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

A copy of this document, which comprises a prospectus and circular relating to NB Distressed Debt Investment Fund Limited (the "Company") in connection with the Conversion offer of Extended Life Shares in the Company to Eligible Ordinary Shareholders and Admission of such Extended Life Shares in the Company resulting from the conversion of Ordinary Shares into Extended Life Shares (the "Conversion"), prepared in accordance with the Prospectus Rules of the UK Listing Authority made pursuant to section 73A of the FSMA, has been filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules. This document also constitutes a Listing Document for the purposes of seeking admission of the Extended Life Shares to the Official List of the CISX.

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

Applications will be made to the London Stock Exchange and the CISX for the Extended Life Shares to be admitted to trading on the Specialist Fund Market of the London Stock Exchange and to listing and trading on the Official List of the CISX.

If you have sold or otherwise transferred all of your Ordinary Shares in the Company, please forward this document and the accompanying documents at once to the purchaser or transferee or to the stockbroker, bank or other person through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into the Australia, Canada, Japan, New Zealand or South Africa or into any other jurisdiction where to do so would constitute a violation of applicable laws or regulations of such other jurisdiction. Persons in possession of this document are required to inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to very limited exceptions, Ordinary Shareholders in the United States or who are U.S. persons ("**U.S. Persons**") as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), will not be eligible to acquire Extended Life Shares through the Conversion and this document and any other related documents should not be distributed, forwarded to or transmitted in or into the United States. See "Overseas Shareholders" and "Acquisition and transfer restrictions" in Part V of this document. Ordinary Shareholders who believe that they may not be Eligible Ordinary Shareholders (for example because they are U.S. Persons) should notify the Company immediately.

NB DISTRESSED DEBT INVESTMENT FUND LIMITED

(a non-cellular company limited by shares incorporated under the laws of Guernsey with registered number 51774)

Proposals relating to the Company's Investment Period, the Conversion offer and Admission of up to 444,270,312 Extended Life Shares to the SFM and CISX

and

Notice of Class Meeting

Investment Manager
Neuberger Berman Europe Limited

Sub-Investment Manager
Neuberger Berman Fixed Income LLC

Financial Adviser and Corporate Broker
Oriel Securities Limited

This document includes particulars given in compliance with the Listing Rules of the CISX for the purpose of giving information with regard to the Company. The Company and the Directors, whose names appear on page 50 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

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

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

The attention of Shareholders is drawn to the Risk Factors set out on pages 20 to 43 of this document. The latest time and date for the submission of Conversion Notices is 1030 hours on 5 April 2013. Further details relating to the conversion of Ordinary Shares to Extended Life Shares are set out in Part I of this document.

A Notice of a Class Meeting to be held at BNP Paribas House, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 1WA, on 8 April 2013 at 1030 is set out at the end of this document.

Your attention is drawn to the letter from the Chairman of the Company which is set out in Part I of this document and which recommends you to vote in favour of the Resolution to be proposed at the Class Meeting. Your attention is drawn to "Action to be taken" in Part I of this document.

It is important that Shareholders read this document carefully and complete and return the Forms of Proxy by post or by hand (during normal business hours) to Capita Registrars, PXS The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive as soon as possible but no later than 1030 on 5 April 2013, whether they intend to attend the Class Meeting in person or not. Completion and return of Forms of Proxy will not affect any Shareholder's right to attend and vote at the Class Meeting. Proxies submitted via CREST for the Class Meeting must be transmitted so as to be received by the Registrar as soon as possible but no later than 1030 hours (for the Class Meeting) on 5 April 2013 whether they intend to attend the Class Meeting in person or not.

Enclosed with this document is a Conversion Notice for use by Ordinary Shareholders who hold Shares in certificated form in connection with the Proposals. To be effective, the Conversion Notice must be signed and returned (together, where relevant, with the share certificate(s) relating to the Ordinary Shares which are subject of the Conversion Notice) in accordance with the instructions printed thereon to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive as soon as possible but no later than 1030 hours on 5 April 2013. Ordinary Shareholders who hold Shares in certificated form who do not submit a valid Conversion Notice with respect to all or part of their holding of Ordinary Shares will not receive any Extended Life Shares.

This document does not constitute an offer to issue or sell, or the solicitation of an offer to acquire or subscribe for, Extended Life Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or the Investment Managers. The Extended Life Shares have not been and will not be registered under the applicable securities laws of Australia, Canada, Japan, New Zealand or South Africa. Subject to certain exceptions, the Extended Life Shares may not be offered or sold within the Australia, Canada, Japan, New Zealand or South Africa or into any other jurisdiction where to do so would constitute a violation of applicable laws or regulations of such other jurisdiction or to any national, resident or citizen of Australia, Canada, Japan, New Zealand or South Africa or into any other jurisdiction where to do so would constitute a violation of applicable laws or regulations of such other jurisdiction.

The Extended Life Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, resold, delivered, distributed or transferred, directly or indirectly, into or within the United States or to, or for the account or benefit of, U.S. Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States, and in a manner which would not require the Company to register under the U.S. Investment Company Act of 1940, as amended (the "**U.S. Investment Company Act**"). There will be no public offer of the Extended Life Shares in the United States.

The Company has not been and will not be registered under the U.S. Investment Company Act and, as such, Shareholders will not be entitled to the benefits of the U.S. Investment Company Act.

