **Complex Tax Structures of CLOs.** CLOs may involve complex tax structures and there may be delays in distributing important tax information to investors.
- **Concentration Risk.** A strategy that concentrates its investments in a particular sector of the market (such as the utilities or financial services sectors) or a specific geographic area (such as a country or state) may be affected by events that adversely affect that sector or

area, and the value of a Client Account using such a strategy would likely fluctuate more than that of a less concentrated Client Account.

- **Counterparty Risk.** To the extent that a Client Account enters into transactions on a principal-to-principal basis, the Client Account is subject to a range of counterparty risks, including the credit risk of its counterparty (i.e., counterparty default), the risk of the counterparty delaying the return of or losing collateral relating to the transaction, or the bankruptcy of the counterparty.
- **COVID-19.** A novel coronavirus (SARS-CoV-2) and related respiratory disease (coronavirus disease (COVID-19)) has spread to many countries throughout the world, including the United States. This outbreak of novel coronavirus is a rapidly evolving situation and has led and may continue to lead to disruptions in the worldwide economy and the global markets, particularly with respect to economies of nations where the novel coronavirus has arisen. Governments, businesses and the public are taking unprecedented and drastic actions to contain the spread of COVID-19 and mitigate its effects, including quarantines, travel restrictions, restrictions on public gatherings, stay-at-home orders, closures of businesses and schools, fiscal stimulus, and legislation designed to deliver monetary aid and other relief. In addition, the Federal Reserve and other central banks have made rare or unprecedented interventions in the financial markets intended to limit the economic impact of the pandemic and to ensure that financial markets continue to function during this period of significant stress.

Although vaccines against COVID-19 have been approved and more are in development, there can be no assurance as to the availability of vaccines, the rate of vaccination or the effectiveness of vaccination against COVID-19 or any mutations.

The pandemic and the related efforts to contain it have significantly disrupted economic activity, which has had a significant adverse effect on the markets in which the underlying obligors of the CLOs (the “**Underlying Obligors**”) conduct their businesses. The pandemic has also adversely affected the functioning of financial markets, including credit markets generally and the leveraged loan market specifically, which have experienced significant declines, high volatility and reductions in liquidity. This volatility, if it continues, could have an adverse impact on Client Accounts. This outbreak and any future outbreaks could have a further adverse impact on the global economy in general, including volatility in or disruption of the credit markets, which could have a material adverse impact on the ability of Client Accounts to acquire and sell Collateral Obligations and on the secondary trading market for the notes issued by the CLO issuers. Given the ongoing and dynamic nature of the circumstances, the impact of the COVID-19 pandemic on the global economy and financial markets is difficult to predict and will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain. All of these conditions may continue or worsen and may adversely affect the value of the Collateral Obligations, the value and liquidity of the notes issued by the CLO issuers, the ability of Underlying Obligors to make timely payments on the Collateral Obligations or the performance of the CLO issuers and the Client Accounts generally.

- **Currency Risk.** Currency fluctuations could negatively impact investment gains or add to investment losses. The value of Client Accounts may rise and fall due to currency exchange rate fluctuations. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The investments may be hedged utilizing foreign currency forwards, foreign currency swaps, foreign currency futures, options on foreign currency and other currency related instruments. However, currency hedging transactions, while potentially reducing the currency risks to which a Client Account would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty. Where a Client Account engages in foreign exchange transactions that alter the currency exposure characteristics of its investments, the performance of such Client Account will likely be strongly influenced by movements in exchange rates as it is possible that currency positions held by the Client Account will not correspond with the positions held. Where a Client Account enters into “cross hedging” transactions (e.g., utilizing currency different than the currency in which the security being hedged is denominated), the Client Account will be exposed to the risk that changes in the value of the currency used to hedge may not correlate with changes in the value of the currency in which the Collateral Obligations are denominated, which could result in losses in both the hedging transaction and the Client Account securities.
- **Dependence on NBLA II and NBIA.** The performance of a Client Account depends on the skill of NBLA II and the Investment Committee in making appropriate investment decisions. Any Client Account’s success depends upon NBLA II’s ability to develop and implement investment strategies and to apply investment techniques and risk analyses that achieve the account’s investment objectives. Subjective decisions made by NBLA II may cause the account to incur losses or to miss profit opportunities on which it would otherwise have capitalized. The use of a single advisor applying generally similar trading programs could mean the lack of diversification and consequently, higher risk.

NBIA and its affiliates will also provide a number of services to NBLA II under the Sub-Advisory Agreement and the Staff and Services Agreement, which are essential to the success of NBLA II. In addition, certain employees of NBLA II are employed by NBIA and NBIA (and may be employed by other entities that are affiliated with the Staff and Services Provider). If such services were no longer for any reason provided or able to be provided by NBIA, including if NBIA were terminated in its various roles at NBLA II (including as Sub-Advisor and Staff and Services Provider) for any reason, this may have a material and adverse effect on the performance of a Client Account.

- **Derivatives Risk.** Derivatives are financial contracts whose value depend on, or are derived from, the value of an underlying asset, reference or index. In implementing certain of its investment strategies, NBLA II could use derivatives, such as futures, options on futures, options, forward contracts and swaps, as part of a strategy designed to reduce exposure to other risks or to take a position in an underlying asset. Derivatives involve risks different from, or greater than, those associated with more traditional investments. Derivatives can be highly complex, can create investment leverage and are often highly volatile, which could result in the strategy losing more than the amount it invests. Derivatives are also often difficult to value and highly illiquid, and it is possible that NBLA

II will not be able to close out or sell a derivative position at a particular time or at an anticipated price. NBLA II is not required to engage in derivative transactions, even when doing so would be beneficial to the Client Account.

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) provided for a sweeping overhaul of the regulation of privately negotiated derivatives. The U.S. Commodity Futures Trading Commission (“**CFTC**”) has been granted broad regulatory authority over “swaps,” which term has been defined in the Dodd-Frank Act and related CFTC rules to include certain derivatives. Title VII could affect a Client Account’s ability to enter into certain derivative transactions, increase the costs of entering into such transactions, or may result in Client Accounts entering into such transactions on less favorable terms than prior to the effectiveness of the Dodd-Frank Act.

In addition, NBLA II may take advantage of opportunities with respect to derivative instruments that are not currently contemplated or available for use, but are subsequently developed, if such opportunities are both consistent with the Client Account’s investment objectives and guidelines and legally permissible. Special risks will likely apply to such instruments that cannot be determined until such instruments are developed or invested in by the Client Account.

- **Derivative Counterparty Risk.** Derivatives are subject to counterparty risk, which is the risk that the other party to the derivative contract will fail to make required payments or otherwise to comply with the terms of the contract. This risk is generally regarded as greater in privately negotiated, over the counter (“**OTC**”) transactions, in which the counterparty is a single bank or broker-dealer, than in cleared transaction, in which the counterparty is a clearing organization comprised of many bank and broker-dealer members, but some level of counterparty risk exists in all derivative transactions.

If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Client Account could lose any gains that have accrued to it in the transaction and could miss investment opportunities or be required to hold investments it would prefer to sell, resulting in losses for the Client Account. If the counterparty defaults, a Client Account will have contractual remedies, but there can be no assurance that the counterparty will be able to meet its contractual obligations or that the Client Account will be able to enforce its rights. For example, the Client Account could be delayed or limited in enforcing its rights against any margin or collateral posted by the counterparty, which would likely result in the value of that collateral becoming insufficient. Also, because OTC derivatives transactions are individually negotiated with a specific counterparty, a Client Account is subject to the risk that a counterparty will interpret contractual terms (e.g., the amount payable to or by the Client Account upon a default or other early termination) in a manner adverse to the Client Account. The cost and unpredictability of the legal proceedings required to enforce a Client Account’s contractual rights could lead the Client Account to decide not to pursue its claims against the counterparty.

Counterparty risks are often greater for derivatives with longer maturities where events could intervene that prevent required payments from being made. Counterparty risks is also often greater when a Client Account has concentrated its derivatives with a single or small group of counterparties. To the extent that a Client Account has significant exposure to a single counterparty, this risk could be particularly pronounced for the Client Account. The Client Account, therefore, assumes the risk that it will be unable to obtain payments that NBLA II believes are owed under an OTC derivatives contract or that those payments will be delayed or made only after the Client Account has incurred the costs of litigation. In addition, counterparty risk is pronounced during unusually adverse market conditions and is particularly acute in environments in which financial services firms are exposed to systemic risks. It is possible that a Client Account will obtain only a limited recovery or may obtain no recovery upon a counterparty default.

- **Diversification Risk.** It is possible that Client Accounts will not be diversified across a wide range of asset classes or issuers, which could increase the risk of loss and volatility than would be the case if the Client Account were diversified across asset classes or issuers, because the value of holdings would be more susceptible to adverse events affecting those asset classes or issuers.
- **Epidemics, Pandemics, Outbreaks of Disease, and Public Health Issues.** NBLA II's business activities as well as the activities of the CLO issuers and NBIA and their operations and investments could be materially adversely affected by outbreaks of disease, epidemics and public health issues in Asia, Europe, North America, the Middle East and/or globally, such as COVID-19 (and other novel coronaviruses), Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics, pandemics, outbreaks of disease or public health issues. In particular, coronavirus, or COVID-19, has spread and is currently spreading rapidly around the world since its initial emergence in December 2019 and has negatively affected (and may continue to negatively affect or materially impact) the global economy, global equity markets and supply chains (including as a result of quarantines and other government-directed or mandated measures or actions to stop the spread of outbreaks), and has contributed to significant volatility in financial markets, including with respect to prices of leveraged loans, collateralized loan obligations and other structured finance obligations. Although the long-term effects of coronavirus, or COVID-19 (and the actions and measures taken by governments around the world to halt the spread of such virus), cannot currently be predicted, previous occurrences of other epidemics, pandemics and outbreaks of disease, such as H5N1, H1N1 and the Spanish flu, had material adverse effects on the economies, equity markets and operations of those countries and jurisdictions in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease, virus or major public health issue could cause a slowdown in the levels of economic activity generally (or push the world or local economies into recession), which would be reasonably likely to adversely affect the business, financial condition and operations of NBLA II and its affiliates and Client Accounts. While the development of vaccines has slowed the spread of COVID-19 and allowed for the resumption of reasonably normal business activity in the United States, there is no guarantee that the vaccines will be effective against emerging variants of COVID-19. Should these or other major public health issues, including pandemics, arise or spread farther (or

continue to worsen), NBLA II and its affiliates and Client Accounts could be adversely affected by more stringent travel restrictions (such as mandatory quarantines and social distancing), additional limitations on their operations and business activities and governmental actions limiting the movement of people and goods between regions and other activities or operations.

The United States responded to the COVID-19 pandemic and resulting economic distress with various fiscal and monetary stimulus packages. The U.S. government passed several stimulus bills intended to accelerate the United States' recovery from the economic and health effects of the pandemic, including by providing resources to small businesses, state and local governments, and individuals. In addition, the Federal Reserve enacted numerous monetary policy measures, including cutting interest rates at the outset of the pandemic to historically low levels, announcing a new round of quantitative easing, and introducing various programs to support liquidity operations and funding in the financial markets.

However, as the U.S. economy continues to recover from the shocks it experienced at the beginning of the COVID-19 pandemic, the Federal Reserve has started to ease its emergency relief measures. The Federal Reserve increased interest rates seven times in 2022 for a total of four and one-quarter percentage points and raised rates an additional one-quarter percentage point in both February and March 2023, when it signaled its willingness to effect further rate increases in the future if warranted. Additionally, in June 2022, it began a quantitative tightening program to reduce its U.S. Treasury and mortgage-backed securities holdings in an effort to reduce the liquidity in the banking system. The continued withdrawal of this emergency support could negatively affect financial markets generally as well as reduce the value and liquidity of certain securities. Reduced liquidity may result in emerging market issuers having more difficulty obtaining financing, which may cause a decline in the prices of their securities. Additionally, with continued economic recovery and the cessation of certain market support activities, Client Accounts may face a heightened level of interest rate risk as a result of a rise or increased volatility in interest rates. Over the longer term, rising interest rates may present greater risks than has historically been the case due to the recent extended period of low rates, the effect of government fiscal initiatives, and the potential market reaction to those initiatives. To the extent that these developments affect the financial markets and issuers in which Client Accounts invest, they may adversely affect the investment performance of the Client Accounts.

- **ESG Investing Risk.** Client Accounts that employ impact or sustainable investment strategies may result in the sale or avoidance of an investment that in hindsight could have performed well or enhanced the risk/return profile of those Client Accounts. As with the use of any investment criteria in selecting a portfolio, particularly where there is a criteria not tied directly to risk reduction or performance enhancement, there is no guarantee that the criteria used will result in the selection of issuers that will outperform other issuers, or help reduce risk in the portfolio. Those investment strategies that focus on impact or sustainability may underperform strategies that do not follow impact and sustainable investing criteria. The impact and sustainable investing criteria may also affect a Client Account's exposure to certain sectors or industries, and may impact the investment

performance depending on whether such sectors or industries are in or out of favor in the market. There is no guarantee that the impact and sustainable investing criteria used for any Client Account will ultimately result in the identification of companies that will be successful or realize what NBLA II believes to be their full value. NBLA II's judgment as to the economic impact of applied impact and sustainable investing criteria may be based partially on information from external sources; availability of such information, as well as errors in or omissions from such information could result in incorrect evaluation of a potential investment, which could negatively impact the relevant Client Accounts or create additional risk in those Client Accounts. The impact and sustainable investing criteria utilized by NBLA II may change over time, and one or more factors may not be relevant with respect to all issuers that are considered for investment.

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters may hinder access to capital, as investors and lenders may decide to reallocate capital or not to commit capital as a result of their assessment of a company's ESG practices. Companies that do not adapt to or comply with investor, lender or other industry shareholder expectations and standards, that are evolving, or that are perceived not to have responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage, and the business, financial condition, or stock price of such a company could be materially and adversely affected.

In addition, ESG matters have been the subject of increased focus by certain regulators in the European Union (the "EU") and the U.S. For example, in May 2018, the European Commission proposed legislative reforms relating in part to formalizing the duties and disclosure obligations of companies, asset managers and asset owners in relation to ESG factors. These and other proposals have resulted in the Non-Financial Disclosure Regulation and EU Taxonomy, among other initiatives. Those legislative developments, which create a common classification system and disclosure obligations focusing on ESG issues, require additional disclosures to clients with respect to ESG. Because relations between the UK and the EU are still in a time of transition, cross-border implementation may be subject to rapid changes. The UK has published final rules and guidance to promote better climate-related financial disclosures, which build upon the 2017 recommendations of the United Nations Task Force on Climate-related Financial Disclosures. In the U.S., the SEC has indicated a greater focus on developing disclosure frameworks for climate and other ESG factors. Specifically, the SEC proposed amendments to existing rules and reporting forms on May 25, 2022 that are designed to promote consistent, comparable, and reliable information for investors concerning the incorporation of ESG factors in investment funds and strategies. If adopted substantially as proposed, those rules would apply to registered funds as well as to investment advisers registered under the Advisers Act. The adoption of the proposed rules or of any future rules or regulations may require NBLA to change its investment process with respect to ESG investing.

- **European and UK Risk Retention and Other Regulatory Requirements.** Article 5 of Regulation (EU) 2017/2402 relating to a European framework for simple, transparent and standardised securitisation (such regulation, the “**EU Securitisation Regulation**” and such Regulation, together with any implementing laws or regulation, technical standards and official guidance related thereto, the “**EU Securitization Rules**”) came into force on January 1, 2019, and applies to certain parties involved in the establishment of EU regulated securitisations, the securities of which are issued on or after January 1, 2019, and to certain institutional investors therein. It should be noted that securitisations established prior to the application date of January 1, 2019 which involve the creation of a new securitisation position may also be subject to the EU Securitisation Regulation. Among other things, the EU Securitisation Regulation includes provisions harmonising and replacing the risk retention and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to such investors.

Following the departure of the United Kingdom (“**UK**”) from the EU and the expiry of the applicable transition period on December 31, 2020, the UK began to apply its own securitization regime being the EU Securitization Regulation as transposed into UK domestic law by virtue of the European Union (Withdrawal) Act 2018, and as amended by the Securitization (Amendment) (EU Exit) Regulations 2019, and as further amended from time to time (the “**UK Securitisation Regulation**” and, together with any implementing regulation, technical standards and official guidance related thereto, the “**UK Securitization Rules**”).

The EU Securitisation Regulation and the UK Securitisation Regulation (each, an “**applicable Securitisation Regulation**”) place requirements on originators, sponsors, original lenders and securitisation special purpose entities (“**SSPEs**”) established in the EU and UK (as applicable) to, amongst other things, (i) retain on an on-going basis a material net economic interest in the securitisation of not less than 5% and (ii) make certain information available to holders of a securitisation position, competent authorities and (upon request) potential investors in accordance with the transparency requirements set out therein. The EU Securitisation Regulation and the UK Securitisation Regulation also restrict a relevant “institutional investor” (as defined in the applicable Securitisation Regulation) from investing in securitizations unless, among other things, such investor (a) is able to demonstrate that it has carried out a due-diligence assessment in respect of various matters including the risk characteristics of the individual securitisation and its underlying exposures, (b) has verified that: (i) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to such investor that it will retain, on an ongoing basis, a material net economic interest of not less than 5% in respect of certain specified credit risk tranches or asset exposures and (ii) the originator, sponsor, original lender and SSPE has, where applicable, made available to the investor certain information in accordance with the transparency requirements therein. In addition, pursuant to each applicable Securitisation Regulation an “institutional investor” holding a securitisation position is subject to various ongoing monitoring obligations in relation to the investment, including but not limited to: (a) establishing appropriate written procedures to monitor compliance with the due diligence requirements and the performance of the investment and of the underlying assets; (b) performing stress tests on

the cash flows and collateral values supporting the underlying assets; (c) ensuring internal reporting to its management body; and (d) being able to demonstrate to its competent authorities, upon request, that it has a comprehensive and thorough understanding of the investment and underlying assets and that it has implemented written policies and procedures for the risk management and as otherwise required by the applicable Securitisation Regulation.

The EU Securitisation Regulation, for the most part preserved the previous European risk retention regime, but introduced a set of onerous disclosure requirements set out in Article 7 of the EU Securitisation Regulation (the “**Transparency Requirements**”), to be complied with by the originators, sponsors and SSPEs (each as defined in the EU Securitisation Regulation). Details of these requirements, including, the disclosure templates for use with respect to underlying exposures and quarterly investor reports have been prescribed through secondary legislation and entered into force on September 23, 2020. These requirements have been transposed into the UK law and apply as of January 1, 2021 as part of the UK Securitisation Regulation (with UK-specific disclosure templates having come into effect on April 1, 2022). The jurisdictional scope of the Transparency Requirements and whether they apply to non-EU/non-UK originators, sponsors or SSPEs of securitizations marketed to the EU/UK remain uncertain notwithstanding the European Commission published a report to the European Parliament and Council on the functioning of the EU Securitization Regulation on October 10, 2022 in which, among other things, it addressed a March 25, 2021 joint opinion of the European Banking Authority, the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority, and provided its legal interpretation of the issues raised therein.

The European Commission’s assessment was that differentiating the scope of the information to be provided depending on whether the securitization is issued by entities established in the EU or in third countries is not in line with the legislative intent of the EU Securitization Regulation, since it does not matter for the proper performance of European institutional investors’ due diligence whether a securitization originated inside or outside of the EU. As such, it is the European Commission’s view that European institutional investors should ensure that the Transparency Requirements are complied with before investing in securitizations even if the originator, sponsor and SSPE of such securitization are all established outside of the EU. Accordingly, investors who are subject to the applicable Securitisation Regulation and the relevant due diligence obligations must satisfy themselves that any investment they make satisfies the current regime applicable to them.

Failure to comply with one or more of the requirements may result in various penalties being imposed on the relevant investor, originator, sponsor, lender or SSPE (as applicable), established in the EU or in the UK (as applicable), including, in the case of those “institutional investors” subject to regulatory capital requirements, the imposition of a punitive capital charge in respect of the Notes acquired by any such investor. In addition, any changes to the Securitisation Regulations or to other law or regulation, the interpretation or application of any or regulation or changes in the regulatory capital treatment of a CLO’s notes may negatively impact the regulatory position of individual investors and, in addition, may have a negative impact on the price and liquidity of the

CLO's notes in the secondary market. Without limitation to the foregoing, no assurance can be given that the requirements of the EU Securitisation Regulation, the UK Securitisation Regulation or the interpretation or application thereof, will not change, and, if any such change is effected, whether such change would affect the regulatory position of a CLO or its investors.

In addition, the ability of a CLO issuer to reinvest in Collateral Obligations is restricted where such reinvestment would cause the retention holding to be (or to be likely to be) insufficient to comply with the applicable Securitisation Regulation.

Investors should consult their own legal advisors to determine the potential consequences under the Securitisation Regulation applicable to them of investing in a Client Account.

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

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

- **Geographic Risk.** From time to time, based on market or economic conditions, a Client Account could invest a significant portion of its assets in one country or geographic region. If the Client Account does so, there is a greater risk that economic, political, social and environmental conditions in that particular country or geographic region will have a significant impact on the Client Account's performance and that the Client Account's performance will be more volatile than the performance of more geographically diversified accounts. The economies and financial markets of certain regions can be highly interdependent and could decline all at the same time. In addition, certain areas are prone to natural disasters such as earthquakes, volcanoes, droughts or tsunamis and are

economically sensitive to environmental events could adversely affect performance. Alternatively, the lack of exposure to one or more countries or geographic regions may adversely affect performance.

- **Global Trade.** The U.S. is renegotiating many of its global trade relationships and has imposed or threatened to impose significant import tariffs. Additionally, trade sanctions have become an increasingly important element in response to global conflict. These actions could lead to price volatility and overall declines in U.S. and global investment markets.
- **Investment Strategy and Portfolio Management Risk.** There can be no assurance that an investment strategy will produce an intended result, or would not result in losses to an investor, including, potentially, a complete loss of principal. The performance of a strategy depends on the skill of NBLA II and the Investment Committee in making appropriate investment decisions, and on the services provided by the Sub-Advisor and the Staff and Services Provider. Subjective decisions made by NBLA II or a portfolio manager could cause a Client Account to incur losses or to miss profit opportunities on which it would otherwise have capitalized.
- **Lack of Operating History.** A CLO could be newly formed and have no or a limited operating history. As such, there is no guarantee that a CLO will achieve its investment objectives.
- **Leverage Risk.** The CLOs expect to use leverage and the use of leverage will result in fees, expenses and interest costs. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss.

In certain cases, the financing used by the CLOs to leverage their portfolio may include leverage extended by brokers and dealers in the marketplace in which they will invest. While the CLO issuers expect to seek to negotiate the terms of these financing arrangements with such brokers and dealers, their ability to do so may be limited. Such entities are therefore subject to changes in the value that the broker-dealer ascribes to a given Collateral Obligation or position, the amount of margin required to support such Collateral Obligation or position, the borrowing rate to finance such Collateral Obligation or position and/or such broker-dealer's willingness to continue to provide any such credit to them. To the extent such entities employed substantial leverage of this nature, they could be forced to liquidate their portfolio on short notice to meet their financing obligations. In such circumstances, the forced liquidation of all or a portion of the portfolio at distressed prices could result in significant losses to the CLO issuers. In addition, borrowings will typically be secured by the Collateral Obligations and other assets of such entities. Under certain circumstances, a broker-dealer may demand an increase in the collateral that secures such obligations and if such entities were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy such obligations to the broker-dealer. Liquidation in such manner could have extremely adverse consequences.

- **Liquidity Risk.** Illiquid Collateral Obligations are Collateral Obligations that are not readily marketable, and, as a result, are generally more difficult to purchase or sell at an advantageous price or time. A Client Account could lose money if it cannot sell a Collateral Obligation at the time and price that would be most beneficial to it. Further, the lack of an established secondary market often makes it more difficult to value illiquid Collateral Obligations, which could vary from the amount the Client Account could realize upon disposition. From time to time, the trading market for a particular investment in which a Client Account invests, or a particular instrument in which a Client Account is invested, may become less liquid or even illiquid. During periods of substantial market volatility, an investment or even an entire market segment could become illiquid, sometimes abruptly, which can adversely affect the Client Account's ability to limit losses. Judgment plays a greater role in pricing these investments than it does in pricing investments having more active markets, and there is a greater risk that the investments will not be sold for the price at which they are carried. The sale of some illiquid Collateral Obligations is often subject to legal restrictions, which could be costly to the Client Account.

A Client Account may hold Collateral Obligations that are illiquid and cannot be transferred or redeemed for a substantial period of time, and there is often little or no near-term cash flow available to investors in the interim. Likewise, it is possible that a Client Account does not receive any distributions representing the return of capital on an illiquid Collateral Obligation for an indefinite period of time. Unexpected episodes of illiquidity, including due to market factors, instrument or issuer-specific factors or unanticipated outflows, could limit a Client Account's ability to pay redemption or principal proceeds within the allowable time period or could force a Client Account to sell securities at an unfavorable time or under unfavorable conditions in order to meet redemptions.

For Client Accounts that can invest in liquid and illiquid investments, NBLA II and its employees have an incentive to recommend, or invest the Client Account in, illiquid or less liquid investments because to the extent the Client Account is restricted in, or prohibited from, selling the illiquid or less liquid asset, NBLA II could continue to receive advisory fees (and NBLA II employee could continue to be compensated) so long as the asset is held in the Client Account.

- **Litigation.** Litigation is contentious and adversarial. It is by no means unusual for market participants to use the threat of, as well as actual, litigation as a negotiating technique. The expense of defending against such claims and paying any resulting settlements or judgments will generally be borne by the relevant Client Account. Any indemnification obligations would adversely affect such Client Account's returns.
- **Market Volatility.** Markets are at times volatile and values of individual Collateral Obligations and other investments can decline significantly, and sometimes rapidly, in response to adverse issuer, political, regulatory, market, economic or other developments that could cause broad changes in market value, public perceptions concerning these developments, and adverse investor sentiment. Geopolitical and other risks, including environmental and public health risks could add to instability in world economies and markets generally. Changes in the financial condition of a single issuer could impact a

market as a whole. If a Client Account sells a portfolio position before it reaches its market peak, it could miss out on opportunities for better performance.

- **MiFID II Risks.** There is a risk that certain Client Accounts will be subject to non-U.S. regulations that are inconsistent with NBLA II's standard trading practices. For example, the EU Markets in Financial Instruments Directive II ("**MiFID II**") and related regulations (including those implementing MIFID II into UK law) limit a manager's ability to receive Products and Services from executing brokers (as such terms are defined therein). While NBLA II is not directly subject to these regulations, NBLA II could adjust its standard trading practices on a case-by-case basis to accommodate compliance with MiFID II and other non-U.S. regulations by certain Client Accounts and affiliates. These accommodations include, but are not limited to: expanded use of client commission arrangements, commission sharing arrangements and similar arrangements; enhanced reporting on client commissions and the Services and Products obtained; and non-participation in the generation of soft dollar credits. NBLA II expects the effective commission rates in these circumstances to be substantially similar to those paid by similarly situated Client Accounts. However, as a result of these accommodations, investors in Client Accounts from certain jurisdictions will likely account for a lower percentage of soft dollar credits than otherwise similar investors (in such Client Accounts or otherwise) from other jurisdictions.

The complexity, operational costs and reduction in flexibility occasioned by MiFID II compliance may be further compounded as a result of Brexit, because the UK is both: (i) no longer generally required to transpose EU law into UK law; and (ii) electing to transpose certain EU legislation into UK law subject to various amendments and subject to the Financial Conduct Authority's oversight rather than that of EU regulators. Taken together, (i) and (ii) could result in divergence between the UK and EU regulatory frameworks.

- **Model Valuations Risk.** Certain investments made by NBLA II will be based, in part, on complex models used by NBLA II and NBIA that incorporate a range of different inputs. Inadequate or incorrect factual information, misstated assumptions, as well as unforeseeable changes in economic factors can cause these models to yield materially inaccurate valuations — even if the model is fundamentally sound. Moreover, there can be no assurance that NBLA II's and NBIA's models are fundamentally sound or contain fully accurate data. The models used by NBLA II and NBIA will typically require certain market forecasts that are based on analytical models and assumptions. There can be no assurance that such models are accurate or that assumptions are not oversimplified, which would adversely affect market forecasts leading to potential losses and cash flow insufficiencies.
- **Non-U.S. Collateral Obligations.** Non-U.S. Collateral Obligations involve risks in addition to those associated with comparable U.S. Collateral Obligations and can be more volatile and experience more rapid and extreme changes in price than U.S. Collateral Obligations. Additional risks include exposure to less developed or less efficient trading markets; social, political or economic instability; fluctuations in non-U.S. currencies and concurrent exchange risk; nationalization or expropriation of assets; settlement, custodial or other operational risks; less stringent auditing, accounting, financial reporting and legal standards; excessive taxation; and exchange control regulations. Adverse conditions in a

particular region could negatively affect securities of countries whose economies appear to be unrelated or not interdependent. Compared to the United States, non-U.S. governments and markets often have less stringent accounting, disclosure and financial reporting requirements. As a result, non-U.S. Collateral Obligations can fluctuate more widely in price, and are often less liquid, than comparable U.S. Collateral Obligations. Markets of countries other than the U.S. are generally smaller than U.S. markets with a limited number of issuers representing fewer industries. In many countries, there is less publicly available and lower quality information about issuers than is available in the reports and ratings published about issuers in the U.S., and non-U.S. issuers may not be subject to uniform accounting, auditing and financial reporting standards. Many non-U.S. Collateral Obligations may be less liquid than U.S. Collateral Obligations, which could affect the investments under a strategy that utilizes these types of Collateral Obligations. The exchange rates between U.S. dollar and non-U.S. currencies might fluctuate, which could negatively affect the value of the strategy's investments.

- **Operational Risk.** NBLA II and NBIA use service providers from time to time in connection with their products. A Client Account's ability to transact with NBLA II may be negatively impacted due to operational risks arising from, among other problems, systems and technology disruptions or failures, or cybersecurity incidents. The occurrence of any of these problems could result in a loss of information, regulatory scrutiny, reputational damage and other consequences, any of which could have a material adverse effect on NBLA II or its clients. NBLA II and NBIA, through their monitoring and oversight of service providers, endeavor to determine that service providers take appropriate precautions to avoid and mitigate risks that could lead to such problems. However, it is not possible for NBLA II, NBIA or their service providers to identify all of the operational risks that will affect NBLA II or to develop processes and controls to completely eliminate or mitigate their occurrence or effects.

Specifically, since the use of technology has become more prevalent in the course of managing Client Accounts, NBLA II and the Client Accounts it manages are likely more susceptible to operational risks through breaches in cybersecurity. A cybersecurity incident refers to either intentional or unintentional events that allow an unauthorized party to gain access to client assets, customer data, or proprietary information, or cause NBLA II to suffer data corruption or lose operational functionality. A cybersecurity incident could, among other things, result in the loss or theft of Client Account data or funds, clients or employees being unable to access electronic systems ("denial of services"), loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or remediation costs associated with system repairs. Any of these results could have a substantial impact on Client Accounts. For example, if a cybersecurity incident results in a denial of service, service providers for a particular Client Account could be unable to access electronic systems to perform critical duties for such Client Account, such as trading, net asset value calculation or other accounting functions. Further, Client Accounts could also be exposed to losses resulting from unauthorized use of their personal information. Cybersecurity incidents could cause NBLA II or one of its service providers to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, or financial loss of a significant magnitude. Cybersecurity

incidents may also cause NBLA II to violate applicable privacy and other laws. NBLA II and NBIA have established risk management systems that seek to reduce the risks associated with cybersecurity, and business continuity plans in the event there is a cybersecurity breach. However, there is no guarantee that such efforts will succeed, and NBLA II and NBIA do not directly control the cybersecurity systems of the issuers of securities in which Client Accounts invest or NBLA II's service providers. In addition, such incidents could affect issuers in which a Client Account invests, and thereby cause a Client Account's portfolio investments to lose value.

- **Performance Notes.** NBLA II, acting through the Risk Retention Series, will purchase Performance Notes from each CLO managed by NBLA II. The Performance Notes may create incentives for NBLA II to make more risky or speculative investments than it would otherwise make.
- **Projections.** NBLA II will make investments relying, in part, upon projections it and NBIA have developed concerning an issuer or its Collateral Obligations or other assets' future performance, cash flow, recovery value and other factors. Projections are inherently uncertain and subject to factors beyond the control of NBLA II or NBIA. The inaccuracy of certain assumptions, the failure of an issuer to satisfy certain financial requirements and the occurrence of unforeseen events could cause any such projection to be materially inaccurate. Investors should therefore carefully examine the assumptions behind a particular projection or targeted return.
- **Proxy Contests and Unfriendly Transactions.** From time to time, a Client Account could purchase securities of a company that is the subject of a proxy contest in the expectation that new governance will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the company's securities will increase. If an incumbent board of a targeted company is not defeated or if new board members are unable to improve the company's performance or sell or liquidate the company, the market price of the company's securities (or those that use the company as a reference) will likely fall, which would cause the Client Account to suffer losses. In addition, where an acquisition or restructuring transaction or proxy fight is opposed by the subject company's management, the transaction could become the subject of litigation. Such litigation involves substantial uncertainties and could impose substantial cost and expense on the company participating in the transaction.
- **Recent Market Conditions.** The ability of the CLO issuers to make payments on the notes issued by the CLOs will depend in part on general economic conditions and the financial health of corporate borrowers. Negative trends or volatility in economic conditions generally or in particular financial and credit markets are likely to increase the number of non-performing Collateral Obligations and decrease the value and collectability of assets. It is difficult to predict which markets, products, businesses and assets will be affected by particular economic or business conditions (or to what degree the health of particular markets or industries are dependent on monetary policies by central banks, particularly the Federal Reserve). There is no assurance that conditions in the credit and other financial markets will not deteriorate at any time and there is a material possibility that economic

activity will be volatile or will slow over the moderate to long term. A decrease in market value of the Collateral Obligations would also adversely affect the sale proceeds that could be obtained upon the sale of the Collateral Obligations and could ultimately affect the ability of the CLO issuers to pay in full or redeem the notes issued by the CLOs.

As described above, the global economy is currently experiencing a significant disruption, and there is no assurance that conditions in the credit and other financial markets will stabilize at any point in the near term, and could continue to deteriorate. There is a material possibility that economic activity will not only continue to be volatile, but will also be slow over the moderate to long term.

In the recent past, an extreme downturn in the credit markets and other financial markets has developed, which has resulted in a dramatic deterioration in the financial condition of many companies and Underlying Obligors. It is difficult to predict how long and to what extent these conditions may continue to deteriorate, and which markets, products, businesses and assets may experience this deterioration (or to what degree any such deterioration is dependent on monetary policies by central banks, including the Federal Reserve System). There is no assurance that conditions in the credit and other financial markets will not continue to deteriorate and there is a material possibility that economic activity will be volatile. To the extent that economic and business conditions continue to deteriorate, non-performing assets are likely to increase, and the market value of the Collateral Obligations are likely to decrease. A decrease in market value of the Collateral Obligations would also adversely affect the sale proceeds that could be obtained upon the sale of the Collateral Obligations and could ultimately affect the ability of the CLO issuers to pay in full or redeem the secured notes issued by the CLOs, as well as the ability to make any distributions in respect of the subordinated notes issued by the CLOs.

Negative economic trends nationally as well as in specific geographic areas of the United States also could result in an increase in loan defaults and delinquencies. An inability of Underlying Obligors to obtain refinancing (particularly as high levels of required refinancings approach) may result in an economic decline that could delay or derail an economic recovery and cause a deterioration in loan performance generally.

Several nations, particularly within the EU, are currently suffering from significant economic distress that commenced prior to the COVID-19 pandemic. There can be no assurance as to the resolution of the economic problems in those countries, nor as to whether such problems will spread to other countries or otherwise negatively affect wider economies or markets. A debt default by a sovereign nation or other potential consequences of these economic problems may trigger additional crises in the global credit markets and economy which could have a significant adverse effect on the CLO issuers and the notes issued by the CLOs.

Certain of the Collateral Obligations may be issued by Underlying Obligors located in the EU or otherwise affected by the strength or weakness of the euro. European financial markets have experienced volatility and have been adversely affected by concerns about rising government debt levels, credit rating downgrades, and possible default on or

restructuring of government debt. These events have caused bond yield spreads (the cost of borrowing debt in the capital markets) and credit default spreads (the cost of purchasing credit protection) to increase, most notably in relation to certain eurozone countries. The governments of several member countries of the EU have experienced large public budget deficits, which have adversely affected the sovereign debt issued by those countries and may ultimately lead to declines in the value of the euro.

In the United States, political and diplomatic events, including a contentious domestic political environment, changes in political party control of one or more branches of the U.S. government, the U.S. government's inability at times to agree on a long-term budget and deficit reduction plan, the threat of a U.S. government shutdown, and disagreements over, or threats not to increase, the U.S. government's borrowing limit (or "debt ceiling"), as well as political and diplomatic events abroad, may affect investor and consumer confidence and may adversely affect financial markets and the broader economy, perhaps suddenly and to a significant degree. A downgrade of the ratings of U.S. government debt obligations, or concerns about the U.S. government's credit quality in general, could have a substantial negative effect on the U.S. and global economies. Moreover, although the U.S. government has honored its credit obligations, it remains possible that the United States could default on its obligations. The consequences of such an unprecedented event are impossible to predict, but it is likely that a default by the United States would be highly disruptive to the U.S. and global securities markets and could significantly impair the value of a Client Account's investments.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks amplified by digital communications, have in the past and may in the future lead to market-wide liquidity problems which could adversely affect NBLA II. For example, the recent banking turmoil spread uncertainty over liquidity concerns broadly across the global financial system and jolted financial markets. On March 10, 2023, Silicon Valley Bank, or SVB, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation, or the FDIC, as receiver. Similarly, on March 12, 2023, Signature Bank was placed into FDIC receivership. Following the collapse of these institutions, the Department of the Treasury, the Federal Reserve, and the FDIC issued a joint statement promising to protect all depositors of these institutions regardless of deposit insurance limits. There is no guarantee that the Department of the Treasury, the Federal Reserve, and the FDIC would make a similar systemic risk exception to protect all deposits in the event of the failure of a different institution. While the situation around recent banking turmoil is still fluid and the overall impact of it is unknown, if any parties with which NBLA II conducts business were unable to access deposits with another financial institution, or were unable to access funds pursuant to instruments or lending arrangements with such a financial institution, such parties' credit quality, ability to pay their obligations to NBLA II, or ability to enter into new commercial arrangements requiring additional payments to NBLA II could be adversely affected.