Neither the U.S. Securities and Exchange Commission (the "SEC") nor any state securities commission or other U.S. regulatory authority has approved or disapproved of the Extended Life Shares or passed upon or endorsed the merits of the offering of the Extended Life Shares or the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

Subject to very limited exceptions, neither this document nor any other related documents will be distributed in or into the United States or any of the Restricted Territories, and neither this document nor any other related documents constitutes an offer of the Extended Life Shares to any Shareholder with a registered address in, or who is resident or located in, the United States or any of the Restricted Territories. None of the Extended Life Shares have been or will be registered under the relevant laws of any state, province or territory of the United States or any of the Restricted Territories. This document does not constitute an invitation or offer to issue or the solicitation of an invitation or offer to acquire the Extended Life Shares in any jurisdiction in which such offer or solicitation is unlawful. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Subject to very limited exceptions, Ordinary Shareholders in the United States or who are U.S. Persons will not be eligible to acquire Extended Life Shares through the Conversion. In order to acquire Extended Life Shares through the Conversion, Ordinary Shareholders in the United States, or who are U.S. Persons must (subject to certain exceptions) (i) be persons reasonably believed to be "qualified institutional buyers" within the meaning of Rule 144A under the U.S. Securities Act ("**QIBs**"), who are also "qualified purchasers" within the meaning of Section 2(a)(51) of the U.S. Investment Company Act ("**Qualified Purchasers**") and (ii) deliver to the Company certain written representations, warranties, undertakings, acknowledgements and agreements. See "Overseas Shareholders" and "Acquisition and transfer restrictions" in Part V of this document.

Except with the express written consent of the Company, the Extended Life Shares may not be acquired by (i) investors using assets of (A) an "employee benefit plan" as defined in Section 3(3) of U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") that is subject to Title I of ERISA; (B) a "plan" as defined in Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**U.S. Tax Code**"), including an individual retirement account or other arrangement that is

subject to Section 4975 of the U.S. Tax Code; or (C) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the U.S. Tax Code or (ii) a governmental, church, non-U.S. or other employee benefit plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the U.S. Tax Code, unless its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

Investors may be required to bear the financial risks of their investment in the Extended Life Shares for an indefinite period of time. For a description of additional restrictions on acquisitions and transfers of the Extended Life Shares, see "Acquisition and transfer restrictions" in Part V of this document.

The Extended Life Shares will have certain limited voting rights, but will not, for example, be eligible to vote in the election of Directors. Please refer to the section entitled "Memorandum and Articles" in Part VII of this document for further information.

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

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

Oriel, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as Financial Adviser and Corporate Broker to the Company in connection with the matters described herein. Oriel is acting for the Company in relation to the conversion of Ordinary Shares into Extended Life Shares and no one else, and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in relation to the conversion, the contents of this document or any transaction or arrangement referred to herein.

Shareholders should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Investment Managers or Oriel. Without prejudice to the Company's obligations under the Prospectus Rules, neither the delivery of this document nor the conversion of Ordinary Shares into Extended Life Shares made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to, the date of this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Oriel by the FSMA or the regulatory regime established thereunder, Oriel does not accept any responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Investment Managers, the Extended Life Shares or the conversion of Ordinary Shares into Extended Life Shares. Oriel accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

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

This document is dated 6 March 2013.

Contents

Summary

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Section A – Introduction and warnings		
Element	*Disclosure requirement*	*Disclosure*
A1	Warning	This summary section should be read as an introduction to this document. Any decision to acquire Shares should be based on a consideration of this document as a whole. Where a claim relating to the information contained in a prospectus is brought before a court, a plaintiff investor might, under national legislation of the European Economic Area states, have to bear the costs of translating that prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of the document, key information in order to aid investors when considering whether to invest in such securities.
A2	Consent for Resale	Not Applicable. The Company has not given its consent to the use of the Prospectus for any subsequent resale or final placement of the Extended Life Shares by any financial intermediary.

Section B – Issuer		
Element	*Disclosure requirement*	*Disclosure*
B1	Legal and commercial name	NB Distressed Debt Investment Fund Limited
B2	Domicile and legal form	The Company is a non-cellular company limited by shares incorporated in Guernsey under the Companies Law on 20 April 2010, with registration number 51774.
B5	Group description	The Company is the ultimate parent company of all members of the Group. The Company has the following wholly-owned subsidiaries: London Adams LLC, London Dearborn LLC, London Granite Ridge LLC, London Jackson LLC, London Jackson Holdco LLC, London Madison LLC, London Mayslake LLC, London Quincy LLC, London Randolph LLC, London Randolph Holdco LLC, London Tides LLC, London Tides Holdco LLC, London Wabash LLC, London Wacker LLC, London Washington LLC, London Washington Holdco LLC, London American Homes LP, together the Group. London American Homes LP is a wholly owned Cayman Limited Partnership and all of the remaining wholly-owned subsidiaries are incorporated in Delaware. They all operate in the United States.
B6	Notifiable interests/ voting rights	Not applicable. No interest in the Company's capital or voting rights is notifiable under the Company's national law. The Class A Shares in issue are held by the Trustee. By virtue of the Trustee's holding of Class A Shares the Trustee, subject to the Articles, may