Those and other events, and the potential for continuing market turbulence, may have an adverse effect on Client Accounts. Because the impact on the markets has been widespread, it is difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market conditions. Changes in market conditions will not have the same impact on all types of securities. Interest rates had been unusually low in recent years in the United States and abroad, but the Federal Reserve in the United States increased interest rates by four and one-quarter percentage points in 2022 and an additional one-quarter percentage point in both February and March 2023, when it signaled its willingness to effect further rate increases in the future if warranted. Actions taken by the Federal Reserve or foreign central banks to stimulate or stabilize economic growth, such as interventions in currency markets, could cause high volatility in the market. The U.S. is also renegotiating many of its global trade relationships and has imposed or threatened to impose significant import tariffs. These actions could lead to price volatility and overall declines in U.S. and global investment markets. A significant increase in interest rates could cause a decline in the market for equity securities. Also, regulators have expressed concern that rate increases may contribute to price volatility.

In addition, there is a risk that the prices of goods and services in the U.S. and many non-U.S. economies will decline over time, known as deflation (the opposite of inflation). Deflation could have an adverse effect on prices and creditworthiness and would make defaults on debt more likely. If a country's economy slips into a deflationary pattern, it could last for a prolonged period and is often difficult to reverse.

- **Recent Regulatory Actions in Japan.** On March 25, 2019, the Japanese Financial Services Agency (the "**Japanese FSA**") published final rules and related FAQs implementing risk retention and disclosure requirements for certain Japanese financial institutions (such investors, "**Japanese Affected Investors**") seeking to invest in securitization transactions (collectively, the "**JFSA Final Rules**"). Among other things, the JFSA Final Rules require Japanese Affected Investors to apply for regulatory capital purposes a risk weighting of 1,250% to securitization exposures they hold unless (i) the applicable "originator" (as defined in the JFSA Final Rules) commits to hold a retention piece of at least 5% of the total underlying assets in the securitization transaction or (ii) the Japanese Affected Investor determines that the assets collateralizing the securitization transaction were "not inappropriately formed," a concept that includes due diligence on the underwriting and servicing of the assets and/or the holding of the required risk retention in the aggregate by one or more of the originator, its parent or other entities "deeply involved" in the origination of the securitization (the "**Japanese Retention Requirement**").

While NBLA II holds Retention Interests in CLOs it manages, it may or may not continue to hold such Retention Interests, nor is it certain that the Retention Interests held by NBLA II will satisfy the Japanese Retention Requirement, particularly given the differing requirements of the JFSA Final Rules, the U.S. Risk Retention Rules, the EU Securitization Rules and the UK Securitization Rules. It is difficult to predict the impact of the JFSA Final Rules on the CLO market and NBLA II's business at this time. Japanese investors have in recent years constituted the largest share of investors in senior, AAA-rated notes issued by CLOs backed by broadly-syndicated loans and, if Japanese Affected Investors were to

reduce their holdings in CLO notes as a result of the JFSA Final Rules, it may have a material adverse effect on liquidity, valuations and performance of Client Accounts.

- **Recent Regulatory Events and Government Intervention.** Volatility in the financial markets in recent years has resulted in increased regulation, and the need of many financial institutions for government help has given lawmakers and regulators increased leverage. The Dodd-Frank Act, among other things, granted regulatory authorities broad rulemaking and enforcement authority to implement and oversee various provisions of the Dodd-Frank Act, including comprehensive regulation of the OTC derivatives and consumer credit markets. The Dodd-Frank Act covers a broad range of topics, including (among many others) a reorganization of federal financial regulators; a process intended to improve financial systemic stability and the resolution of potentially insolvent financial firms; new rules for derivatives trading; the creation of a consumer financial protection watchdog; the registration and additional regulation of hedge and private equity fund managers; and new federal requirements for residential mortgage loans. The U.S. government or its agencies may also acquire distressed assets from financial institutions and acquire ownership interests in such institutions. The implications of government ownership and disposition of these assets are unclear and such a program may have positive or negative effects on liquidity, valuations and performance of Client Accounts. Instruments in which Client Accounts may invest, or the issuers of such instruments, may be affected in ways that are unforeseeable.

Further, the Dodd-Frank Act created the Financial Stability Oversight Council (“**FSOC**”), an interagency body charged with identifying and monitoring systemic risks to financial markets. The FSOC has the authority to require that nonbank financial companies that are “predominantly engaged in financial activities,” such as Client Accounts or NBLA II, whose failure it determines would pose systemic risk be placed under the supervision of the Federal Reserve. The FSOC has the authority to recommend that the Federal Reserve adopt more stringent prudential standards and reporting and disclosure requirements for nonbank financial companies supervised by the Federal Reserve. Such disclosure requirements may include the disclosure of the identity of investors in private funds. The FSOC also has the authority to make recommendations to the Federal Reserve on various other matters that may affect the Client Accounts, including requiring financial firms to submit resolution plans, mandating credit exposure reports, establishing concentration limits, and limiting short-term debt. The FSOC also may recommend that other U.S. federal financial regulators impose more stringent regulation upon, or ban altogether, financial activities of any financial firm that poses what it determines to be significant risks to the financial system. In the event that the FSOC designates a Client Account and/or NBLA II as a systemic risk to be placed under the Federal Reserve’s supervision, the Client Account could face stricter prudential standards, including risk-based capital requirements, leverage limits, liquidity requirements, concentration requirements, and overall risk management requirements, among other restrictions. Such requirements could hinder the Client Account’s ability to meet its investment objective and may place the Client Account at a disadvantage with respect to its competitors.

Over time, a Client Account's adherence to new recordkeeping and reporting requirements imposed by the Dodd-Frank Act and related regulations may increase the Client Account's expenses. Also, as a result of the Dodd-Frank Act, the Client Accounts may have to disclose confidential information to the SEC, which in turn could share the information with the FSOC and Congress. The Dodd-Frank Act contains provisions to protect private funds' confidential information; however there is always the risk of inadvertent or intentional information leaks from government agencies and/or mistakes in the handling of such confidential information.

The statutory requirements of the Dodd-Frank Act are being implemented primarily through rules and regulations adopted by the SEC and/or the CFTC. There is a prescribed phase-in period during which most of the mandated rulemaking and regulations are being implemented, and temporary exemptions from certain rules and regulations have been granted so that current trading practices will not be unduly disrupted during the transition period. However, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the Dodd-Frank Act and increased regulation arising out of the recent financial crisis are still difficult to predict or measure with certainty. Until the regulations mandated by the Dodd-Frank Act are implemented completely, it will not be possible to determine the complete impact of the Dodd-Frank Act and related regulations on the Client Accounts. Additionally, other G-20 countries have implemented or are in the process of adopting regulations to govern swap transactions, and particular transactions will be subject to the laws and regulations of other jurisdictions.

The Dodd-Frank Act included certain amendments to the Securities Exchange Act of 1934 pursuant to which various federal agencies issued rules requiring a "securitizer" or "sponsor" of a CLO to retain, directly or indirectly through a majority-owned affiliate, at least 5% of the credit risk of the securitized assets (the "**U.S. Risk Retention Rules**"). On February 9, 2018, the United States Court of Appeals for the District of Columbia ruled that the U.S. Risk Retention Rules did not apply to managers of so-called "open-market CLOs" (such ruling, the "**Circuit Court Ruling**"), and on April 5, 2018, the U.S. District Court for the District of Columbia issued an order implementing this decision and vacating the U.S. Risk Retention Rules with respect to managers of open-market CLOs. As a result, the U.S. Risk Retention Rules no longer apply to managers of open-market CLOs.

Accordingly, NBLA II does not expect to take affirmative steps to comply with the U.S. Risk Retention Rules, which could lead to NBLA II holding positions that are smaller than the 5% interests described in Item 11.B.4 with respect to the U.S. Risk Retention Rules.

In addition, the final Volcker Rule published under Section 619 of the Dodd-Frank Act (the "Volcker Rule"), among other things, prohibits "banking entities" from engaging in proprietary trading or from acquiring or retaining an "ownership interest" or "other similar interest" in, or sponsoring or having certain relationships with, certain private equity or hedge funds (referred to as "covered funds"), subject to certain exemptions. The Volcker Rule and the implementing regulations contain limited exceptions, including an exclusion from the definition of "covered fund" commonly referred to as the "loan securitization exclusion," which applies to an asset-backed security issuer the assets of which, in general,

consist only of loans, assets or rights designed to ensure the servicing or timely distribution of proceeds to holders or that are related or incidental to purchasing or otherwise acquiring and holding loans and assets received in lieu of debts previously contracted.

On October 1, 2020, certain revisions to the Volcker Rule (the “**2020 Volcker Changes**”) became effective. The 2020 Volcker Changes, among other things, (i) permit covered funds relying on the loan securitization exclusion from the Volcker Rule to acquire assets that do not constitute loans and other assets or rights not currently permitted under the loan securitization exclusion, in an aggregate amount not to exceed 5% of the aggregate value of the issuing entity’s assets, (ii) exclude from the definition of “ownership interest” certain “senior loans” or “senior debt interests” issued by a covered fund and (iii) clarify that the right to participate in the removal of a collateral manager for cause or to participate in the selection of a replacement manager upon the manager’s resignation or removal would not be a feature that results in a banking entity having an ownership interest in a covered fund. As a result of the 2020 Volcker Changes, banking entities investing in a class of CLO securities meeting the definition of a “senior debt interest” or that no longer constitute an “ownership interest” under the Volcker Rule would not be an ownership interest in a covered fund.

Investors in the CLO securities must make their own determination as to how, or if, the 2020 Volcker Changes will affect their investment in the CLO securities, and how such determinations may be affected by the possible applicability of the CRA. Even following the 2020 Volcker Changes, a CLO’s indenture may still not permit the CLO issuer to purchase debt securities unless and until either the indenture were amended in accordance with the terms thereof or certain conditions are satisfied. There can be no assurance that a CLO issuer would be able to effect such an amendment or satisfy such conditions. In addition, no assurance can be offered that a CLO issuer would continue to qualify for the loan securitization exclusion or another operative exclusion from the definition of “covered fund.”

On February 9, 2022, the SEC voted to propose a suite of new rules and amendments (the “**Private Fund Adviser Proposal**”) under the Investment Advisers Act. If adopted, the Private Fund Adviser Proposal would significantly increase the compliance obligations of advisers to “private funds”, i.e., funds that rely on the exceptions from the definition of “investment company” provided in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. Because CLO issuers generally rely on Section 3(c)(7), if the Private Fund Adviser Proposal were to become effective in its current form, the Private Fund Adviser Proposal would impose substantial additional obligations on NBLA II, including by requiring additional reporting and audited financial statements for the CLOs advised by NBLA II, prohibiting NBLA II from being indemnified in certain instances as contemplated under the collateral management agreements entered into with the various CLO issuers, and prohibiting NBLA II from providing preferential treatment (e.g. via side letters) to certain investors regarding redemption and other matters. In addition, the Private Fund Adviser Proposal would require fairness opinions for adviser-led secondary transactions, which could adversely affect NBLA II’s ability to consummate refinancings or other transactions (which in turn could adversely affect the Assets). Based on the current form

of the Private Fund Adviser Proposal, it is not expected that CLO transactions that close prior to the effectiveness of the Private Fund Adviser Proposal would be exempted through any kind of “grandfathering” provision. If enacted, the Private Fund Adviser Proposal may disincentivize collateral managers to participate in CLO transactions, and if NBLA II were to resign as collateral manager with respect to any CLO, or the applicable holders desired to remove NBLA II in connection with a “cause” event with respect to any CLO, there may be no successor collateral manager willing to accept appointment as such, in which case NBLA II would be required to continue to act as collateral manager thereunder.

On February 15, 2023, the SEC proposed amending and redesignating Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) to cover a broader scope of client assets and mandate extensive new contractual relationships between investment advisers and their clients’ custodians. If adopted as proposed, the amendments would, among other things: (i) explicitly include an investment adviser’s discretionary authority to trade client assets and the ability to transfer client assets within the definition of “custody” under the Custody Rule; (ii) expand the Custody Rule to cover a broader array of advisory activities and client assets beyond “client funds and securities,” which would include digital assets; (iii) require investment advisers to enter into a written agreement with each qualified custodian that maintains possession or control of client assets and obtain reasonable assurances in writing that the custodian will take certain actions, including responding to SEC information requests; and (iv) update related recordkeeping and reporting requirements for investment advisers. The SEC is not expected to adopt these proposed amendments (or any variations on them) until 2024, if not later.

Changes in administration could herald changes in certain policies, among them proposals relating to the regulation of certain players in the financial markets. While these proposed policies are going through the political process, markets could react strongly to expectations, which could increase volatility, especially if a market’s expectations for changes in government policies are not borne out.

Client Accounts are also subject to the risk of local, national and global economic disturbances based on unknown conditions in the markets in which the Client Accounts invest. In the event of such disturbances, issuers of Collateral Obligations held by a Client Account may suffer significant declines in the value of these assets and even terminate operations. Such issuers also may receive government assistance accompanied by increased control and restrictions or other government intervention. It is not clear whether the U.S. government will intervene in response to such disturbances and the effect of any such intervention is unpredictable.

- **Reliance on Corporate Management and Financial Reporting.** NBLA II will select investments for Client Accounts in part on the basis of information and data filed by issuers of Collateral Obligations with various government regulators, publicly available or made directly available to NBLA II and/or NBIA by such issuers or third parties. Although NBLA II and/or NBIA will evaluate this information and data and seek independent corroboration when it considers it appropriate and reasonably available, NBLA II and/or NBIA will not always be in a position to confirm the completeness, genuineness or accuracy of such

information and data. NBLA II and NBIA are dependent upon the integrity of the management of such issuers and of such third parties as well as the financial reporting process in general. Client Accounts may incur material losses as a result of corporate mismanagement, fraud and accounting irregularities relating to issuers of securities or other assets they hold.

- **Russia's Invasion of Ukraine.** Russia's invasion of Ukraine, and corresponding events commencing in February/March 2022, have had, and could continue to have, severe adverse effects on regional and global economic markets. Following Russia's actions, various governments, including the United States, have issued broad-ranging economic sanctions against Russia, including, among other actions, a prohibition on doing business with certain Russian companies, large financial institutions, officials and oligarchs; the removal by certain countries and the European Union of selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications ("SWIFT"), the electronic banking network that connects banks globally; and restrictive measures to prevent the Russian Central Bank from undermining the impact of the sanctions. The current events, including sanctions and the potential for future sanctions, including any impacting Russia's energy sector, and other actions, and Russia's retaliatory responses to those sanctions and actions, may continue to adversely impact the Russian economy and may result in the further decline of the value and liquidity of Russian and other securities, a continued weakening of the ruble and continued exchange closures, and may have other adverse consequences on the Russian economy and other economies that could impact the value of these investments and impair the ability of a Client Account to buy, sell, receive or deliver those investments. The borrower or Underlying Obligor under a Collateral Obligation may be required to comply with these and potentially additional sanctions imposed by the United States and by other countries, for which the full costs, burdens, and limitations on the businesses and prospects of such borrowers and Underlying Obligors are currently unknown and may become significant. Additionally, to the extent that borrowers or Underlying Obligors under Collateral Obligations or their customer bases or supply chains have material operations or assets in or other exposure to Russia, Ukraine, Belarus or the immediately surrounding areas, they may suffer adverse consequences related to the ongoing conflict, which in turn would be expected to adversely affect the Collateral Obligations. Moreover, those events have, and could continue to have, an adverse effect on global markets performance and liquidity, thereby negatively affecting the value of a Client Account's investments. The duration of ongoing hostilities and the vast array of sanctions and related events cannot be predicted. Those events present material uncertainty and risk with respect to markets globally and the performance of a Client Account and its investments or operations could be negatively impacted.
- **Sector Risk.** To the extent that a Client Account invests more heavily in particular sectors, industries, or sub-sectors of the market, its performance will be especially sensitive to developments that significantly affect those sectors, industries, or sub-sectors. An individual sector, industry, or sub-sector of the market may be more volatile, and may perform differently, than the broader market. The several industries that constitute a sector could all react in the same way to economic, political or regulatory events. A Client Account's performance could be affected if the sectors, industries, or sub-sectors do not

perform as expected. Alternatively, the lack of exposure to one or more sectors or industries could adversely affect performance.

- **Systemic Risk Generally.** It is possible that credit risk will arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a “systemic risk” and often adversely affects financial intermediaries, such as banks, securities firms and exchanges, with which NBLA II interacts on a daily basis.
- **Tax Risk.** Tax laws and regulations applicable to a Client Account are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes. A strategy’s U.S. federal income tax liability with respect to income and gains on an investment could exceed its overall return for such a year. Further, a strategy could face limitations with respect to its ability to use its allocable share of deductions and losses from its investments in certain securities. The tax treatment of some strategies is uncertain. Investors should consult their own tax advisors to determine the potential tax-related consequences of investing in a Client Account.
- **Terrorism Risk.** Terrorist attacks often lead to increased short-term market volatility and could have long-term effects on United States and world economies and markets. Terrorist attacks also could adversely impact interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to a Client Account’s Collateral Obligations and adversely affect such account’s service providers and operations.
- **Total Return Swaps.** NBLA II may enter into total return swaps (“TRS”) to obtain exposure to a Collateral Obligation without owning or taking physical custody of such Collateral Obligation. Thus, a Client Account may be either a total return receiver or a total return payer. Generally, the total return payer sells to the total return receiver an amount equal to all cash flows and price appreciation on a defined Collateral Obligation or asset payable at periodic times during the swap term (i.e., credit risk) in return for a periodic payment from the total return receiver based on a designated index (e.g., the Secured Overnight Financing Rate, known as SOFR) and spread, plus the amount of any price depreciation on the reference security or asset. The total return payer does not need to own the underlying Collateral Obligation or asset to enter into a total return swap. The final payment at the end of the swap term includes final settlement of the current market price of the underlying reference Collateral Obligation or asset, and payment by the applicable party for any appreciation or depreciation in value. Usually, collateral must be posted by the total return receiver to secure the periodic interest-based and market price depreciation payments depending on the credit quality of the underlying reference Collateral Obligation and creditworthiness of the total return receiver, and the collateral amount is marked-to-market daily equal to the market price of the underlying reference Collateral Obligation or asset between periodic payment dates.

TRS agreements may be used to obtain exposure to a Collateral Obligation without owning or taking physical custody of such Collateral Obligation. TRS may effectively add leverage

to a Client Account because, in addition to the net assets of the Client Account, the Client Account would be subject to investment exposure on the notional amount of the swap. If a Client Account is the total return receiver in a TRS, then the credit risk for an underlying asset is transferred to the Client Account in exchange for its receipt of the return (appreciation) on that asset. If a Client Account is the total return payer, it is hedging the downside risk of an underlying asset but it is obligated to pay the amount of any appreciation on that asset.

- **United Kingdom's Withdrawal from the European Union.** The precise details and the resulting impact of the UK's withdrawal from the EU, commonly referred to as "Brexit," are impossible to know for sure at this point. The UK officially left the EU on January 31, 2020 with a transition period having expired on December 31, 2020 (during which the UK continued to apply EU law and was treated for all material purposes as if part of the EU). A UK/EU Future Relationship Agreement came into effect from January 1, 2021 and now governs the relationship between the UK and EU. However, although the UK/EU Future Relationship Agreement covers many issues such as economic partnership, free trade, law enforcement, judicial co-operation and governance, the UK/EU Future Relationship Agreement itself is silent on items such as financial services equivalence and data protection adequacy. As such, there remains uncertainty as to the scope, nature and terms of the relationship between the UK and the EU and the effect and implications of the UK/EU Future Relationship Agreement, and it is difficult to assess the precise impact of Brexit on the Client Accounts. The effect on the UK's economy will likely depend on the nature of trade relations with the EU and other major economies following its exit, which are matters to be negotiated. This uncertainty may adversely impact the global economic climate and may impact companies or assets, including with respect to opportunity, pricing, regulation, value or exit, considered for prospective investment by a Client Account, including in particular companies based in, doing business in, or having service or other significant relationships in, the UK or the EU. Brexit may cause greater market volatility and illiquidity, currency fluctuations, deterioration in economic activity, a decrease in business confidence, and increased likelihood of a recession in the UK. The future application of EU-based legislation generally, and to banking, financial services and insurance industries in particular, will ultimately depend on how the UK renegotiates its relationship with the European Union. The decision may cause increased volatility and have a significant adverse impact on world financial markets, other international trade agreements, and the UK and European economies, as well as the broader global economy for some time. There can be no assurance that any renegotiated terms or regulations will not have an adverse impact on the Client Accounts, NBLA II or Neuberger Berman, including the ability of a Client Account to achieve its investment objective. There may be detrimental implications for the value of the investments of the Client Accounts and/or NBLA II's ability to implement its investment program.
- **Valuation Risk.** The price at which a Client Account could sell any particular investment may differ from the Client Account's valuation of the investment. Such differences could be significant, particularly for illiquid Collateral Obligations and Collateral Obligations that trade in relatively thin markets or markets that experience extreme volatility. If market or other conditions make it difficult to value some investments, the Client Account could value

these investments using more subjective methods, such as fair value methodologies. Because nonpublic financial and operational information regarding some investments are not always disclosed or are disclosed at irregular intervals, it is possible that NBLA II will value the investment differently than other managers. A Client Account may use pricing services to provide values for certain securities, and there is no assurance that a Client Account will be able to sell an investment at the price established by such pricing services. Different pricing services use different valuation methodologies, potentially resulting in different values for the same investments. As a result, if a Client Account were to change pricing services, or if a pricing service were to change its valuation methodology, the value of the Client Account's investments could be affected. A Client Account's ability to value its investments in an accurate and timely manner may also be affected by technological issues or errors by third party service providers, such as pricing services (as noted above) or accounting agents.

- **When-Issued and Delayed Delivery Transactions Risk.** When-issued and delayed-delivery transactions occur when Collateral Obligations are purchased or sold by a Client Account with payment and delivery taking place in the future to secure an advantageous yield or price. These transactions often expose the Client Account to counterparty risk of default as well as the risk that Collateral Obligations will experience fluctuations in value prior to their actual delivery. Purchasing Collateral Obligations on a when-issued or delayed-delivery basis involves the additional risk that the price available in the market when the delivery takes place will not be as favorable as (or the yield will be more favorable than) that obtained in the transaction.

### **Additional Risks for CLOs**

The following is a summary of certain material risks that are generally applicable to CLOs that should be considered along with the general risks listed above. Certain material risks involved in the types of Collateral Obligations in which the CLOs principally invest are discussed below. The risks listed below are listed in alphabetical order and not in order of importance.

- **Adjustments to Terms of Loan Agreements.** The terms and conditions of loan agreements and related assignments may be amended, modified or waived only by the agreement of the lenders. Generally, any such agreement must include a majority or a supermajority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders. Consequently, the terms and conditions of the payment obligation arising from loan agreements relating to a CLO's loans could be modified, amended or waived in a manner contrary to the preferences of the CLO if a sufficient number of the other lenders concurred with such modification, amendment or waiver. There can be no assurance that any the Underlying Obligor will maintain the obligations arising from a loan agreement and/or the terms and conditions to which the CLO originally agreed. Because the CLOs may invest through participation interests, it is possible that the CLOs may not be entitled to vote on any such adjustment of terms of such agreements.

The exercise of remedies may also be subject to the vote of a specified percentage of the lenders thereunder. The CLOs will have the authority to consent to certain amendments, waivers or modifications to the loan agreements requested by Underlying Obligor or the lead agents for loan syndication agreements. The CLOs may extend or defer the maturity, adjust the outstanding balance of any investment, reduce or forgive interest or fees, release material collateral or guarantees, or otherwise amend, modify or waive the terms of any related loan agreement, including the payment terms thereunder. Any amendment, waiver or modification of an investment could adversely impact the CLOs' investment returns.

- **Asset Sourcing.** NBLA II and NBIA may have difficulty sourcing certain Assets. Factors that may affect the ability to source suitable investments include, among other things, the following: (i) developments in the market for leveraged loans or other general market events, which may include changes in interest rates or credit spreads or other events which may adversely affect the price of securities; (ii) whether individually or collectively, competition for investment opportunities and the inability to acquire securities at favorable yields (including if the CLOs' competitors have greater access to financial, technical and marketing resources than NBLA II and NBIA, a lower cost of funds than the CLOs, and access to funding sources that are not available to the CLOs); (iii) the inability of the CLOs to reinvest the proceeds from the sale or repayment of any of their assets in suitable target investments on a timely basis, whether at prices that NBLA II believes are appropriate or at all; and (iv) the inability of the CLOs to secure debt financing or refinancing of the portfolio on a timely basis, whether on a basis that is satisfactory to NBLA II or at all.
- **Bank Loan Agents.** Bank loans are typically administered by a bank, insurance company, finance company or other financial institution (the "**Agent**") for a lending syndicate of financial institutions. In a typical bank loan, the Agent administers the terms of the loan agreement and is responsible for the collection of principal and interest and fee payments from the borrower and the apportionment of these payments to all lenders that are parties to the loan agreement. In addition, an institution (which may be the Agent) often holds collateral on behalf of the lenders. Typically, under loan agreements, the Agent is given broad authority in monitoring the borrower's performance and is obligated to use the same care it would use in the management of its own property. In asserting rights against a borrower, the Client Account normally would be dependent on the willingness of the lead bank to assert these rights, or upon a vote of the lenders to authorize the action.

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

- **Bankruptcy Risk.** In the event of a bankruptcy or insolvency of an Underlying Obligor, a court or other governmental entity may determine that the claims of the CLOs are not valid

or not entitled to the treatment that was expected when the related loan asset was acquired.

Various laws enacted for the protection of debtors may apply to the underlying loan assets owned by the CLOs. The information in this and the following paragraph represents a brief summary of certain points only, is not intended to be an extensive summary of the relevant issues and is applicable with respect to U.S. Underlying Obligors. The following is not intended to be a summary of all relevant risks. Avoidance provisions similar to those described below are sometimes available with respect to non-U.S. Underlying Obligors, but there is no assurance that this will be the case which may result in a much greater risk of partial or total loss of value in that underlying asset.

If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an Underlying Obligor, such as a trustee in bankruptcy, were to find that such Underlying Obligor did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting such underlying assets and, after giving effect to such indebtedness, the Underlying Obligor (i) was insolvent; (ii) was engaged in a business for which the remaining assets of such issuer or borrower constituted unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could decide to invalidate, in whole or in part, the indebtedness constituting the underlying assets as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the Underlying Obligor or to recover amounts previously paid by the Underlying Obligor in satisfaction of such indebtedness. In addition, in the event of the insolvency of an Underlying Obligor, payments made on such underlying loan assets could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year under U.S. federal bankruptcy law or even longer under U.S. state laws) before insolvency.

The underlying loan assets held by the CLOs may be subject to various laws for the protection of debtors in other jurisdictions, including the jurisdiction of incorporation of the Underlying Obligor and, if different, the jurisdiction from which it conducts business and in which it holds assets, any of which may adversely affect such Underlying Obligor’s ability to make, or a creditor’s ability to enforce, payment in full, on a timely basis or at all. These insolvency considerations will differ depending on the jurisdiction in which an Underlying Obligor or the related underlying loan assets are located and may differ depending on the legal status of the Underlying Obligor.

- **Below Investment-Grade Loans Involve Particular Risks.** The loans or interests therein included in the CLOs will consist primarily of non-investment grade loans or interests in non-investment grade loans, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. It is anticipated that such loans or interests therein generally will be subject to greater risks than investment grade corporate obligations.

These risks could be exacerbated to the extent that any portfolio is concentrated in one or more particular types of loans. While a limited amount of concentration of certain loans

with respect to any particular Underlying Obligor, region or industry may exist at the time a particular investment is made, redemptions of loans and the disposition of loans and any subsequent reinvestment in other loans may result in a greater concentration in any one Underlying Obligor, region or industry, and such concentration could subject the related CLO notes to a greater degree of risk with respect to collateral defaults by such Underlying Obligor and economic downturns relating to such industry or region.

Any reinvestment by a CLO issuer with amounts from the redemption or disposition of loans would also expose such CLO issuer to the market conditions prevailing at the time of such sale and reinvestment and could result in adverse changes in the characteristics and quality of the CLO's portfolio. Prices of loans may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, U.S. and international economic or political events, developments or trends in any particular industry, and the financial condition of the Underlying Obligors of the underlying assets. The current uncertainty affecting the United States economy and the economies of other countries in which Underlying Obligors of loans are domiciled or conduct operations, and the possibility of increased volatility in financial markets, could adversely affect the value and performance of the CLOs.

Underlying Obligors of below investment-grade assets may be highly leveraged and may not have available to them more traditional methods of financing. During an economic downturn, a sustained period of rising interest rates, or a period of fluctuating exchange rates (in respect of those Underlying Obligors located or operating in non-U.S. countries), such Underlying Obligors may be more likely to experience financial stress and may be unable to meet their debt obligations due to the Underlying Obligors' inability to meet specific projected business forecasts or the unavailability of financing. All risks associated with the CLO issuer's investments in such assets will be borne by the holders of the CLO's notes.

Most of the loans or interests therein included in the CLOs will have only a limited trading market. The illiquidity of such loans may restrict the CLO issuer's ability to dispose of such loans in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities. In particular, the market for non-investment grade loans has experienced periods of severe price volatility and reduced liquidity. Additionally, loans and interests in loans have significant liquidity and market value risks since they are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded securities. In addition, historically the trading volume in the loan market has been small relative to the high-yield debt securities market.

Loans may become nonperforming or impaired for a variety of reasons. Such nonperforming or impaired loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the loan. In addition, because of

the unique and customized nature of a loan agreement and the private syndication of a loan, certain loans may not be purchased or sold as easily as publicly traded securities and, historically, the trading volume in the loan market has been small relative to other markets. Loans may encounter trading delays due to their unique and customized nature, and transfers may require the consent of an agent bank and/or borrower. Risks associated with bank loans include the fact that prepayments generally may occur at any time without premium or penalty.

- **Concentration Risk.** The underlying loans owned by the CLOs are subject to liquidity, market value, credit, repricing, default, recovery, interest rate, reinvestment and certain other risks. These risks could be exacerbated to the extent that the loans are concentrated in one or more particular types of loans, regions or industries. Moreover, redemptions or prepayments of loans and the disposition of loans and any subsequent reinvestment in other assets may result in greater concentrations. High levels of concentrations in any specific type of loan, region or industry could subject an investment in such loans to a greater degree of risk with respect to collateral defaults and with respect to economic downturns relating to such industry or region. No assurance can be made that the underlying loans will not be or become highly concentrated, which could have an adverse effect on the CLOs.
- **Covenant-Lite Loans.** A significant portion of the loans or interests therein included in the CLOs may be composed of loans that are considered “covenant-lite.” Generally, such loans either do not require the borrower to maintain debt service or other financial ratios or do not contain common restrictions on the ability of the borrower to change significantly its operations or to enter into other significant transactions that could affect its ability to repay such loans. As a result, the CLO issuer’s exposure to losses may be increased, which could result in an adverse impact on the CLO issuer’s ability to repay the CLO securities. In addition, in the current economic environment, the market prices of such covenant-lite loans may be depressed.
- **Creditors’ Rights.** Certain of the Assets will be subject to various laws for the protection of creditors in the jurisdictions of the investments concerned. A CLO issuer, as a creditor, may experience less favorable treatment under different insolvency regimes than those that apply in the United States, including in cases where the CLO issuer seeks to enforce any security it may hold as a creditor.
- **Currency Risk.** While the CLOs managed by NBLA II will be denominated in U.S. Dollars, those CLOs may hold investments that are denominated in currencies other than U.S. Dollars, which will be subject to the risk that the value of such currency will decrease in relation to the U.S. Dollar. Although NBLA II may consider hedging any non-U.S. Dollar exposures back to U.S. Dollars, an increase in the value of the U.S. Dollar compared to other currencies in which the CLO makes its investments would otherwise reduce the effect of increases and magnify the effect of decreases in the prices of its non-U.S. Dollar denominated investments in their local markets. Fluctuations in currency exchange rates will similarly affect the U.S. Dollar equivalent of any interest, dividends or other payments made that are denominated in a currency other than U.S. Dollars.

- **Financial Product Risks.** All investments in loans or interests therein risk the loss of the entire amount of capital invested. The investments made by the CLOs may utilize techniques such as leverage, margin transactions, short sales, swaps, options on securities and forward contracts, which practices may, in certain circumstances, increase the adverse impact to which such loan investments are subject.
- **Fraud Risk.** Of concern in investments in loans is the possibility of material misrepresentation or omission on the part of the Underlying Obligor. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of a CLO to perfect or effectuate a lien on any collateral securing the loan. NBLA II, NBIA and the CLOs will rely upon the accuracy and completeness of representations made by the Underlying Obligors, without any or with limited diligence or investigation on their part. Under certain circumstances, payments to the CLOs may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.
- **Inflation Risk.** Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of a Client Account can decline. In addition, during periods of rising inflation, short term interest rates would likely increase, potentially reducing returns to clients. Inflation rates may change frequently and drastically as a result of various factors, including unexpected shifts in the domestic or global economy, and a Client Account's investments may be affected, which may reduce the Client Account's performance. Further, if inflation leads to a rise in interest rates, such rise in interest rates may negatively affect the value of debt instruments held by a Client Account, resulting in a negative impact on the Client Account's performance. Generally, securities issued in emerging markets are subject to a greater risk of inflationary or deflationary forces, and more developed markets are better able to use monetary policy to normalize markets.

Current economic indicators have shown inflation accelerating at a faster pace than in recent years. These circumstances may continue for an extended period of time, and may continue to affect adversely the value and liquidity of the investments of a Client Account.

Countries and/or governments may institute measures designed to increase the cost of borrowing, impose wage and price controls or otherwise intervene in an attempt to stabilize inflation. However, governmental efforts to curb inflation often have had negative effects on the level of economic activity as shown by the countries where such measures were employed.

- **Interest Rate Risk.** Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt obligation indirectly (especially in the case of fixed rate obligations) or directly (especially in the case of debt obligations whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt obligation and falling interest rates will have a positive effect on price. Adjustable rate debt obligations also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the

characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in debt obligations with uncertain payment or prepayment schedules. CLO notes can have an uncertain payment or prepayment schedule because of the uncertainty associated with the timing of the repayment of principal on the underlying assets and the circumstances in which such securities may be prepaid.

The fair value of certain of the investments owned by the CLOs may be significantly affected by changes in interest rates. For example, although senior secured loans are generally floating rate instruments, they are sensitive to interest rate levels and volatility. Although CLOs are generally structured to mitigate the risk of interest rate mismatch, there may be some difference between the timing of interest rate resets on the assets and liabilities of a CLO, which could have a negative effect on the amount of funds distributed to equity investors. In addition, CLO issuers may not be able to enter into hedging agreements, even if it may otherwise be in the best interests of the CLO to hedge such interest rate risk. Furthermore, in the event of a significant rising interest rate environment and/or economic downturn, loan defaults may increase and result in credit losses that may adversely affect the investment of the CLOs in such assets. In the event that the interest expense of the CLOs was to increase relative to income, or sufficient financing became unavailable, the return on such investment and cash available for distribution would be reduced. In addition, future investments in different types of instruments may carry a greater exposure to interest rate risk.

In the United States and abroad, interest rates had been unusually low in recent years. However, due to concerns regarding high inflation in many sectors of the United States and global economies, the U.S. Federal Reserve and many foreign governments and monetary authorities have raised interest rates and implemented other policy initiatives in an effort to control inflation, and they may continue to do so. It is difficult to predict accurately the pace at which central banks or monetary authorities may increase interest rates or the timing, frequency, or magnitude of any such further increases, and the evaluation of macro-economic and other conditions could cause a change in approach in the future. Rising interest rates may present a greater risk than has historically been the case due to the effect of government fiscal and monetary initiatives and potential market reaction to those initiatives. As such, fixed-income and related markets may continue to experience heightened levels of interest rate volatility. A significant or rapid rise in interest rates could result in losses, which could be substantial, in a Client Account.

- **Interest Rate Change Risk.** CLOs historically obtained financing at a floating rate based on the London interbank offered rate (“**LIBOR**”). On March 5, 2021, the UK’s Financial Conduct Authority (the “**FCA**”) announced that all Libor settings will either cease to be provided by any administrator, or no longer be representative immediately after December 31, 2021 for all GBP, EUR, CHF and JPY LIBOR settings and one-week and two-month USD LIBOR settings, and immediately after June 30, 2023 for the remaining USD LIBOR settings, including one-month and three-month USD LIBOR (the “**Announcement**”). Concurrent with the Announcement, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation released a statement that (i)

encouraged banks to cease entering into new contracts that use U.S. dollar Libor as a reference rate as soon as practicable and in any event by December 31, 2021, (ii) indicated that new contracts entered into before December 31, 2021 should either utilize a reference rate other than U.S. dollar Libor or have robust fallback language that includes a clearly defined alternative reference rate after the discontinuation of U.S. dollar Libor and (iii) explained that extending the publication of certain U.S. dollar Libor tenors until June 30, 2023 would allow most legacy U.S. dollar Libor contracts to mature before Libor begins experiencing disruptions.