		exercise direct control over the Company. The Articles seek to prevent the abuse of such control by reserving certain matters, including any adverse change to the rights attaching to the Ordinary Shares or the Extended Life Shares, to the Ordinary Shareholders or the Extended Life Shareholders voting at a separate meeting of the Ordinary Shareholders or the Extended Life Shareholders (as the case may be). Save as described above, as at 6 March 2013, to the extent known to the Company, it is not directly or indirectly owned or controlled by any person and there are no arrangements known to the Company which may subsequently result in a change of control of the Company. Voting rights of major Shareholders of the same class are no different from the voting rights of the other Shareholders of that class. As at 6 March 2013, insofar as is known to the Company, the following persons are directly or indirectly interested in 5 per cent. or more of the Company's total voting rights: **% Company's voting rights** NBDDIF Purpose Trust 100
B7	Key financial information	The key audited figures that summarise the financial condition of the Company in respect of the financial year ended 31 December 2010 and 31 December 2011 and the key unaudited figures that summarise the financial condition of the Company in respect of the financial periods from 1 January 2011 to 30 June 2011 and from 1 January 2012 to 30 June 2012, which have been extracted directly on a straightforward basis without material adjustment from the historical financial information incorporated by reference in this document, are set out in the following table. Investors should read the whole of such report and not rely solely on the key or summarised information set out below:

	at 30 June 2012 (unaudited)	*at 31 December 2011 (audited)*	*at 30 June 2011 (unaudited)*	*at 31 December 2010 (audited)*
Assets				
Investments, at fair value	443,096,812	420,330,876	510,242,325	470,739,677
Cash and cash equivalents	28,861,130	51,264,893	46,780,241	21,808,522
Other assets				
Interest receivables	1,753,576	1,521,807	1,628,760	572,543
Receivables for investments sold	3,092,620	668,145	7,893,750	6,614,558
Credit default swap	–	–	789,366	–
Other receivables and prepayments	1,848	32,208	56,350	75,640
Total assets	476,805,986	473,817,929	567,390,792	499,810,940

	at 30 June 2012 (unaudited)	*at 31 December 2011 (audited)*	*at 30 June 2011 (unaudited)*	*at 31 December 2010 (audited)*
Liabilities				
Payables for investments purchased	24,799,448	43,095,401	108,321,999	69,616,129
Payables to Investment Manager and affiliates	525,459	537,300	568,965	536,691
Accrued expenses and other liabilities	396,182	482,846	379,579	317,683
Total liabilities	25,721,089	44,115,547	109,270,543	70,470,503
Total net assets	451,084,897	429,702,382	458,120,249	429,340,437
Net asset value per ordinary share	1.0153	0.9672	1.0408	0.9754

The Company was incorporated on 20 April 2010 in Guernsey and raised gross proceeds of US$197.2 million as part of its IPO. It was admitted to trading on the SFM and the CISX on 10 June 2010 and on 20 October 2010 it raised US$244.2 million through the Secondary Placing. In the period of operation to 31 December

		2010, the Net Asset Value per Ordinary Share decreased by 0.47 per cent. to US$0.9754. By 31 December 2010, the Company had invested approximately 31 per cent. of its capital and had made investments in 36 companies across 12 industries. The Company exited one investment in the period to 31 December 2010 at a 15 per cent. premium to the purchase price of the investment. The Company had no borrowings during the period. At 31 December 2011, approximately 85 per cent. of the Company's NAV was invested in 47 companies across 13 different sectors. In the year ending 31 December 2011 the Company's NAV was affected by the market volatility, which started in early August and resulted in a decrease in NAV for the year of 0.84 per cent. from US$0.9754 to US$0.9672 per Share. For purposes of comparison, the HFRI Distressed/Restructuring Index 2011 return was -1.79 per cent. The Company exited 5 investments in the period with each of these generating returns for the company of between 6 per cent. and 20 per cent. on the capital deployed and ultimately resulted in a gain of US$5 million (including interest) for the Company. The Company had no borrowings during the period. For the interim period from 1 January 2012 to 30 June 2012, the Company remained substantially invested with approximately 82 per cent. of the portfolio deployed in 44 investments across 15 industries. During the period, the Company exited 3 investments bringing the total number of realisations since inception to eight. The exits in the period generated returns for the company of between 13 per cent. and 23 per cent. of the capital deployed. The NAV per Ordinary Share during this period increased by 1.48 per cent., from $0.9672 to $0.9815. The NAV, in the second quarter particularly, benefitted from the mark-ups of several positions which reached key restructuring milestones. These gains were offset by the markdown of a position which detracted 2.2 per cent. from NAV. The Company had no borrowings during the period. Since June 2012 the Company has continued to deploy funds in distressed opportunities and as at 31 December 2012, over 91 per cent. of the Company's NAV was invested in 48 companies across 16 industries. The Company's unaudited NAV per Ordinary Share increased 11.3 per cent. in 2012 overall, to US$1.0766 from US$0.9672 and in 2013 this has subsequently increased further to $1.1090 as at 4 March 2013, being the latest practical date before publication of this document. Since June 2012 the Company has realised three further investments at rates of return between 17 per cent. and 38 per cent., taking the total number of exits since inception to eleven.
B8	Key *pro forma* financial information	Not applicable. No pro forma information about the Company is included in this document.
B9	Profit forecast	Not applicable. No profit estimate or forecast for the Company is made.
B10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. There are no qualifications to the audit reports on the historical financial information.
B11	Insufficient working capital	Not applicable. The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, that is for at least the next 12 months from the date of this document.