From April 2018, the UK and US started publishing rates for alternative sterling and dollar benchmarks (respectively). A working group at the Bank of England has approved the Sterling Overnight Index Average ("**SONIA**") as its preferred short-term interest rate benchmark and the Bank of England reformed and took over the calculation and publication of SONIA from April 23, 2018. The SONIA index tracks the rates of actual overnight funding deals and, unlike LIBOR, does not depend on submissions of rates from banks and therefore minimizes opportunities for misconduct. A separate working group in the United States recommended adopting the Secured Overnight Financing Rate ("**SOFR**") as the new benchmark for short-term unsecured interest rates. SOFR is currently produced by the Federal Reserve Bank of New York ("**New York Fed**") and is based on transactions in the repurchase agreement transaction markets. Although new Sterling-denominated CLOs are currently being issued based on SONIA and USD-denominated CLOs are currently being issued based on SOFR, it remains to be seen if SONIA and SOFR continue to be adopted by the CLO market.

Although it is expected that floating rate Collateral Obligations that bear interest based on Libor will migrate to a new benchmark prior to June 30, 2023, there is no guarantee that (i) such transition will occur, and if it occurs, when such transition will occur, (ii) SOFR, or a related forward-looking reference rate, will replace Libor as the benchmark for such floating rate Collateral Obligations and (iii) any spread adjustment adopted in connection with such transition will be representative of Libor as of the date of determination of such benchmark. When Libor is discontinued as a benchmark rate, it may cause one or more of the following to occur: (i) increase the volatility of Libor and SOFR prior to the consummation of any such change, (ii) increase pricing volatility with respect to Collateral Obligations, (iii) decrease the likelihood that NBLA II can effectively hedge interest rate risks or (iv) negatively impact the liquidity of the notes issued by the CLOs.

Although the New York Fed has started publishing historical indicative SOFR dating back to 2014, such historical data inherently involves assumptions, estimates and approximations. Since the initial publication of SOFR, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or market rates, and SOFR over the term of the life of the CLOs may bear little or no relation to historical actual or historical indicative data. In addition, currently the benchmark rate being used in most new-issue CLOs is a forward-looking term rate based on SOFR published by CME Group Benchmark Administration Limited. There is no guarantee that CME Group Benchmark Administration Limited will continue to publish such rate, or that the rates

calculated and reported by CME Group Benchmark Administration Limited reflect rates applied in actual transactions.

It is not possible to predict the changes that will ultimately be made to LIBOR, SOFR or SONIA, the effect of any such changes and any other reforms to LIBOR, SOFR or SONIA that may be enacted in the European Union and elsewhere and the effect of any perceived inaccuracy of any such benchmark rate. An increase in alternative types of financing at the expense of syndicated loans based on one of the above-discussed rates may make it more difficult for NBLA II to source loans for inclusion in the CLOs, and ultimately may impair the value and/or the liquidity of existing CLO investments.

Many CLOs include language providing that a fallback benchmark interest rate (such as SOFR) may come into effect automatically to replace the currently-effective benchmark interest rate (such as Libor) if that rate becomes unavailable or unrepresentative. However, there can be no assurance that the adoption of such a fallback rate (a) will be made, (b) if adopted, will effectively mitigate interest rate risks or result in an equivalent methodology for determining the interest rates on floating-rate notes issued by such CLOs, (c) will be made prior to any date on which the applicable CLO issuer suffers adverse consequences from the elimination or modification or potential elimination or modification of the then-current benchmark or (d) will not have a material adverse effect on the holders of any class of notes, including the liquidity of such notes.

- **Interest Rate Floor Risk.** An increase in the applicable benchmark interest rate will increase the financing costs of the CLOs. Since many senior secured loans have interest rate floors, there may not be corresponding increases in investment income (if the applicable benchmark interest rate increases but stays below the average interest rate floor of such senior secured loans) resulting in smaller distribution payments to the equity investors in these CLOs.
- **Investments in Bonds.** CLOs may invest in a limited amount of bonds. Bonds may include high-yield bonds that are senior secured bonds. Rating agencies have historically assigned a lower recovery rate to senior secured bonds than to senior secured loans, which reflects both the historical lower recovery rate relative to par of senior secured bonds compared to senior secured loans in distressed credit scenarios, as well as the higher market value volatility of bonds. Certain bonds can be regarded as speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions, which may result in volatile pricing with respect to such bonds. An economic recession could severely disrupt the market for bonds and may have an adverse impact on the value and price of such instruments. It is also likely that any economic downturn could adversely affect the ability of the issuers of bonds to repay principal and pay interest thereon and increase the incidence of default for bonds.

In addition, bonds acquired by CLOs may include high-yield bonds that are generally unsecured and generally have greater credit, insolvency and liquidity risk than is typically associated with investment grade obligations. High-yield bonds that are generally

unsecured are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. The lower ratings of non-investment grade obligations reflect a greater possibility that adverse changes in the financial condition of an issuer of such obligations or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings or disruptions in the financial markets) or both may impair the ability of such issuer to make payments of principal and interest.

Risks of high-yield bonds include (among others): (i) limited liquidity and secondary market support, (ii) substantial market price volatility resulting from changes in prevailing interest rates, (iii) subordination in right of security to the prior claims of secured banks and other senior secured lenders, (iv) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause the Issuer to reinvest early redemption proceeds in lower yielding investments, (v) the possibility that earnings of a high-yield bond issuer may be insufficient to meet its debt service and (vi) the declining creditworthiness and potential for insolvency of an issuer of high-yield bonds during periods of rising interest rates and economic downturn. An economic downturn or increase in interest rates could severely disrupt the market for high-yield debt securities and adversely affect the value of outstanding high-yield bonds and the ability of the issuers thereof to repay principal and interest. Downward movements in interest rates could also adversely affect the performance of high-yield bonds. High-yield bonds may have call or redemption features that would permit the issuer thereof to repurchase its bonds from the Issuer. If a call were exercised by the issuer of a high-yield bond during a period of declining interest rates, the CLO likely would have to replace such called high-yield bond with lower yielding investments. A CLO may have difficulty disposing of high-yield bonds because there may be a limited trading market for such securities.

- **Investments in Distressed Securities and Restructurings.** A CLO may make investments, in restructurings or otherwise, that involve issuers that are experiencing, or are expected to experience, severe financial difficulties. These financial difficulties may never be overcome and may lead to uncertain outcomes, including causing such issuer to become subject to bankruptcy proceedings. There are a number of significant risks inherent in the bankruptcy process. The bankruptcy courts have broad discretion to control the terms of a reorganization, and political factors may be of significant importance in high profile bankruptcies or bankruptcies in particular jurisdictions. While creditors are generally given an opportunity to object to significant actions, there can be no assurance that a bankruptcy court in the exercise of its broad powers would not approve actions that would be contrary to the interests of the CLOs. For example, in order to protect net operating losses of an obligor in bankruptcy, a bankruptcy court might take any number of actions, including prohibiting or limiting the transfer of claims held by certain classes of creditors. Such a prohibition could have a material adverse effect on the value of certain investments made by the CLOs. For example, the CLOs might be prohibited from liquidating investments that are declining in value.

In addition, investments in issuers that are experiencing, or are expected to experience, severe financial difficulties could, in certain circumstances, subject the CLOs to certain additional potential liabilities that may exceed the value of their original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the CLOs and payments made by the CLOs to their investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability, and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions.

The possibility of litigation between the participants in a reorganization is another consideration that makes any evaluation of the outcome of an investment uncertain. Such uncertainties may also be increased by legal and other factors that limit the ability of NBLA II and/or NBIA to be able to obtain reliable and timely information concerning material developments affecting an obligor, or which may lengthen a reorganization or liquidation proceeding.

- **Lender Liability Risk.** A number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively referred to as "lender liability". Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the potential Assets, NBLA II and/or the CLOs could be subject to allegations of lender liability, which could subject them to significant liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender: (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." NBLA II and the CLOs do not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine. However, because of the nature of certain of the Assets, NBLA II and/or the CLOs may be subject to claims from creditors of an obligor that debt obligations which are held by the CLOs should be equitably subordinated. If a Client Account that invests in loans became

subject to equitable subordination, it could result in substantial losses for the Client Account.

The preceding discussion regarding lender liability is based upon principles of U.S. federal and state laws. With respect to Assets outside the United States, the laws of certain non-U.S. jurisdictions may also impose liability upon lenders or bondholders under factual circumstances similar to or different from those described above, with consequences that may or may not be analogous to those described above under U.S. federal and state laws.

- **Leveraged Loans Have Historically Experienced Greater Default Rates.** A non-investment grade loan or an interest in a non-investment grade loan is generally considered speculative in nature and may become a defaulted asset for a variety of reasons. Upon any loan becoming a defaulted asset, such defaulted asset may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted asset. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted asset. The liquidity for defaulted assets may be limited, and to the extent that defaulted assets are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon.
- **Limited Nature of Credit Ratings.** In general, the ratings issued by nationally recognized rating organizations represent the opinions of these agencies as to the quality of securities that they rate. These ratings may be used by NBLA II and NBIA as initial criteria for the selection of certain Assets. Such ratings, however, are relative and subjective; they only evaluate the credit risk with respect to payment of principal and interest. Such ratings are not absolute standards of quality and they do not evaluate the market value risk of the securities. It is also possible that a rating agency might not change its rating of a particular issue to timely reflect subsequent events.
- **Loan Assignment and Participations Risk.** The CLOs may acquire interests in loans either directly (by way of assignment) or indirectly (by way of participation). The purchaser by an assignment of a loan obligation typically succeeds to all the rights and obligations of the selling institution (the “**Selling Institution**”) and becomes a lender under the loan or credit agreement with respect to the debt obligation. In contrast, participations (“**Participations**”) acquired in a portion of a debt obligation held by a Selling Institution typically result in a contractual relationship only with such Selling Institution, not with the Underlying Obligor. The purchaser of a Participation would have the right to receive payments of principal, interest and any fees to which it is entitled under the Participation only from the Selling Institution and only upon receipt by the Selling Institution of such payments from the Underlying Obligor. The purchaser of a Participation will generally have no right to enforce compliance by the Underlying Obligor with the terms of the loan or credit agreement or other instrument evidencing such debt obligation, nor any rights of setoff against the Underlying Obligor, and the purchaser may not directly benefit from the

collateral supporting the debt obligation in which it has purchased the Participation. As a result, the purchaser of a Participation would assume the credit risk of both the Underlying Obligor and the Selling Institution. In the event of the insolvency of the Selling Institution, the purchaser of a Participation will be treated as a general creditor of the Selling Institution in respect of the Participation and may not benefit from any set-off between the Selling Institution and the Underlying Obligor.

In addition, a Participation in a debt obligation may not have the right to vote to waive enforcement of any default by an Underlying Obligor. Selling Institutions commonly reserve the right to administer the debt obligations sold by them as they see fit and to amend the documentation evidencing such debt obligations in all respects. However, most participation agreements with respect to bank loans provide that the Selling Institution may not vote in favor of any amendment, modification or waiver that (i) forgives principal, interest or fees; (ii) reduces principal, interest or fees that are payable; (iii) postpones any payment of principal (whether a scheduled payment or a mandatory prepayment), interest or fees; or (iv) releases any material guarantee or security, in each case without the consent of the participant (at least to the extent the participant would be affected by any such amendment, modification or waiver). A Selling Institution voting in connection with a potential waiver of a default by an Underlying Obligor may have interests different from those of the purchaser of a Participation, and the Selling Institution might not consider the interests of the purchaser of a Participation in connection with its vote. In addition, many participation agreements with respect to bank loans that provide voting rights to the participant further provide that, if the participant does not vote in favor of amendments, modifications or waivers, the Selling Institution may repurchase such Participation at par.

Purchasers of loans are predominately commercial banks, investment funds and investment banks. As secondary market trading volumes increase, new loans frequently contain standardized documentation to facilitate loan trading that may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because holders of such loans are offered confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not purchased or sold as easily as publicly traded securities are purchased or sold.

- **Loans to Private or Middle Market Companies.** The Assets will include loans to private and middle market companies. Such loans involve a number of particular risks that may not exist in the case of large public companies, including: (i) these companies may have limited financial resources and limited access to additional financing, which may increase the risk of their defaulting on their obligations, leaving creditors dependent on any guarantees or collateral they may have obtained; (ii) these companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns; (iii) there may not be as much information publicly available about these companies as would be available for public companies, and such information may not be of the same quality; and (iv) these companies

are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of these persons could materially and adversely affect these companies' ability to meet their obligations. Such risks may materially increase the risk of loss to the CLOs.

- **Lower-Rated Loans May be Regarded as Predominantly Speculative.** The assets of the CLOs may include loans or interests therein that may be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such loans or interests may not be protected by financial covenants or limitations upon additional indebtedness and there may be no minimum credit rating for such loans or interests therein. Other factors may materially and adversely affect the market price and yield of such loans or interests therein, including investor demand, changes in the financial condition of the Underlying Obligor, government fiscal policy and U.S. or worldwide economic conditions. Certain of the loans or interests therein underlying CLOs may be unrated, and whether or not rated, the loans may have speculative characteristics. The Underlying Obligors (including sovereign issuers) of such loans or interests therein may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the Underlying Obligors' ability to make timely payment of interest and principal. Such loans or interests are regarded as predominantly speculative with respect to the Underlying Obligors' capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for these loans or interests and may have an adverse impact on the value of such loans or interests. It also is likely that any such economic downturn could adversely affect the ability of the Underlying Obligors of such loans or interests to repay principal and pay interest thereon and increase the incidence of default for such loans or interests. In addition, the CLOs may incur additional expenses to the extent they are required to seek recovery upon a default or participate in the restructuring of such loans or interests.
- **Perfection and Security Risk.** The collateral and security arrangements in relation to secured loans and other secured obligations held by the CLOs will be subject to such security or collateral having been correctly created and perfected and any applicable legal or regulatory requirements which may restrict the giving of collateral or security by an Underlying Obligor, such as, for example, thin capitalization, over-indebtedness, financial assistance and corporate benefit requirements. If such secured loans or other secured obligations do not benefit from the expected collateral or security arrangements, this may adversely affect the value of, or in the event of a default, the recovery of principal or interest from, such secured loans or obligations. Accordingly, any such failure properly to create or perfect collateral and security interests in the underlying loans may have an adverse effect on the CLOs.
- **Prepayment Risk.** Assets underlying a CLO may be prepaid more quickly than expected. The frequency at which prepayments (including voluntary prepayments by obligors and accelerations due to defaults) occur on loans will be affected by a variety of factors, including the prevailing level of interest rates and spreads, as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their

fixed-rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, “premium” securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed-rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments and asset-backed instruments may be adversely affected by changes in prepayments in any interest rate environment.

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

- **Reinvestment Risk.** As part of the ordinary management of its portfolio, a CLO will typically generate cash from asset repayments and sales and reinvest those proceeds in substitute assets, subject to compliance with its investment guidelines and certain other conditions. The earnings with respect to such substitute assets will depend on the quality of reinvestment opportunities available at the time. The need to satisfy each CLO’s investment guidelines and identify acceptable assets may require NBLA II to purchase substitute assets at a lower yield than those initially acquired or require that the sale proceeds be maintained temporarily in cash or cash equivalents, either of which may reduce the yield that the CLO is able to achieve. The investment guidelines and other CLO terms may incentivize NBLA II to buy riskier assets than it otherwise would, which could result in additional losses. In addition, the reinvestment period for a CLO may terminate early, which may cause the holders of the CLO notes to receive principal payments earlier than anticipated. There can be no assurance that NBLA II will be able to reinvest such amounts in an alternative investment that provides a comparable return relative to the credit risk assumed.
- **Risks Associated with the Acquisition of Portfolios.** The CLOs may seek to purchase entire portfolios or substantial portions of portfolios from market participants in need of liquidity or suffering from adverse valuations. The CLOs may be required to bid on such portfolios in a very short time frame and NBLA II and/or NBIA may not be able to perform normal due diligence on the portfolio. Such a portfolio may contain instruments or complex arrangements of multiple instruments that are difficult to understand or evaluate. Such a portfolio may suffer further deterioration after purchase and before it is possible to ameliorate such risk. As a consequence, there is substantial risk that NBLA II and/or NBIA will not be able to adequately evaluate particular risks or that market movements or other

adverse developments and the CLOs will incur substantial losses on such portfolio acquisitions.

- **Risks Associated with the Loan Repayments as a Source of Income.** The income of the CLOs may be derived (on an indirect basis) largely from principal repayments on loans or interests therein. A wide range of factors may adversely affect an Underlying Obligor's willingness and ability to make such principal repayments, including adverse changes in the financial condition of such Underlying Obligor or the industries or regions in which it operates; the Underlying Obligor's exposure to counterparty risk; systemic risk in the financial system and settlement; changes in law or taxation; changes in applicable law or other policies; pandemics; natural disasters; terrorism; social unrest, civil disturbances; or general economic conditions. Early prepayments give rise to increased reinvestment risk; the CLOs might realize excess cash from prepayments earlier than expected. If such prepayments are unable to be reinvested in a new loan or investment with an expected rate of return at least equal to that of the loan or asset repaid, this will reduce the net income and the fair value of the CLO.
- **Second Lien loans.** The loans or interests therein included in the CLOs may include second lien loans. Such second lien loans will be secured by a pledge of collateral, which is subordinated (with respect to liquidation preferences with respect to pledged collateral) to other secured obligations of the Underlying Obligors secured by all or a portion of the collateral securing such secured loan. Second lien loans are typically subject to intercreditor arrangements, the provisions of which may prohibit or restrict the ability of the holder of a second lien loan to (i) exercise remedies against the collateral with respect to their second liens; (ii) challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens; (iii) challenge the enforceability or priority of the first liens on the collateral; and/or (iv) exercise certain other secured creditor rights, both before and during a bankruptcy of the Underlying Obligor. In addition, during a bankruptcy of the Underlying Obligor, the holder of a second lien loan may be required to give advance consent to (a) any use of cash collateral approved by the first lien creditors; (b) sales of collateral approved by the first lien lenders and the bankruptcy court, so long as the second liens continue to attach to the sale proceeds; and (c) debtor-in-possession financings.
- **Special Risks of Loans.** The special risks associated with loans or interests therein included in the CLOs include: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) environmental liabilities that may arise with respect to collateral securing the obligations; (iii) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality; (iv) limitations on the ability of the holders of participations to directly enforce their rights with respect thereto; and (v) generation of income that is subject to U.S. federal income taxation as income effectively connected with a U.S. trade or business. Successful claims by third parties arising from these and other risks, absent bad faith, may be borne by the CLOs.