B34	Investment policy	**Investment Objective** The Company's primary objective is to provide investors with attractive risk-adjusted returns through long-biased, opportunistic stressed, distressed and special situation credit-related investments while seeking to limit downside risk by, amongst other things, focussing on senior and senior secured debt with both collateral and structural protection. **Investment Policy** The Investment Managers will seek to identify mispriced or otherwise overlooked securities or assets that they believe have the potential to produce attractive absolute returns while seeking to limit downside risk through collateral and structured protection where possible. The Company intends that the Company Portfolio will be biased toward investing in stressed and distressed debt securities secured by asset collateral. In investing on behalf of the Company, the Investment Managers intend to focus on companies with significant tangible assets they believe are likely to maintain long-term value through a restructuring. The Company will seek to avoid "asset-light" companies, as their value tends to be degraded in distressed scenarios. The Investment Managers will also aim to concentrate on companies with stressed balance sheets whose low implied enterprise value multiples – often calculated off currently depressed cash flows – offer a discount to current comparable market valuations. The Investment Managers will attempt to limit the Company's downside risk by focusing on senior and senior secured debt with both collateral and structural protection. The Investment Managers will attempt further to limit the Company's downside risk by investing in situations in which the debt acquired by the Company can be converted to equity at a valuation multiple below comparable valuation multiples in its sector. Such investments may include companies that are currently involved in a court-supervised or out-of-court restructuring or reorganisation, a liquidity crisis, a merger, a divestiture or another corporate event conducive to a mispricing of intrinsic value. The Investment Managers will seek to achieve the Company's investment objective primarily by investing in: bankruptcy situations; out-of-court restructurings and workouts; as well as in special situations. The Investment Managers from time to time may, however, also make opportunistic investments that are neither distressed nor related to a special situation. The Company Portfolio may comprise both public and private securities and investments, which may include secured bank debt (first and second lien), senior unsecured bank debt, subordinated bank debt, investment grade and high-yield bonds, funded and unfunded bridge loans, trade claims, distressed securities, mezzanine securities, equity securities (including the equities of public and private issuers, listed and unlisted equities, U.S. and non-U.S. equities, American Depositary Receipts and preferred stock), convertible securities, options, warrants, when-issued securities, leases, and credit and other derivatives such as swaps, forward contracts and futures. In certain situations, the Company may also invest in performing and non-performing real estate assets, including commercial mortgage loans and mortgage-backed securities as well as in other asset backed securities, assets, businesses and any other type of

financial claim that the Investment Managers identify as a compelling investment opportunity. The Company may also participate in the origination of loans. The Investment Managers may take short positions (either outright or through the use of derivatives) for what the Investment Managers believe to be hedging and general risk reduction rather than speculative purposes.

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

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

Diversification policies

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

By issuer:	maximum per issuer (or group of affiliated issuers) – 5 per cent.;
By industry:	maximum single industry market value exposure – 20 per cent.;
By geography (as determined by the issuer's headquarters):	minimum North American (U.S. and Canada) – 70 per cent.;
	maximum international – 30 per cent.
Original Issue Equity:	maximum – 10 per cent.

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

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

Leverage

The Company will not leverage its market exposure.

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

Changes to the Company's investment policy

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

B35	Borrowing limits	Whilst the Company will not employ leverage or gearing for investment purposes, the Company may, from time to time, use borrowings for share buy backs and short-term liquidity purposes, including for bridging purposes, prior to the sale of investments. Save for such bridging borrowings, the Directors intend to restrict borrowing to an amount not exceeding 10 per cent. of the NAV of the Company at the time of drawdown. The Company at present has no borrowings.
B36	Regulatory status	The Company has been declared by the GFSC to be a registered closed-ended collective investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Registered Collective Investment Scheme Rules 2008 issued by the GFSC. The Company is regulated by the GFSC. The Company is not regulated by any regulator other than the GFSC.
B37	Typical investors	Shares are suitable only for institutional, professional and high net worth investors, private client fund managers and brokers and other investors who are capable of evaluating the merits and risks of such an investment and/or who have received advice from their fund manager or broker regarding such an investment and who have sufficient resources to be able to bear losses (which may equal the whole amount invested) that may result from such an investment. Shares should constitute part of a diversified investment portfolio. Accordingly, typical investors in the Company are expected to be institutional, professional and high net worth investors, private client fund managers and brokers and other investors who understand the risks involved in investing in the Company and/or who have received advice from their fund manager or broker regarding investment in the Company.
B38	Investment of 20 per cent. or more in single underlying asset or investment company	Not applicable. No investment of 20 per cent. or more in single underlying asset or investment company.
B39	Investment of 40 per cent. or more in single underlying asset or investment company	Not applicable. No investment of 40 per cent. or more in single underlying asset or investment company.
B40	Applicant's service providers	**Investment Managers** The Investment Manager will be entitled to a non-discretionary fee, which shall accrue daily, and be payable monthly in arrears, at a rate of 0.125 per cent. per month of the Group's NAV calculated as at the last business day of the relevant month. For this purpose, any accrual for any Performance Fee will be disregarded when calculating the Group's NAV. The Investment Manager will be entitled to a Performance Fee. ***Ordinary Share Performance Fee*** The Ordinary Share Performance Fee will only become payable once the Company has made aggregate cash distributions with respect to the Ordinary Shares (which shall include: (i) such proportion of the aggregate price of all Ordinary Shares repurchased or redeemed by the Company at any time prior to the Conversion as would be equal to the ratio of the Ordinary Shares to total Shares immediately following the Conversion; and (ii) the aggregate price of all Ordinary Shares repurchased or redeemed by the Company at any time following the Conversion) equal to (a) such proportion of the aggregate gross proceeds of issuing Ordinary

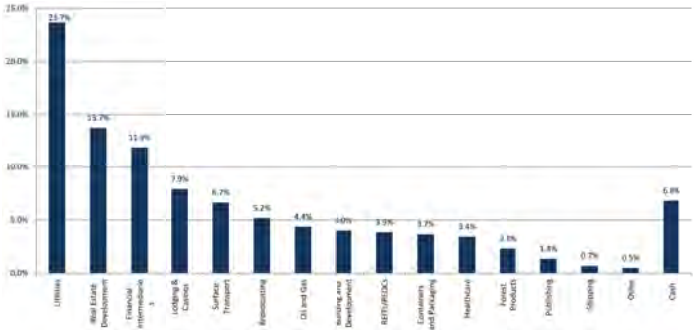
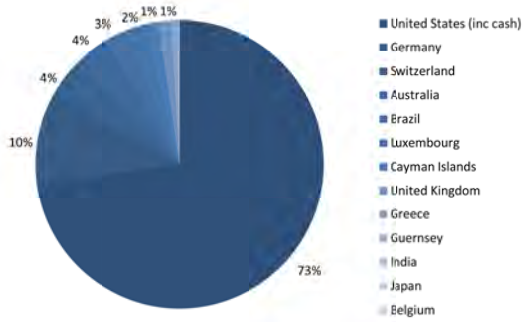
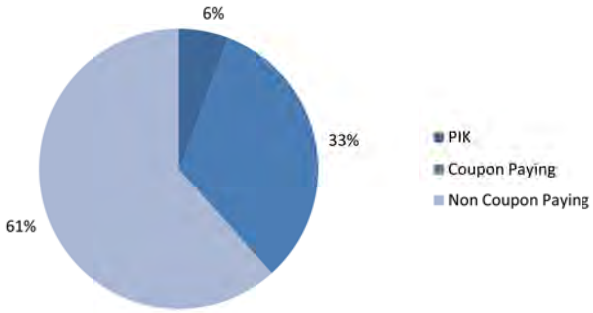
		Shares (whether pursuant to the IPO, Secondary Placing, the exercise of Subscription Rights or otherwise) immediately prior to the Conversion as would be equal to the ratio of Ordinary Shares to total Shares immediately following the Conversion plus (b) the aggregate gross proceeds of issuing Ordinary Shares following the Conversion ((a) and (b) together, the "Ordinary Share Contributed Capital") plus (c) such amount as will result in the Company having distributed a realised (cash-paid) IRR in respect of the Ordinary Share Contributed Capital equal to 6 per cent. (the "Ordinary Share Initial Return"). Following distribution by the Company of an amount with respect to the Ordinary Shares equal to the Ordinary Share Initial Return, there will be a 100 per cent. catch up to the Investment Manager until the Investment Manager has received 20 per cent. of all amounts in excess of Ordinary Share Contributed Capital distributed with respect to Ordinary Shares and paid to the Investment Manager as a performance fee. Thereafter, all amounts attributable to the Ordinary Shares which are distributed by the Company shall be split 20/80 per cent. between the Investment Manager's performance fee and the cash distributions to the Ordinary Shareholders respectively. The maximum Ordinary Share Performance Fee payable to the Investment Manager is 20 per cent. of all amounts in excess of Ordinary Share Contributed Capital. ***Extended Life Share Performance Fee*** The Extended Life Share Performance Fee will only become payable once the Company has made aggregate cash distributions with respect to the Extended Life Shares (which shall include: (i) such proportion of the aggregate price of all Ordinary Shares repurchased or redeemed by the Company at any time prior to the Conversion as would be equal to the ratio of Extended Life Shares to total Shares immediately following the Conversion; and (ii) the aggregate price of all Extended Life Shares repurchased or redeemed by the Company) equal to (a) such proportion of the aggregate gross proceeds of issuing all Ordinary Shares immediately prior to the Conversion (whether pursuant to the IPO, Secondary Placing, the exercise of Subscription Rights or otherwise) as would be equal to the ratio of Extended Life Shares to total Shares immediately following the Conversion; plus (b) the aggregate gross proceeds of issuing Extended Life Shares following the Conversion ((a) and (b) together, the "Extended Life Share Contributed Capital") plus (c) such amount as will result in the Company having distributed a realised (cash-paid) IRR in respect of the Extended Life Share Contributed Capital equal to 6 per cent. for the period from the IPO to Admission and 8 per cent. thereafter (the "Extended Life Share Initial Return"). Following distribution by the Company of an amount with respect to the Extended Life Shares equal to the Extended Life Share Initial Return, there will be a 100 per cent. catch up to the Investment Manager until the Investment Manager has received 20 per cent. of all amounts in excess of Extended Life Share Contributed Capital distributed with respect to Extended Life Shares and paid to the Investment Manager as a performance fee. Thereafter, all amounts attributable to the Extended Life Shares which are distributed by the Company shall be split 20/80 per cent. between the Investment Manager's performance fee and the cash distributions to the Extended Life Shareholders respectively. The maximum Extended Life Share Performance Fee payable to the Investment Manager is 20 per cent. of all amounts in excess of Extended Life Contributed Capital.