- **Spread Widening Risk.** For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the debt instruments and other securities held by the CLOs may decline substantially. In particular, purchasing debt instruments or other assets at what may appear to be “undervalued” or “discounted” levels is no guarantee that these assets will not be trading at even lower levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such “spread widening” risk. Additionally, the perceived discount in pricing from previous environments described herein may still not reflect the true value of the assets underlying debt instrument investments of the CLOs.
- **Unsecured Loans.** Unsecured loans are unsecured obligations of the applicable Underlying Obligor. Such loans may be subordinated to other obligations of the Underlying Obligor and generally have greater credit, insolvency and liquidity risk than is typically associated with investment grade obligations and secured obligations. Depending upon market conditions, there may be a very limited market for unsecured loans. Unsecured loans will generally have lower rates of recovery than secured obligations following a default. Also, in the event of the insolvency of an Underlying Obligor of any unsecured loan, the holders of such unsecured loan will be considered general, unsecured creditors of the Underlying Obligor and will have fewer rights than secured creditors of the Underlying Obligor.

## **Item 9: Disciplinary Information**

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

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

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

NBLA II is not a registered broker or dealer. NBLA II's advisory personnel may be registered representatives with FINRA through their affiliation with NBLA II's registered broker-dealer affiliate, NBBD. See Items 5.E and 10.C.1.

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

NBLA II is not registered as a CPO or CTA with the CFTC. NBLA II may in the future seek to rely on exemptions from registration as a CPO and CTA with respect to Client Accounts that qualify for such exemptions.

### **C. Material Relationships**

NBLA II 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, the related conflicts of interest, and issues that present the appearance of a conflict of interest.

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

NBLA II is affiliated with NBBD, a U.S. registered broker-dealer. In addition, NBLA II's advisory personnel may be registered representatives with FINRA through their affiliation with NBLA II's registered broker-dealer affiliate, NBBD. See Item 11.B.8. NBBD is also registered as a Municipal Securities Dealer with the Municipal Securities Rulemaking Board.

In providing investment management services to its clients, NBLA II draws upon the trading, research, operational and administrative resources of its affiliated entities. In addition, from time to time, NBLA II uses security analyses and research reports prepared by its affiliated entities. NBLA II utilizes Anti Money Laundering services provided by NBBD.

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

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

None, other than the CLOs as described herein.

In addition, NBLA II, as holder of the Retention Interests in a CLO, may have the ability to direct a redemption, refinancing or repricing of such CLO. NBLA II in such capacity may also, with the consent of one or more other classes of CLO securities, have the right to consent to amendments to the governing documents of the CLOs and to remove or replace the collateral manager and enforce other rights and remedies after events of default.

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

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

#### SEC Registered Advisers:

Neuberger Berman Asia Limited  
Neuberger Berman Europe Limited  
Neuberger Berman Investment Advisers LLC  
Neuberger Berman BD LLC\*  
Neuberger Berman Singapore Pte. Limited  
Neuberger Berman Loan Advisers LLC  
Neuberger Berman Loan Advisers IV LLC  
NB Alternatives Advisers LLC  
Neuberger Berman Canada ULC

Neuberger Berman Asset Management Ireland Limited (Exempt Reporting Adviser)  
Neuberger Berman AIFM S.à.r.l. (Exempt Reporting Adviser)

#### Non-SEC-Registered Advisers:

Neuberger Berman Australia Limited  
Neuberger Berman East Asia Limited  
Neuberger Berman Investment Management (Shanghai) Limited  
Neuberger Berman Taiwan (SITE) Limited  
Neuberger Berman India Private Limited

\* While NBBD is also registered with the SEC as an investment adviser, it does not currently act as an investment adviser.

NBIA acts as sub-advisor to NBLA II with respect to all CLOs managed by NBLA II pursuant to the Sub-Advisory Agreement. NBIA assists NBLA II by, among other things, providing research and credit analysis services, sourcing assets and making recommendations regarding assets to be acquired and sold by NBLA II in its capacity as collateral manager for the CLOs, and making recommendations regarding whether and when to close CLOs or refinance or reprice the notes issued by the CLO issuers. NBIA advises NBLA II with regard to all or substantially all of its investment and other activities; provided that, in connection with each CLO, the Investment Committee retains final responsibility for: (i) approving the collateral management parameters

for the CLO issuer, (ii) participating in the credit review of all assets proposed to be acquired by the CLO issuer, and (iii) approving the purchase and sale of any asset by any CLO issuer.

NBIA provides (i) Support Services, (ii) Administrative Services, and (iii) the services of Shared Employees to NBLA II pursuant to the Staff and Services Agreement. NBIA may assign or delegate all or a portion of its rights and/or obligations pursuant to and in accordance with the Sub-Advisory Agreement and/or the Staff and Services Agreement.

The investment management activities of NBLA II, and the day-to-day management of the business and affairs of NBLA II, will be performed by NBLA II's employees, with ultimate credit and investment decision-making authority resting with the Investment Committee.

Certain Shared Employees are jointly employed by NBLA II and NBIA pursuant to the Staff and Services Agreement (and may be employed by other entities that are affiliated with the Staff and Services Provider), but such employees are under the direction and supervision of the Board of Directors in the performance of their duties related to NBLA II. In addition, NBLA II may hire certain employees that are not employees of NBIA. All of the employees of NBLA II have entered into employment agreements with NBLA II, in addition to any provision for such employees in the Staff and Services Agreement.

NBIA has entered into similar sub-advisory and staff and services arrangements with NBLA I and NBLA IV, and the Shared Employees are also shared employees with similar duties in respect of NBLA I and NBLA IV, as applicable, each of which pursues a substantially similar investment strategy to NBLA II. In addition, NBIA and its respective officers, employees and affiliates serve, or may serve in the future, as the manager, investment manager, investment adviser or in any other capacity in relation to, or be otherwise involved with, other clients, including other investment funds and client accounts, including those which follow an investment program substantially similar to that of NBLA II's business activities and investments (such other clients, funds and accounts, collectively, the "**Other Accounts**"). NBIA, NBLA I, NBLA II, NBLA IV and their respective affiliates will attempt to allocate investment opportunities fairly and equitably among the CLOs and other businesses and Other Accounts, where applicable, to the extent possible over a period of time. All investment decisions with respect to each allocated investment opportunity shall be made by solely by NBIA, NBLA I, NBLA II, NBLA IV and their respective affiliates.

In providing investment management services to its clients, NBLA II draws upon the portfolio management, trading, research, operational and administrative resources of its affiliates, including using affiliates to execute transactions for Client Accounts. Subject, in certain instances, to the written consent of the client and the regulatory status of the affiliate, NBLA II may engage one or more of the Advisory Affiliates as sub-advisers to certain Client Accounts, or may treat the Advisory Affiliates as "participating affiliates," the latter in accordance with the applicable SEC No-Action Letters. In addition, from time to time, NBLA II may delegate some or all of its role as adviser to certain Client Accounts to Advisory Affiliates. If an affiliate acts as a sub-adviser or is otherwise delegated some portion of NBLA II's advisory role, investment professionals from such affiliate may be delegated decision-making roles for some or all aspects of the strategy, and delegated authority to open brokerage accounts and place orders to deploy the strategy. As participating affiliates, whether or not registered with the SEC, the affiliates may provide

designated investment personnel to associate with NBLA II and perform specific advisory services to NBLA II consistent with the powers, authority and mandates of NBLA II's clients. The employees of a participating affiliate are designated to act for NBLA II and are subject to certain NBLA II policies and procedures as well as supervision and periodic monitoring by NBLA II. The participating affiliate agrees to make available certain of its employees to provide investment advisory services to NBLA II's clients through NBLA II, to keep certain books and records in accordance with the Advisers Act and to submit the designated personnel to requests for information or testimony before SEC representatives. In certain cases, participating affiliates may also be delegated the duty to place orders for certain securities and commodity interest transactions pursuant to an agreement between NBLA II and the participating affiliate. See also Item 10.D.

A number of NBLA II personnel involved in portfolio management at NBLA II are also officers of NBLA I, NBLA IV and certain other Advisory Affiliates and provide investment management services to clients of such affiliates. Neither NBLA II nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Client Account. NBLA II and its related persons intend to devote as much time as they deem necessary for the management of each Client Account and will allocate investment opportunities in accordance with NBLA II's and NBIA's trade allocation policy. See also Item 6 and Item 11.D.6 with respect to side-by-side management issues.

Certain employees of Advisory Affiliates may provide marketing or client-related services in connection with NBLA II products.

The views and opinions of NBLA II, and those of the Advisory Affiliates and their research departments, will, at times, differ from one another. As a result, Client Accounts managed by NBLA II and accounts managed by its Advisory Affiliates will 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.8 and Item 11.D.6.

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

NBIA is registered with the CFTC as a CPO and a CTA. NBIA's relationship with NBLA is discussed herein.

NBBD is registered with the CFTC as a CTA and introducing broker ("**Introducing Broker**") and is a member of the NFA. In addition, Neuberger Berman Canada ULC is registered as a CPO and CTA. See Item 10.C.1 and Item 10.C.3 for a description of NBLA II's relationship with NBBD.

#### **5. Banking or thrift institution**

None.

#### **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**

Information about the partnerships where affiliates of NBLA II serve as the general partner is available in Section 7.B.(1) and (2) of Schedule D of Part 1A of NBLA II's affiliated SEC-registered investment advisers' Form ADVs. See Item 10.C.3.

**12. Administrator**

None.

**D. Selection of Other Investment Advisers**

NBLA II has engaged NBIA to act as sub-advisor to NBLA II with respect to all CLOs managed by NBLA II pursuant to the Sub-Advisory Agreement. The Sub-Advisor assists NBLA II by, among other things, providing research and credit analysis services, sourcing assets and making recommendations regarding assets to be acquired and sold by NBLA II in its capacity as collateral manager for the CLOs, and making recommendations regarding whether and when to close CLOs or refinance or reprice the notes issued by the CLO issuers. The Sub-Advisor advises NBLA II with regard to all or substantially all of its investment and other activities; provided that, in connection with each CLO, the Investment Committee shall retain final responsibility for: (i) approving the collateral management parameters for the CLO issuer, (ii) participating in the credit review of all assets proposed to be acquired by the CLO issuer, and (iii) approving the purchase and sale of any asset by any CLO issuer. For a more complete discussion of NBIA, please refer to NBIA's Form ADV which is publicly available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **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, NBLA II 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 NBLA II’s officers and employees (collectively, “**Employees**”). The Conflicts Procedures generally set the standard of ethical and professional business conduct that the Firm and NBLA II require of their 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) conduct all personal securities transactions in 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 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 when they begin their employment, annually, and when the Code of Ethics is materially amended.

In addition, the Conflicts Procedures impose certain additional requirements on Access Persons (as defined in the Conflicts Procedures) who are advisory persons. The Conflicts Procedures also require Access Persons to report personal securities transactions on at least a quarterly basis or as otherwise required 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. NBLA II has also adopted compliance and business supervisory procedures that are designed to meet its fiduciary obligations to have NBLA II and its employees act in the best interest of its clients.

Clients may obtain a copy of the Code of Ethics upon request.

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

From time to time, NBLA II will participate or have an interest in client transactions as described below. NBLA II makes all investment management decisions in its clients’ best interests.

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

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys any Collateral Obligation from, or sells any Collateral Obligation to, an advisory client. For example, a principal transaction would occur if NBLA II bought Collateral Obligations for its own inventory from an NBLA II advisory client or sold Collateral Obligations from its inventory to an NBLA II advisory client.

If NBLA II, its affiliates or their respective principals own a substantial equity interest in a Client Account, a transaction involving that account and another client could be characterized as a principal transaction. For example, if NBLA II, its affiliates or their respective principals have a substantial equity interest in a CLO, the transfer of Collateral Obligations from such CLO's account to another CLO or another Client Account could be deemed a principal transaction.

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

NBLA II and its related persons do not generally engage in principal transactions with NBLA II's clients. Subject to applicable rules and regulations, if NBLA II were to engage in such affiliated principal transactions, NBLA II would disclose the transaction to the client and obtain the client's consent in accordance with Section 206-3 of the Advisers Act. With respect to CLOs intended to be compliant with EU Securitization Rules and the UK Securitization Rules, NBLA II may engage in such transactions as described in the applicable CLO Offering Materials. In such instances, NBLA II will comply with applicable law, as well as any requirements imposed by the CLOs themselves. Certain conflicts of interest are disclosed in the applicable CLO Offering Materials.

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. NBLA II may infrequently cause clients to engage in agency cross transactions and would disclose the transaction to the client and obtain the client's consent in accordance with Section 206-3 of the Advisers Act.

## **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. Generally, it is NBLA II's policy not to engage in buying or selling of Collateral Obligations from one Client Account to another except in limited circumstances when it believes that the cross trade is in the best interest of both clients and the terms of the transaction are fair to both Client Accounts. The vast majority of trades made for Client Accounts will be executed through the open market or with reference to an independently established market price. Neither NBLA II nor its affiliates will receive transaction-based compensation from any cross trade. In certain situations, specific consent for each such transaction is required from both parties to the transaction.

### 3. *Affiliated Brokers*

NBLA II is affiliated with NBBD, a U.S. registered broker-dealer. NBLA II's advisory personnel may be registered representatives with FINRA through their affiliation with NBBD. NBLA II does not generally execute transactions for Client Accounts through NBBD. In the event NBLA II were to execute a transaction on behalf of its clients with NBBD as broker, NBLA II would generally only do so if it had received prior written authorization from the client and only in accordance with all applicable laws and regulations. Such transaction would only be executed if NBBD provided best execution under the circumstances. See Item 12.A.

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

NBLA II intends to hold Retention Interests in the CLOs it manages, as described below. As a result of the Circuit Court Ruling (as defined in Item 8.C.), the U.S. Risk Retention Rules no longer apply to the sponsors of so-called "open-market CLOs," but NBLA II intends to hold investments in the "equity" or "first loss tranche" of CLOs managed by it constituting at least a majority of the most junior class of interests issued by such CLOs. The EU Risk Retention Rules, the UK Securitization Rules and the JFSA Final Rules (each as defined in Item 8.C.), and any other risk retention rules enacted by other jurisdictions around the world and applicable to the CLOs managed by NBLA II are collectively referred to herein as "**Risk Retention Rules**."

With effect from January 1, 2019, the European Union (at the time still including the UK) has implemented the EU Securitization Rules (as defined in Item 8.C.) that apply to certain specified types of European Union investors such as credit institutions (including banks), investment firms, alternative investment fund managers who manage and/or market their alternative investment funds in the European Union, insurance and reinsurance undertakings UCITS funds (internally managed) and management companies thereof, and institutions for occupational retirement provisions (subject to some exceptions), and directly to originators, sponsors and original lenders established in the European Union. With effect from January 1, 2021, a similar parallel regime applies in the UK by virtue of the UK Securitization Rules.

**"EU/UK Retention Interest"** means a material net economic interest (within the meaning of each Securitisation Regulation), which is expected to be comprised of an interest in the first loss tranche of the applicable CLO, by way of holding the minimum principal amount of such tranche required by the applicable Securitisation Regulation, currently being an amount equal to at least five (5%) percent of the nominal value of the loans and other assets in the CLO representing principal proceeds. An EU/UK Retention Interest may also be held in the form of an interest in each tranche of securities issued by the CLO to investors on the related closing date, by way of holding the minimum principal amount of such tranche required by the applicable Securitisation Regulation, currently being an amount equal to at least five percent (5%) of the nominal value of each tranche of securities issued to investors on the related closing date.

The EU Securitization Rules and the UK Securitization Rules (absent certain alternatives that are not relevant here) generally require an entity holding as an "originator" to originate a portion of the loans acquired by a CLO and to acquire and retain an EU/UK Retention Interest as described above. The EU Securitization Rules and the UK Securitization Rules currently do not specify the percentage of loans which an originator who is also acting as the collateral manager must

originate; however, market convention is that a manager-originator should originate at least 5% of the target par amount of loans to be acquired by the CLO by the effective date for such CLO. NBLA believes the simplest path to satisfying the EU Securitization Rules and the UK Securitization Rules is for NBLA to (i) hold the EU/UK Retention Interest of each CLO intended to comply with the EU Securitization Rules and the UK Securitization Rules, (ii) act as the collateral manager for such CLO, and (iii) originate a portion of the loans to be held by such CLO. If NBLA acts as collateral manager for a CLO that is intended to comply with the EU Securitization Rules and the UK Securitization Rules, (i) NBLA will be the “originator” for purposes of the EU Securitization Rules and the UK Securitization Rules and (ii) all Collateral Management Fees received from such CLO will be paid to NBLA pursuant to the relevant collateral management agreement, which will then pay the majority of such fees to NBIA in its roles as Staff and Services Provider and Sub-Advisor.

It is a requirement of the EU Securitization Rules and the UK Securitization Rules that the “originator” not transfer its Retention Interest until the final maturity of the applicable CLO securities. Accordingly, NBLA II has agreed with the issuer of each CLO it manages and that is intended to comply with the EU Securitization Rules and the UK Securitization Rules that it will not transfer the Retention Interest of such CLO other than in accordance with the EU Securitization Rules and the UK Securitization Rules.

From time to time, employees of NBLA II and its related persons who are registered representatives or associated persons of NBBB, a registered investment adviser and broker-dealer, CTA and Introducing Broker, recommend to NBLA II’s clients that they buy or sell Collateral Obligations in which NBLA II or a related person has a financial interest. Such financial interest could include having a business relationship (whether client, broker, vendor or investment consultant) or serving as investment adviser, general partner, managing member or director for a particular investment product. In both instances, it is possible that the purchase or sale of a Collateral Obligation directed by NBLA II or recommended by NBLA II will have an impact on the price of such Collateral Obligation, which could indirectly benefit (or act to the detriment of) NBLA II and its affiliates.

Employees of NBLA II and its related persons who are registered representatives or associated persons of NBBB may also recommend an investment in an affiliated fund. See Item 5.C and Item 10.C.2.

NBLA II’s policies and procedures together with its investment process seek to ensure that all Client Accounts are managed in accordance with their investment objectives and guidelines and in accordance with NBLA II’s fiduciary obligations.

## **5. *Employee Investment in NBLA II Products***

Employees of NBLA II or its affiliates and their family members are, and in the future can be expected to be, investors in CLOs and/or in funds and accounts managed by NBLA II’s affiliates. Any such investments are made in conformity with the Conflicts Procedures (see Item 12.B) that include procedures governing the use of confidential information and personal investing. Employees of NBLA II or its affiliates, and their family members, also invest in separate accounts. The Firm maintains a policy that prohibits “insider accounts” that do not pay investment advisory

fees from receiving a more favorable execution price than that received on the same day by Client Accounts. The Firm generally reduces or waives fees for employees. See also Item 11.C.

## **6. *Buying and Selling Collateral Obligations That Are Recommended to Clients***

NBLA II will recommend to certain clients investments in which NBLA II, its affiliates or their respective employees are also invested.

NBLA II will also recommend Collateral Obligations to certain clients in which a related person has established an interest independent of NBLA II.

NBLA II 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. It is possible that NBLA II, its affiliates and their respective employees (to the extent not prohibited by the Code of Ethics), and clients of NBLA II or its affiliates will hold, acquire, increase, decrease, or dispose of Collateral Obligations or interests at or about the same time that NBLA II is purchasing or selling Collateral Obligations or interests for a Client Account that are, or are deemed to be, inconsistent with the actions taken by such persons.