		The Investment Manager has delegated certain of its responsibilities and functions to the Sub-Investment Manager. **Administrator** The Administrator is entitled to the following fees, including an annual administration fee of 0.09 per cent. of NAV subject to a minimum of £100,000, an annual secretarial fee of £36,000, a custodian fee of 0.02 per cent. of the NAV subject to a minimum of £20,000, and an annual loan administration fee of 0.045 per cent. of the Group's NAV subject to a minimum of £75,000. **Registrar** The Registrar is entitled to an annual fee equal to £2.00 per shareholder per annum or part thereof; with a minimum of £7,500 per annum. Other registrar activity will be charged for in accordance with the Registrar's normal tariff as published from time to time.
B41	Regulatory status of investment manager and custodian	The Investment Manager is authorised and regulated in the UK by the Financial Services Authority. The Sub-Investment Manager is registered in the U.S. with the SEC and regulated by the SEC as an investment adviser under the U.S. Investment Advisers Act. The Custodian is licensed and regulated in Guernsey by the GFSC to carry out controlled investment business under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended.
B42	Calculation of Net Asset Value	The Company publishes the NAV per Ordinary Share on a daily basis. Following the implementation of the Proposals, in addition to the NAV per Ordinary Share, the Company will publish the NAV per Extended Life Share on a daily basis. Such NAV per Ordinary Share and the NAV per Extended Life Share will be published by RIS announcement and be available on the websites of the Company and the CISX.
B43	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking.
B44	No financial statements have been made up	Not applicable. Financial statements have been made up.
B45	Portfolio	The portfolio was approximately 93 per cent. invested in distressed assets as at 28 February 2013 with investments in 49 companies diversified across 17 industries. The Investment Managers seek to hold on average up to 10 per cent. of the Company portfolio in cash in order to take advantage of mispricing opportunities and also make follow-on investments. As at 28 February 2013, the cash holding of the Company was 6.8 per cent. of NAV. The Investment Managers have recently been adding incrementally to existing names and continue to see opportunities for investments. The top ten investments along with an analysis of the portfolio by industry and geography and coupon profile are set out below.

Top 10 Holdings as at 28 February 2013

Holding	Industry	Purchased Instrument	Status	Country	% of NAV	Primary Assets
1	Real Estate Development	Secured Loan	Post-reorganization	US	7%	Multifamily residential real estate
2	Oil & Gas	Secured Bonds	Defaulted	Switzerland	4%	Petroleum processing facilities
3	Lodging and Casinos	Secured Loan	Defaulted	US	4%	Hotel/lodging real estate
4	Surface Transportation	Secured Loan	Post-reorganization	US	4%	Transportation equipment & real estate
5	Utilities	Secured Loan	Current	Australia	4%	Power plants
6	REIT/REOCs	Private Equity	Current	US	4%	Residental real estate
7	Lodging and Casinos	Secured Loan	Current	US	4%	Hotels & casinos
8	Broadcasting	Secured Loan	Current	US	4%	Broadcasting licenses & equipment
9	Utilities	Secured Loan	Current	US	3%	Power plants
10	Utilities	Private Equity	Post-reorganization	US	3%	Power plants

Source: the Company

		Sector Breakdown as at 28 February 2013  **Country Breakdown as at 28 February 2013**  **Coupon payments as at 28 February 2013**  There has been no material change in the composition of the portfolio since 28 February 2013.
B46	Net Asset Value	As at 4 March 2013 (the last practicable date before the publication of this document) the Net Asset Value per Ordinary Share was $1.1090.

Section C – Securities		
Element	*Disclosure requirement*	*Disclosure*
C1	Type and class of securities being offered and/or admitted to trading, including any security identification number	Extended Life Shares, being redeemable ordinary shares of no par value each in the Company issued and designated as such, are being offered to Eligible Ordinary Shareholders pursuant to the Conversion and applications will be made to the London Stock Exchange and the CISX for the Extended Life Shares to be admitted to trading on the Specialist Fund Market of the London Stock Exchange and to listing and trading on the Official List of the CISX. The ISIN for the Extended Life Shares is GG00B9CBV553.
C2	Currency	The currency of the Extended Life Shares is U.S. Dollars.
C3	Number of securities in issue	The Company's issued and fully paid up share capital consists of two Class A Shares of par value US$1.00 each, and 444,270,312 Ordinary Shares of no par value each.

		The Company has not issued any Shares that are not fully paid up.
C4	Description of the rights attaching to the securities	**Rights as to Income** The Extended Life Shares shall carry the right to receive all income from the Company's portfolio attributable to the Extended Life Shares (as determined by the Directors in accordance the Articles). **Return of Capital and Winding-Up** As to a return of capital or a winding-up of the Company (other than by way of a repurchase or redemption of Ordinary Shares and/or Extended Life Shares in accordance with the provisions of the Articles and the Companies Law or a capital distribution): (A) first, there shall be paid to the Class A Shareholders the nominal amount paid up on their Class A Shares; (B) second, there shall be paid to the holder of Capital Distribution Shares an amount equal to the amount paid up on their Capital Distribution Shares; and (C) third, there shall be paid to: (i) the Ordinary Shareholders the surplus assets of the Company attributable to the Ordinary Shares available for distribution (as determined by the Directors in accordance with the Articles); and (ii) the Extended Life Shareholders the surplus assets of the Company attributable to the Extended Life Shares available for distribution (as determined by the Directors in accordance with the Articles). The Extended Life Shares will be subject to a new capital return policy pursuant to which the Company will seek to return to the holders of Extended Life Shares all capital profits arising from the exit of any assets attributable to the Extended Life Shares (net of any amount that the directors estimate may become payable as performance fee), at least every six months, with the first such distribution expected to be made for the period ending on 31 December 2013. Any capital return will only be made by the Company in accordance with applicable law at the relevant time, including the Companies Law (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Law at the relevant time). Following the expiry of the New Investment Period the Capital Proceeds attributable to the Extended Life Shares (as determined by the Directors in accordance with the Articles), will, at such times and in such amounts as the Directors shall in their absolute discretion determine, be distributed, to Extended Life Shareholders *pro rata* to their respective holdings of Extended Life Shares. **Voting** ***General*** Except in the circumstances set out under the headings "Class rights of the Extended Life Shareholders and "Other matters requiring approval of the Extended Life Shareholders" below, Extended Life Shareholders shall not have the right to attend or vote at any general meeting of the Company but they shall have the right to receive notice of general meetings. ***Class rights of the Extended Life Shareholders*** The Company shall not, without the prior approval of the Extended Life Shareholders by ordinary resolution passed at a separate general meeting of the Extended Life Shareholders, take any action to:

		(A) pass a resolution for the voluntary liquidation or winding-up of the Company; (B) change the rights conferred upon any shares in the Company in a manner adverse to the Extended Life Shareholders; (C) amend the Articles in a manner adverse to the Extended Life Shareholders; or (D) make any material amendment to the investment policy of the Company as set out in this document. ***Other matters requiring approval of the Extended Life Shareholders*** The Company shall not, without the approval of an ordinary resolution of the Extended Life Shareholders passed at a separate general meeting of the Extended Life Shareholders and, in the case of (C) below, the approval of a majority of the Independent Directors: (A) merge, consolidate, or sell substantially all of its assets; (B) change the domicile of the Company; (C) terminate the Investment Management Agreement; (D) materially adversely (to the Company) amend, restate, supplement or otherwise modify the terms of the Investment Management Agreement; (E) enter into any transaction or transactions involving the Investment Manager or any Affiliate of the Investment Manager (other than the making of a co-investment alongside the Investment Manager or an Investment Manager-managed fund or a funding or a contribution of capital pursuant to a transaction that has previously received approval, including giving any consents required under the U.S. Investment Advisers Act of 1940, as amended (including revoking consents to any "agency cross transactions" thereunder), having an aggregate value exceeding 5 per cent. of the Company's most recently reported NAV; or (F) issue Shares of any class other than Ordinary Shares, Extended Life Shares or Capital Distribution Shares. The Directors shall not grant options over, offer or otherwise dispose of any Extended Life Shares at a consideration per Extended Life Share which is less than the NAV per Extended Life Share unless: (A) otherwise approved by the Extended Life Shareholders by ordinary resolution; or (B) the Independent Directors (or a duly appointed committee of them) determine that the relevant action is in the best interests of the Company and for the purposes of: (i) raising additional capital to fund any capital commitment of the Company; (ii) repaying any outstanding indebtedness of the Company; or (iii) any other comparable purpose.

C5	Restrictions on the free transferability of the securities.	A Shareholder may transfer all or any of his Shares in any manner which is permitted by the Companies Law or in any other lawful manner which is from time to time approved by the Board subject to certain restrictions to ensure that the Company will not be required to register the Extended Life Shares under the U.S. Securities Act, that the Company will not have an obligation to register as an "investment company" under the U.S. Investment Company Act and related rules and to address certain ERISA, U.S. Tax Code and other considerations.
C6	Admission	Applications will be made to the London Stock Exchange and CISX for the Extended Life Shares to be admitted to trading on the SFM and to listing and trading on the Official List of the CISX. If the Proposals are implemented, it is expected that Admission will become effective and that unconditional dealing in the Extended Life Shares will commence at 0800 hours on 9 April 2013.
C7	Dividend policy	The Company will pay out, in respect of each class of Shares, all net income received on investments of the Company attributable to such class of Shares, as appropriate. It is not anticipated that the net income on the portfolio will be material and therefore any dividends may be on an ad-hoc basis. It is a requirement of an exception to the United Kingdom offshore fund rules that all income from the Company's Portfolio (after deduction of reasonable expenses) is to be paid to investors. This dividend policy should ensure that this requirement will be met. The exact amount of such dividend in respect of any class of Shares will be variable depending on the amounts of income received by the Company attributable to such class of Shares and will only be made available in accordance with applicable law at the relevant time, including the Companies Law (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Law at the relevant time). Furthermore, the amount of dividends paid in respect of one class of Shares may be different from that of another class.

Section D – Risks		
Element	*Disclosure requirement*	*Disclosure*
D1	Key information on the key risks specific to the issuer or its industry.	• The Company's target return of 20 per cent. per annum gross of fees and expenses is based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies, and the actual rate of return may be materially lower than the Target Return, or may result in a loss, which could have a material adverse effect on the Company's profitability, NAV and the price of the Ordinary Shares and the Extended Life Shares. • Investments that the Company makes may not appreciate in value and, in fact, may decline in value. The value of the underlying assets constituting the collateral is extremely difficult to predict and in certain market circumstances there could be little, if any, market for such assets. Furthermore, due to the illiquid nature of many of the investments the Company expects to make, the Investment Managers are unable to predict with confidence, what, if any, exit strategy for a given investment will ultimately be available to the Company. Consequently the Company may be unable to realise value from its investments and investors could lose all or part of their investment. • There is typically a significant period between the date that the Company makes an investment and the date that any gain or loss on such investment is realised. Based on the