All such investments are made in conformity with the Conflicts Procedures and NBLA II's Aggregation and Allocation Procedures (see Item 12.B).

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

NBLA II employees and officers are also officers, employees or registered representatives of NBBD and certain Advisory Affiliates, including NBIA. In such capacity, they sell or provide similar services as the services offered by NBLA II. From time to time, the views and opinions of NBLA II or any of the Advisory Affiliates and their research departments differ from one another. As a result, it is possible that Client Accounts hold securities or other investment products for which each of NBLA II, NBIA, NBBD and the Advisory Affiliates have a different investment opinion or outlook at the time of their acquisition or subsequent thereto.

## **C. Personal Trading**

NBLA II, or one or more of its affiliates, including employees and officers, from time to time, in the future can be expected to invest (and in the case of such affiliates, employees and officers, have invested), for their own account directly or through an affiliated or non-affiliated investment company or other pooled investment vehicle in investments in which NBLA II also invests on behalf of certain Client Accounts. Moreover, it is possible NBLA II and its affiliates and their respective employees will buy, sell or hold (and in the case of such affiliates, employees and officers, have bought, sold and held) Collateral Obligations while entering into different investment decisions for one or more Client Accounts. Many of the conflicts that exist with respect to the investment by NBLA II and its affiliates and their respective employees in investments in which NBLA II also invests on behalf of certain Client Accounts are similar to those that exist with respect to side-by-side management of Client Accounts. See also Item 10.C.3, Item 11.D.6 and Item

12.B. All investments by NBLA II and its affiliates and their respective employees are made in accordance with the Firm's policies.

From time to time, NBLA II and its affiliates and their respective employees participate directly or indirectly in investments of affiliated private funds to the extent permitted by the terms of the applicable private fund's governing documents. 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 NBLA II, its affiliates or their respective employees 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 NBLA II, its affiliates and their respective employees. The Conflicts Procedures contain employee trading policies and procedures that are closely monitored by the Neuberger Berman Legal and Compliance Department. Key aspects of the employee trading policies and procedures include:

- (a) a requirement for securities accounts to be maintained at NBBD or other approved entities;
- (b) an employee price restitution policy;
- (c) prohibitions against employee participation in certain IPOs;
- (d) prohibitions against trading on the basis of material non-public information;
- (e) pre-approval requirements for certain security transactions such as private placement offerings;
- (f) a minimum holding period of 60 days for most personal securities transactions; and
- (g) annually affirming in writing that (i) all reportable transactions occurring during the year were reported to the Firm; (ii) all reportable positions were disclosed; (iii) all newly opened securities accounts or private placements were disclosed; and (iv) the employee has read, understood and complied with the Code of Ethics.

The price restitution policy attempts to address the 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 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 often allocated to Client Accounts in the form of revised execution prices. In some instances, however, a revised execution price will, for operational reasons beyond NBLA II's control, not be feasible and the proceeds will either be remitted to Client Accounts or donated to charity.

As stated in the Conflicts Procedures, it is the policy of Neuberger Berman (as defined below) 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. Material Non Public Information/Insider Trading**

The Firm and NBLA II (collectively, “**Neuberger Berman**”) have implemented policies and procedures, including certain information barriers (both physical and technological, as well as employee conduct measures) within Neuberger Berman (the “**MNPI Procedures**”), that are reasonably designed to prevent the misuse by Neuberger Berman 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 Neuberger Berman 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 Neuberger Berman 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 Neuberger Berman has is no longer deemed to be material or non-public.

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

The MNPI Procedures address the process by which material non-public information could be acquired intentionally by Neuberger Berman and shared between different businesses within Neuberger Berman or with certain clients of Neuberger Berman. When considering whether to acquire or share material non-public information, Neuberger Berman will attempt to balance the interests of all clients, taking into consideration relevant factors, including the extent of the prohibition on trading that would occur, the size of Neuberger Berman’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 would likely give rise to a conflict of interest since Neuberger Berman would generally 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 Neuberger Berman may purchase or potentially limiting the ability of Neuberger Berman to sell such securities. Relatedly, in those cases when Neuberger Berman declines access to (or otherwise does not receive or share within Neuberger Berman) material non-public information regarding an issuer, NBLA II could potentially base its investment decisions with respect to assets of that issuer solely on public information, thereby limiting the amount of information available to NBLA II in connection with such investment decisions. Additionally, when Neuberger Berman declines to receive or share material non-public information, clients could miss the opportunity to make certain investments, that require

potential investors to be “brought over the wall” and accept material non-public information prior to making the investment. In determining whether or not to elect to receive material non-public information, Neuberger Berman will endeavor to act fairly to its clients as a whole. Specifically, NBIA and its affiliate, NBAA, have implemented a Section 13/16 barrier that prohibits the discussion of companies with publicly traded equities. This prohibition prevents NBIA (and NBLA II) from gathering information regarding such issuers from NBAA. Neuberger Berman reserves the right to decline access to material non-public information, including declining to join a creditors or similar committee even if that committee relates to a position held in Client Accounts.

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

Generally, Neuberger Berman employees, wherever located, are prohibited from providing business gifts or entertainment that are excessive or inappropriate or intended to inappropriately influence recipients in accordance with the Firm’s Gifts & Entertainment Policies and Procedures (the “**G&E Policy**”).

Subject to applicable law and the G&E Policy, Neuberger Berman allows personnel to provide limited business gifts and entertainment to personnel/representatives of clients or prospective clients as detailed in Neuberger Berman’s policies and procedures. However, Neuberger Berman 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, Neuberger Berman imposes additional restrictions on providing gifts and entertainment to particular types of clients or client representatives, such as public officials at all levels and representatives of U.S. labor organizations. Neuberger Berman’s Global Anti-Corruption Policy and Procedures also sets forth rules governing certain gifts and entertainment and imposes pre-approval or reporting requirements. Furthermore, many public, as well as private, institutions 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 many of the institutions with whom they deal have certain additional restrictions.

In addition to these requirements, which apply to all Neuberger Berman personnel, different regions have regulatory rules and requirements relating to business gifts and entertainment specific to their region. While the G&E Policy is the global Neuberger Berman policy, Neuberger Berman subsidiaries in each region can adopt changes that further limit the amounts and activities permitted by the G&E Policy in order to comply with the specific applicable requirements.

Accepting gifts or entertainment from clients, prospective clients, employees or agents of clients, outside vendors, suppliers, consultants, and other persons or entities with whom Neuberger Berman does business also creates actual or apparent conflicts of interest. Subject to applicable law and the G&E Policy, Neuberger Berman does not prohibit personnel from accepting all business-related gifts or entertainment. However, none of Neuberger Berman personnel, immediate family members, nor other household members are permitted to accept any gift or entertainment that is significant in value or impairs, or appears to impair, employee ethics, loyalty

to Neuberger Berman, or the ability to exercise sound judgment. Furthermore, Neuberger Berman personnel are prohibited from accepting gifts or entertainment that are, or could be perceived as being, compensation from someone other than Neuberger Berman. Neuberger Berman personnel are also prohibited from soliciting gifts or entertainment, and giving any gifts or entertainment to anyone who solicits them.

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

Due to the potential for conflicts of interest, Neuberger Berman has established policies and procedures relating to political activities that are designed to comply with applicable federal, state and local law. Each employee is required to seek preapproval before the employee, the employee's spouse or domestic partner, the employee's dependent children or any other person that the employee materially supports (where any such person is either a U.S. citizen or a green card holder) makes any political contribution or engages in other political activities, including volunteering or fundraising for a campaign.

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

Certain types of outside affiliations or other activities pose a conflict of interest or regulatory concern to Neuberger Berman. Therefore, Neuberger Berman prohibits certain activities, and requires employees to disclose outside activities and affiliations to Neuberger Berman in writing so that responsible personnel are able to assess the compatibility of the outside affiliation or activity with their role at Neuberger Berman. "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 Neuberger Berman (paid or unpaid), including joint ventures, portfolio investment companies, or non-profit, charitable, civic or educational organizations. In some cases, those relationships are related to employment with Neuberger Berman. Employees registered in the U.S. could also have to update their regulatory filings to reflect outside affiliations. Generally, Neuberger Berman employees do not have to disclose affiliations that involve little or no personal responsibility or exposure on their part and have minimal potential for adversely affecting Neuberger Berman's image or creating conflicts of interest. Neuberger Berman 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 could result in a conflict of interest between the employee and Neuberger Berman or the employee and a client of Neuberger Berman.

Neuberger Berman 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 Neuberger Berman. Neuberger Berman 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, Neuberger Berman personnel are prohibited from entering into independent non-Neuberger Berman related business relationships with clients, vendors, or co-workers. Exceptions to these prohibitions, which may include serving in a board or advisory position as a fiduciary to certain Client Accounts may only be made in writing on a case-by-case basis by the Neuberger Berman Legal and Compliance Department. These prohibitions also do not apply to the joint employment of Shared Employees.

Certain Neuberger Berman personnel serve, under certain limited circumstances, as an executor, trustee, guardian or conservator, with prior approval from the Neuberger Berman Legal and Compliance Department, irrespective of whether such service is personal in nature. 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 Neuberger Berman Code of Ethics, even if the relationship is personal. Neuberger Berman generally permits employees to engage in philanthropic, charitable or other similar pursuits, subject to certain limitations and with prior approval from the Neuberger Berman Legal and Compliance Department.

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

Neuberger Berman conducts appropriate due diligence on outsourced service providers and vendors ("**Third Party Vendors**") that provide products or services to Neuberger Berman and enters into an appropriate contract. When hiring Third-Party Vendors, Neuberger Berman has an incentive to choose vendors at the lowest possible cost to Neuberger Berman or Third-Party Vendors that provide other financial incentives (e.g., potentially referring clients to NBLA II or its affiliates). Neuberger Berman's relationships with Third Party Vendors are managed so that appropriate controls and oversight are in place to protect Neuberger Berman's interests, including safeguarding of private and confidential information regarding Neuberger Berman's clients and employees.

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

NBLA II and its employees have differing investment or pecuniary interests in different Client Accounts, and NBLA II employees have differing compensatory interests with respect to different Client Accounts. Similarly, NBLA II employees who are dual employees with an Advisory Affiliate could have different interests with respect to accounts managed for NBLA II and Affiliate Accounts.

NBLA II and its employees face a conflict of interest when (i) the actions taken on behalf of one Client Account (or an account managed by an Advisory Affiliate (an "**Affiliate Account**")) impact other similar or different Client Accounts (or Affiliate Accounts) (e.g., where Client Accounts have the same or similar investment strategies or otherwise compete for investment opportunities, have potentially conflicting investment strategies or investments (including where the negotiation of a purchase of securities from an issuer for some Client Accounts negatively impact other securities issued by the same issuer held in other Client Accounts, or the holdings of some Client Accounts cause NBLA II to refrain from recommending or making certain investments or to be limited by law, courts or otherwise in the actions it can recommend or take on behalf of other Client Accounts), or have differing ability to engage in short sales and economically similar transactions) or (ii) NBLA II and its employees (and the Affiliates Advisers and their employees) have differing interests in certain Client Accounts (e.g., where NBLA II or its related persons are exposed to different potential for gain or loss through differential ownership interests or compensation structures or where NBLA II or its employees have determine where to dedicate their time and resources) because NBLA II and its related persons have an incentive to favor certain accounts over others (e.g., NBLA II and its related persons could favor more profitable accounts, accounts of larger clients, or accounts of clients from whom they are seeking additional

business). Such conflicts present particular concern when, for example, NBLA II places, or allocates, transactions that NBLA II believes could more likely result in favorable performance, engages in cross trades or executes potentially conflicting or competing investments.

From time to time, NBLA II and its affiliates, on behalf of different Client Accounts or Affiliate Accounts, will make investments in different parts of an issuer's capital structure (e.g., equity or debt, or different positions in the debt structure), including situations where a single portfolio manager invests in different parts of an issuer's capital structure for its Client Accounts. As a result, or as part of the negotiations of certain terms prior to the purchase of a security, NBLA II and its affiliates could pursue rights or privileges with respect to an issuer that has, or could have, an adverse effect on some of its Clients Accounts. Conflicts may arise over items such as whether to make an investment, exercise certain rights, take an action, proxy voting, corporate reorganization, how to exit an investment, or bankruptcy or similar matters (including, for example, whether to trigger an event of default or the terms of any workout). Similarly, if an issuer in which one or more Client Accounts (or Affiliate Accounts) hold different classes of securities (or other assets, instruments or obligations issued by the same issuer) encounters financial problems, decisions over the terms of any workout will raise conflicts of interest (e.g., conflicts over proposed waivers and amendments to debt covenants or strategies to be pursued in bankruptcy proceedings).

For example, it is possible a debt holder would be better served by a liquidation of the issuer in which it would be paid in full, whereas an equity or junior bond holder might prefer a reorganization that holds the potential to create value for them. In some cases, NBLA II and its affiliates will (i) refrain from taking certain actions or making certain investments, or may sell investments on behalf of Client Accounts in order to avoid or mitigate certain conflicts of interest, or (ii) be limited (by applicable law, courts or otherwise) in positions or actions it will be permitted to take, which, in each case, could have the potential to disadvantage the Client Accounts on whose behalf the actions are not taken, investments not made, or investments sold. In other cases, NBLA II and its affiliates will not refrain from taking actions or making investments on behalf of certain Client Accounts that have the potential to disadvantage other Client Accounts. Moreover, if Client Accounts are invested in different levels of an issuer's capital structure, it is possible that NBLA II and its affiliates will acquire material nonpublic information, including where it has representatives on the issuer's board of directors or the creditors' committee - see Item 11.D.1). To mitigate these conflicts, Neuberger Berman's policies and procedures seek to ensure that investment decisions are made in accordance with the fiduciary duties owed to Client Accounts and that NBLA II and its advisory personnel do place their own interests ahead of the interests of its client.

The views and opinions of Neuberger Berman, its portfolio managers and other employees and those of its affiliates and research departments will, from time to time, differ from one another, as well as from the Firm's Chief Investment Officers, Asset Allocation Committee, Multi-Asset Class team and Investment Strategy Group. As a result, products managed by NBLA II or its affiliates often hold Collateral Obligations or pursue strategies that reflect differing investment opinions or outlooks at the time of their acquisition or subsequent thereto.

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

## **7. *Conflicts of Interest Relating to Employee Compensation Arrangements***

Some employees of NBLA II and its affiliates receive a portion of the fees or other compensation received by NBLA II and its affiliates. Compensation methodology varies and is based upon a variety of factors, including gross or net revenue, asset or sub-asset class, and the specific investment product or investment vehicle.

Given that compensation varies, an employee has an incentive to promote, recommend or allocate assets based on the compensation to be received. For example, NBLA II and its employees would financially benefit if a Client Account is allocated assets in a way that results in either NBLA II or the employee receiving more compensation from investing in one product or strategy than from investing in other products or strategies. Strategies that involve comparatively higher levels of complexity (e.g., portfolio composition or risk management) or that make use of more complicated financial instruments and financing techniques (e.g., hedging foreign currency exposure or interest rate volatility) will generally result in higher fees to NBLA II and to those Firm employees who promote, recommend, allocate or manage those strategies. The expenses, fees and other charges vary among asset classes or among sectors or sub-categories within an asset class. For example, the expenses, fees and other charges for equity products and services are generally higher in comparison to fixed income products and services, and the expenses, fees and other charges for emerging markets equities products and services are generally higher in comparison to U.S. core equity products and services. In addition, certain strategies are managed in a substantially similar manner across multiple investment vehicles (i.e., separate accounts, registered funds and private funds) and certain vehicles have higher expenses, fees and other charges. For example, private funds often have higher expenses, fees and other charges than other vehicles such as separate accounts or registered funds. Neuberger Berman's private funds generally also charge other fees, including performance fees, which allow the Firm and, in certain cases, selected personnel, an opportunity to share in the performance fee. In addition, where permitted by law, a private fund can also invest in affiliates or unaffiliated vehicle that utilize the services of NBIA, its affiliates or their respective employees for a fee or other compensation.

Certain options strategies are implemented on an "overlay" basis where the assets serving as collateral for the option strategies are held outside of the Client Account in which the options strategies are implemented. To the extent the collateral assets for such overlay strategies are invested in other investment products and strategies of NBLA II, the use of overlay strategies will involve incremental fees to the Firm and its employees. Accordingly, for all of the forgoing reasons, differences in the strategies and vehicles that are included in Client Accounts will likely result in differences and potentially higher or incremental fees to the Firm or its employees.

To mitigate those conflicts, the Firm has policies and procedures in place and trains its employees to provide advice that is suitable and appropriate for clients and to act in the clients' best interest without placing its own interests or the interests of NBLA II ahead of the interests of its client. Additionally, members of the Firm's Asset Management Guideline Oversight group ("**AMGO**") and the Firm's Private Wealth Supervision group conduct periodic Client Account reviews for portfolio managers to Private Wealth Management accounts. At those reviews, the portfolio management team's holdings, performance, concentrated positions, account activity and margin exposure are reviewed across their accounts. The Firm's policies and procedures are reinforced in the Firm's

annual training which covers relevant topics including as know-your-customer and other regulatory requirements.

Please see Item 5.E for a further discussion regarding Sales Compensation practices.

## **Item 12: Brokerage Practices**

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

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

Generally, NBLA II has discretion to purchase and sell Collateral Obligations and to select the broker-dealer. NBLA II looks to the overall quality of service provided by the broker and will consider many factors when making a selection for execution. It is NBLA II's policy to seek the best execution of client trades considering all the relevant circumstances. When selecting third party executing brokers, traders acting on behalf of NBLA II will also consider the price, size of the transaction, liquidity of both the Collateral Obligation and the market, the broker's ability to provide or find liquidity, time limitations, and confidentiality of the transaction. In addition, NBLA II may consider research and other services in making brokerage decisions (see "*Research and Other Soft Dollar Benefits*" in this Item 12.A). Payment of additional commissions for research is generally limited to trades involving equities and ETFs. Accordingly, clients could be able to obtain more favorable brokerage commission rates elsewhere. NBLA II will also utilize electronic trading networks when they can provide liquidity and price improvement over and above what is available through traditional methods for execution. NBLA II does not have a formal soft dollar program. NBLA II may receive unsolicited research from entities from which NBLA II acquires Collateral Obligations on behalf of clients. That research is not a factor in the selection of counterparties or the determination of any brokerage or other fees or spread paid.

#### ***Brokerage for Client Referrals***

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

#### ***Other Fees in Connection with Trading***

In an effort to achieve best execution of portfolio transactions, NBLA II and/or NBIA often trades Collateral Obligations for Client Accounts by utilizing alternative trading systems. Some alternative trading systems impose additional service fees or commissions. Those fees will be (i) paid by NBLA II directly to the provider of the services, (ii) included in the execution price of a Collateral Obligation, or (iii) where applicable, billed directly to the Client Account associated with the trading activity. NBLA II's intention is that it will only use alternative trading systems and incur their fees if it believes that doing so helps it to achieve best execution for the applicable transaction, taking into account all relevant factors under the circumstances. For example, NBLA II could consider the speed of the transaction, the price of the Collateral Obligation, the research it receives and its ability to effect a block transaction.

## ***Trade Errors***

Trade errors can result from a variety of situations involving portfolio management (*e.g.*, inadvertent violation of investment restrictions) and trading (*e.g.*, miscommunication of information, such as wrong number of shares, wrong price, wrong account, calling the transaction a buy rather than a sell and vice versa, etc.) (collectively, “**Trade Errors**”). In situations where correcting a Trade Error would result in NBLA II bearing financial losses, NBLA II has an incentive to ignore or understate the Trade Error. However, NBLA II has adopted policies and procedures for correcting Trade Errors. The policies and procedures require that all Trade Errors affecting a Client Account be resolved promptly and fairly. Under certain circumstances, the policy provides that trades may, where appropriate, be cancelled or modified prior to settlement. The intent of the policy is to reasonably assure that, if a Trade Error results in a Client Account being in a worse financial position, the Client Account is restored to the appropriate financial position considering all relevant circumstances surrounding the error.

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

### ***Aggregation***

There will be occasions when NBLA II, NBIA and their affiliates decide to purchase or sell the same Collateral Obligation or financial instrument for several of their respective Client Accounts at approximately the same time. NBLA II, NBIA and their affiliates are 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, in some cases, NBLA II, NBIA and their affiliates will elect to combine Client Account orders with orders entered for the same Collateral Obligation for Affiliate Accounts. NBLA II, NBIA and their affiliates are not obligated to include any Client Account in an aggregated trade. Transactions for any Client Account will not be aggregated for execution if the practice is prohibited or inconsistent with that client’s investment advisory agreement.

While NBLA II, NBIA and their affiliates 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 their respective clients, they also 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 NBLA II, NBIA and their affiliates. As a result, NBLA II’s, NBIA’s and their affiliates’ clients will not always pay the lowest available commission rates, so long as NBLA II, NBIA and their affiliates believe that they are obtaining best execution under the circumstances, taking into account the soft dollar benefits provided (if any).

The aggregation of orders could lead to a conflict of interest in the event an order cannot be entirely fulfilled, and NBLA II, NBIA and their affiliates are required to determine which accounts should receive executed shares and in what order. NBLA II, NBIA and their affiliates will generally endeavor to aggregate and allocate orders in a manner designed to ensure that no particular client or account is favored and that participating Client Accounts and Affiliated Accounts are treated in a fair and equitable manner over time.

NBLA II, NBIA and their affiliates will receive no additional compensation or remuneration of any kind as a result of the aggregation of client trades; rather, to the limited extent it is applicable and as agreed upon by the client, commissions charged by NBLA II's affiliate will be charged at a rate as though the trades had not been aggregated.

NBLA II, NBIA and their affiliates will act in a manner they believe is fair and equitable for their clients as a group when bunching and price averaging.

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

NBLA II, NBIA and their affiliates serve as investment adviser for a number of clients and face conflicts of interest when allocating investment opportunities among their Client Accounts (and Affiliate Accounts). For example: (i) NBLA II, NBIA and their affiliates receive different management or performance fees from different clients; and (ii) NBLA II, NBIA and their respective affiliates, and certain of their respective owners, officers and employees, invest substantial amounts of their own capital in certain collective vehicles (including affiliated private funds) in which clients also invest. The majority of NBLA II's, NBIA's and their affiliates' clients pursue specific investment strategies, many of which are similar. NBLA II expects that, over long periods of time, most clients pursuing similar investment strategies will experience similar, but not identical, investment performance. Many factors affect investment performance, including: (i) the timing of cash deposits and withdrawals to and from an account; (ii) the fact that NBLA II, NBIA and their affiliates do not always purchase or sell a given Collateral Obligation on behalf of all clients pursuing similar strategies; (iii) price and timing differences when buying or selling Collateral Obligations; and (iv) the clients' own different investment restrictions. NBLA II's, and NBIA's trading policies are designed to minimize possible conflicts of interest in trading for their clients.

NBLA II, NBIA and their affiliates will consider many factors when allocating Collateral Obligations and other instruments among clients, including the client's investment objectives, applicable restrictions, the type of investment, the number or principal face amount of Collateral Obligations or other instruments purchased or sold, the size of the account, the amount of available cash in the account and the size of an existing position in the account. The nature of a client's investment style could exclude it from participating in many investment opportunities, even if the client is not strictly precluded from participation based on written investment restrictions. Clients are not assured of participating equally or at all in particular investment allocations.

To the greatest extent possible, fixed income trades for all business lines are allocated by the trading desk executing the trade or portfolio manager transmitting the order among the accounts involved on a pro rata basis; provided that, NBLA II and its affiliates consider many factors when allocating securities among accounts, including the account's investment objectives, applicable restrictions, the type of investment, the number of securities purchased or sold, the size of the account, and the amount of available cash or the size of an existing position in an account. Accounts are not assured of participating equally or at all in particular investment allocations. The nature of an account's investment style may exclude it from participating in many investment opportunities, even if the account is not strictly precluded from participation based on written investment restrictions.

Allocation of New Issues and Private Investments: When allocating limited investment opportunities, including new issues and private investments, NBLA II has an incentive to favor certain clients or accounts, such as higher fee-paying accounts (including accounts that are subject to performance fees), larger clients, or clients from whom it is seeking additional business. In addition, certain eligibility requirements (including ones imposed by NBLA II) may further limit the universe of clients to which NBLA II will allocate certain investment opportunities. Notwithstanding the foregoing, NBLA II, NBIA and their affiliates will attempt to allocate limited investment opportunities among their respective clients in a manner that is fair and equitable when viewed over a considerable period of time and involving many allocations.

NBLA II, NBIA and their affiliates maintain policies and procedures to allocate Collateral Obligations in new issues and secondary offerings. For example, the factors taken into account in allocating new issues include whether the account's investment objectives fall primarily within the market capitalization of the issuer of Collateral Obligations to be allocated, cash available and legal restrictions on the account. Once those factors are considered, the Collateral Obligations are generally allocated on a *pro rata* basis based on the assets under management of each account.

The Neuberger Berman Legal and Compliance Department, in conjunction with the Firm's Risk Group, is responsible for monitoring and interpreting the Firm's policies. Any exceptions to the Firm's policies require the prior approval of the Neuberger Berman Legal and Compliance Department.

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

### **A. Periodic Reviews**

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

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

While NBLA II looks to the portfolio managers as the first step in the compliance process, NBLA II recognizes the need for additional, independent oversight. AMGO serves as an independent supervisory group responsible for ensuring that portfolios are managed in accordance with investment guidelines.

A portfolio manager may be responsible for managing an Affiliate Account. The process relating to the review of the accounts of an Advisory Affiliate would be governed by the policies of such affiliate.

In addition to the practices outlined above, the Neuberger Berman Legal and Compliance Department reviews transactions for possible conflicts and adherence to the Code of Ethics and regulatory obligations, on a daily basis. This includes reviews of trade data and exception reports, which are generally conducted by one of several compliance analysts. Topics covered in the review include front running and trading on the basis of material, non-public information.

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

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

### **C. Client Reports**

On a monthly basis, each CLO issuer (or its agent) will typically compile and make available to each of the CLO's investors a monthly report, setting forth certain information with respect to the Collateral Obligations in respect of the immediately preceding month, including certain loss and delinquency information on the Collateral Obligations and measurements of each criterion

included in the CLO's investment criteria. On each of the CLO's payment dates, each CLO issuer (or its agent) will typically make available to each of the CLO's investors a distribution report containing all the information in a monthly report as well as setting forth, among other things, certain information as to the distributions being made on such payment date, and the fees to be paid to NBLA II and the CLO's trustee. Neither such information nor any other financial information furnished to investors in the CLOs will be audited and reported upon, and an opinion will not be expressed, by an independent public accountant.

## Item 14: Client Referrals and Other Compensation

### A. Compensation by Non-Clients

Not Applicable.

### B. Compensation for Client Referrals

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

Each CLO will select an initial purchaser to act as sole manager and bookrunner with respect to the CLO's notes. In this capacity, the initial purchaser will generally purchase the CLO's notes, sell such notes in individually negotiated transactions at varying prices to be determined in each case at the time of sale and deliver or arrange for the delivery of such notes. The initial purchaser will receive from the applicable CLO issuer certain fees and reimbursement of certain expenses (including legal expenses) for its services as initial purchaser. In that capacity, the initial purchaser may be is authorized to recommend, solicit, approve, support, discuss or describe experiences, or engage in other promotional activity related to NBLA II, its investment advisory services and personnel that constitutes an "endorsement" or "testimonial" of NBLA II, as such terms are defined under Rule 206(4)-1 under the Advisers Act.

#### *Consultants*

NBLA II and its affiliates sponsor educational events where its representatives meet with consultants, broker-dealers, and other financial intermediaries (collectively "**Financial Intermediaries**"), or their clients. NBLA II or such affiliate often charge a participation fee or pay for some or all of the expenses of the participants. NBLA II and its affiliates may also participate in educational programs sponsored by Financial Intermediaries. NBLA II or such affiliate sometimes pay a fee to participate in such programs. Both of these types of events provide NBLA II and its affiliates with an opportunity to meet with Financial Intermediaries or their clients. Any fees paid by NBLA II and its affiliates are from their own resources, which include the management fees received from their clients. Clients should confer with their Financial Intermediaries regarding the details of the payments their Financial Intermediaries receive from NBLA II and its affiliates.

## **Item 15: Custody**

Neither NBLA II nor its affiliates will maintain physical possession of CLO assets. Physical custody of the assets of a CLO will be maintained with a Qualified Custodian selected by the CLO issuer.

## **Item 16: Investment Discretion**

Subject to any investment guidelines or instructions as a client may from time to time communicate to NBLA II, NBLA II enters into collateral management agreements with its clients that give NBLA II authority, without obtaining specific client consent, to buy, sell, hold, exchange, convert or otherwise trade in any Collateral Obligations, loans and other financial instruments, including derivatives. NBLA II also has discretion to choose the broker-dealer(s) to be used and the commission rates paid unless the client instructs otherwise. NBLA II's discretionary authority is derived from an express grant of authority under each CLO's collateral management agreement with NBLA II. With respect to certain agreements, NBLA II is also given the authority to execute agreements or other documents on behalf of the client to effectuate NBLA II's duties under the collateral management agreement. In addition, NBLA II's discretionary authority generally allows NBLA II to exercise any right incident to any Collateral Obligations or other assets held in the Client Account (e.g., the right to vote on loan amendments) and to issue instructions to the client's custodian for the Client Account for such purposes, as NBLA II deems necessary and appropriate in the management of the Client Account.

Purchases and sales must be suitable for, and in the best interest of, the particular client and limitations are sometimes imposed as a result of instructions from the client through investment guidelines or other writings. Some clients limit NBLA II's authority by prohibiting or limiting the purchase of certain Collateral Obligations or other assets or industry groups.

From time to time, Neuberger Berman, itself, places restrictions on trading in certain Collateral Obligations, securities or other assets in Client Accounts. Legal or regulatory considerations or collateral risk management policies will necessitate that Neuberger Berman restrict trading in certain issuers. Limitations will also be imposed when the purchase of a Collateral Obligation or other instrument, when aggregated with positions in such investment held by NBLA II for itself, by insiders, and by other clients, would exceed applicable law or NBLA II's self-imposed rules with regard to maximum size of positions in an investment. NBLA II will not be able to trade in any Collateral Obligations on the Firm restricted list on behalf of any Client Accounts, except with approval by the Neuberger Berman Legal and Compliance Department.

For example, pursuant to Neuberger Berman's policies and procedures on the handling of material non-public information, when Neuberger Berman 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 Neuberger Berman 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 is no longer deemed to be material or non-public. As such, there are circumstances that could prevent the purchase or sale of securities for certain Client Accounts for a period of time. See Item 11.D.1.

In addition, NBLA II, as holder of the Retention Interests in a CLO, may have the ability to direct a redemption, refinancing or repricing of such CLO. NBLA II in such capacity may also, with the consent of one or more other classes of CLO securities, have the right to consent to amendments

to the governing documents of the CLOs and to remove or replace the collateral manager and enforce other rights and remedies after events of default.

## Item 17: Voting Client Securities

NBLA II generally has voting power with respect to Collateral Obligations and other instruments in all of its Client Accounts. NBLA II has implemented written Proxy Voting Policies and Procedures (the “**Proxy Voting Policy**”) that are designed to reasonably ensure that NBLA II votes proxies in the best interest of clients, in accordance with NBLA II’s fiduciary duties, applicable rules under the Advisers Act, fiduciary standards and responsibilities for ERISA clients set out in Department of Labor interpretations, the UK Stewardship Code, the Japan Stewardship Code and other applicable laws and regulations. The Proxy Voting Policy also provides for the process by which proxy voting decisions are made, the handling of material conflicts, the disclosure of the Proxy Voting Policy to clients, the maintenance of appropriate books and records relating to proxies.

NBLA II will vote client proxies in accordance with a client’s specific request even if it is in a manner inconsistent with NBLA II’s proxy votes for other Client Accounts. Any of those specific requests should be made in writing to NBLA II by the individual client or by an authorized officer, representative or named fiduciary of a client.

The Neuberger Berman Governance and Proxy Voting Committee (the “**Proxy Committee**”) is responsible for developing, authorizing, implementing and updating the Proxy Voting Policy and the Governance and Proxy Voting Guidelines (“**Voting Guidelines**”), administering and overseeing the proxy voting process, and engaging and overseeing any independent third-party vendors as voting delegates to review, monitor and/or vote proxies. In order to apply the Proxy Voting Policy in a timely and consistent manner, Neuberger Berman utilizes Glass, Lewis & Co. LLC (“**Glass Lewis**”) to vote eligible proxies in accordance with NBLA II’s Voting Guidelines or, in instances where a material conflict has been determined to exist, in accordance with the voting recommendations of Glass Lewis. The Voting Guidelines generally represent the voting positions most likely to support our clients’ best economic interests across a range of sectors and contexts. The Voting Guidelines are not intended to constrain NBLA II’s consideration of the specific issues facing a particular company on a particular vote, and so there will be times when NBLA II’s vote decisions will deviate from the Voting Guidelines.

In the event that an NBLA II investment professional believes that it is in the best interest of a client or clients to vote proxies in a manner inconsistent with the Voting Guidelines, the NBLA II investment professional will contact a member of the Proxy Committee, or a designee of the Proxy Committee and complete and sign a questionnaire in the form adopted from time to time. The questionnaire will require specific information, including the reasons the NBLA II investment professional believes a proxy vote in that manner is in the best interest of a client or clients and disclosure of specific ownership, business or personal relationship, or other matters that raise a potential material conflict of interest with respect to the voting of the proxy. The Proxy Committee will meet with the NBLA II investment professional to review the completed questionnaire and consider such other information as it deems appropriate to determine that there is no material conflict of interest with respect to the voting of the proxy in the requested manner. Unless the Proxy Committee determines that the vote presents a material conflict, the Proxy Committee will make a determination whether to vote the proxy as recommended by the NBLA II investment

professional. In the event of a determination to vote the proxy as recommended by the NBLA II investment professional, NBLA II will instruct Glass Lewis to vote in that manner with respect to the client or clients. In the event that the Proxy Committee determines that the voting of a proxy as recommended by the NBLA II investment professional would not be appropriate, the Proxy Committee will: (i) take no further action, in which case Glass Lewis will vote the proxy in accordance with the Voting Guidelines; (ii) disclose the conflict to the client or clients and obtain written direction from the client with respect to voting the proxy; (iii) suggest that the client or clients engage another party to determine how to vote the proxy; or (iv) engage another independent third party to determine how to vote the proxy. A record of the Proxy Committee's determinations is prepared and maintained in accordance with applicable policies.

In the event that the Voting Guidelines do not address how a proxy should be voted, the Proxy Committee will make a determination as to how the proxy should be voted. The Proxy Committee will consider such matters as it deems appropriate to determine how the proxy should be voted, including whether there is a material conflict of interest with respect to the voting of the proxy in accordance with its decision. The Proxy Committee will document its consideration of those matters, and NBLA II then instructs Glass Lewis to vote in such manner with respect to applicable client or clients. Material conflicts cannot be resolved by simply abstaining from voting.

Where NBLA II has voting power, NBLA II retains final authority and fiduciary responsibility for proxy voting. NBLA II believes that this process is reasonably designed to address material conflicts of interest that arise between NBLA II and a client as to how proxies are voted.

#### **Conflicts:**

NBLA II will vote proxies in accordance with the Voting Guidelines or, in instances where a material conflict has been determined to exist, as Glass Lewis recommends. NBLA II believes that this process is reasonably designed to address material conflicts of interest that arise in conjunction with proxy voting decisions. Clients can obtain a copy of the Proxy Voting Policy, which is also available on the firm's website, or obtain information about how NBLA II voted their specific proxies upon request.

#### **Loan Amendments:**

NBLA II, in its capacity as collateral manager of a CLO, will have the authority to consent to amendments, waivers or modifications of the terms and conditions of loan agreements and related assignments. Any amendment, waiver or modification of an investment could defer the maturity, adjust the outstanding balance of any investment, reduce or forgive interest or fees, release material collateral or guarantees, or otherwise amend, modify or waive the terms of any related loan agreement, including the payment terms thereunder, which could postpone the receipt of payments in respect of such investment and/or reduce distributions to CLO investors. However, because NBLA II and/or underlying CLOs may invest through Participations, it is possible that NBLA II and/or underlying CLOs may not be entitled to vote on any such adjustment of terms of such agreements. In addition, NBLA II may decide, in its discretion, not to vote on a proposed loan amendment, waiver or modification in cases, including in instances where voting requires obtaining material non-public information about the issuer. NBLA II believes that its interests

should generally be aligned with the CLO in taking these actions, but the Investment Committee will seek to identify any conflicts and resolve them.

**Corporate Actions:**

NBLA II, in its capacity as collateral manager of a CLO, will have the authority to vote on all corporate reorganization matters (e.g., conversions, tender and exchange offers, mergers, stock splits, rights offerings, recapitalizations, amendments, modifications or waivers or other rights or powers) relating to the Collateral Obligations and other instruments owned by the CLOs. All such decisions shall be made by the Investment Committee, without input from the Proxy Committee and/or Glass Lewis. NBLA II believes that its interests should generally be aligned with the CLO in taking these actions, but the Investment Committee will seek to identify any conflicts and resolve them.

**Class Action Lawsuits:**

From time to time a Collateral Obligation or other instrument held in a Client Account may become the subject of a class action lawsuit. Generally, the CLO's trustee handles any decision to file a claim to participate in a class action settlement. Unless otherwise agreed with the client, NBLA II has no responsibilities with regard to the class action process.

Generally, NBLA II will not act on behalf of its clients as a lead plaintiff in a class action lawsuit or as a plaintiff in any potential direct action.

## **Item 18: Financial Information**

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

All fees owed to NBLA II are paid in arrears or paid less than six months in advance.

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

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

### **C. Bankruptcy Petitions**

NBLA II has not been the subject of a bankruptcy proceeding.