		Investment Managers' experience with investments made (and expected to be made) by the Company, it is likely that returns on the Company's investments are not likely to be realised for a substantial time period. • Global capital markets have been experiencing volatility, disruption and instability as evidenced by a lack of liquidity in the equity and debt capital markets, significant write-offs in the financial services sector, the repricing of credit risk in the credit market and the failure of major financial institutions. Continued or recurring market deterioration may materially adversely affect the ability of a Portfolio Company to refinance its outstanding debt. Further, such financial market disruptions may have a negative effect on the valuations of the Company's investments, or the ability to restructure investments, and on the potential for liquidity events involving its investments. In the future, non-performing assets in the Company Portfolio may cause the value of the Company Portfolio to decrease if the Company is required to write down the values of its investments. Depending on market conditions, the Company may incur substantial realised losses and may suffer additional unrealised losses in future periods, which may adversely affect its business, financial condition and results of operations. • The Company does not have employees and its Directors are appointed on a non-executive basis. All of its investment and asset management decisions will be made by the Investment Managers and not by the Company and accordingly, the Company will be completely reliant upon, and its success will depend exclusively on, the Investment Managers and their personnel, services and resources. • Certain payments of (or attributable to) U.S.-source income and the proceeds of sales of property that give rise to U.S.-source interest and dividends paid to the Company, will in future be subject to 30 per cent. withholding tax unless the Company agrees to certain reporting and withholding requirements and certain Shareholders may themselves be subject to such withholding tax if they do not provide the Company with required information. • If the assets of any Class Fund are insufficient to meet the liabilities attributable to it, the assets of the other Class Fund may become available to satisfy such liabilities, which may have a material adverse effect on the NAV of that other Class Fund.
D3	Key information on the key risks specific to the securities.	• Holders of Extended Life Shares have limited voting rights which may limit their ability to have an impact on Board decisions or Company policy and may adversely affect the value of such shares. • The Extended Life Shares may trade at a discount to the relevant NAV and an Extended Life Shareholder may be unable to realise its investments through the secondary market at NAV. • The existence of a liquid market in the Extended Life Shares cannot be guaranteed. The number of Extended Life Shares to be issued pursuant to the Conversion is not yet known, and, following the Conversion, there may be a limited number of holders of Extended Life Shares. Limited numbers and/or holders of Extended Life Shares may result in limited liquidity in such Extended Life Shares which may affect (i) an

		investor's ability to realise some or all of his investment, and/or (ii) the price at which such investor can effect such realisation, and/or (iii) the price at which such Extended Life Shares trade in the secondary market. • The Extended Life Shares will be subject to significant transfer restrictions for investors in the United States and certain other jurisdictions as well as forced transfer provisions. The Extended Life Shares have not been registered and will not be registered under the U.S. Securities Act or under the securities laws of any state or other jurisdiction of the United States and are subject to restrictions on transfer contained in such laws. Moreover, in order to avoid being required to register under the U.S. Investment Company Act and to address certain ERISA, U.S. Tax Code and other considerations, the Company has imposed significant restrictions on the transfer of the Extended Life Shares which may materially affect the ability of Shareholders to transfer their Extended Life Shares.

Section E – Offer		
Element	*Disclosure requirement*	*Disclosure*
E1	The total net proceeds and an estimate of the total expenses of the issue/offer, including estimated expenses charged to the investor by the issuer or the offeror	Not applicable. There are no proceeds anticipated from the Conversion. The costs associated with the Conversion include a number of fixed and variable costs. These costs will be borne by the Extended Life Class Fund and will be charged by the Company to the Extended Life Class Fund immediately following Conversion. Whilst the variable costs represent a large proportion of the total costs the presence of fixed costs means that the more Eligible Ordinary Shareholders that elect to participate in the Conversion, the lower the cost per Extended Life Share. The costs are estimated to be approximately 0.35 per cent. of NAV of the Extended Life Class Fund, but this may vary depending on the number of Ordinary Shares electing to convert to Extended Life Shares.
E2a	Reasons for the offer and use of proceeds	The Board, following discussions with the Investment Managers, is of the view that the distressed debt market remains an attractive investment opportunity in the medium term. The Board accordingly intends to enable Eligible Ordinary Shareholders to gain exposure to new opportunities in this asset class after 10 June 2013 by offering Eligible Ordinary Shareholders the opportunity to convert into Extended Life Shares, a new class of Shares subject to an extended investment period ending on 31 March 2015, whilst ensuring that those Shareholders who wish to remain invested on the basis of the Company's current investment period are able to do so. Not applicable. There are no proceeds anticipated from the Conversion.
E3	Terms and conditions of the offer	All Eligible Ordinary Shareholders will be given the opportunity to elect to convert all or part of their holding of Ordinary Shares into Extended Life Shares. All Ordinary Shares in respect of which valid Conversion Notices or TTE Instructions (as appropriate) are received, will be converted into Extended Life Shares. The Board has the discretion to agree with individual Ordinary Shareholders any amendments to their Conversion Notice or TTE Instruction (as relevant) in respect of the Conversion.

		The Extended Life Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, resold, delivered, distributed or transferred, directly or indirectly, into or within the United States or to, or for the account or benefit of, U.S. Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States and in a manner which would not require the Company to register under the U.S. Investment Company Act. The Extended Life Shares may not be offered or issued within the United States, or to US Persons, except to persons who are (subject to certain exceptions) QIBs and who are also Qualified Purchasers. Each acquirer of Extended Life Shares pursuant to the Conversion and each subsequent transferee, by acquiring Extended Life Shares or a beneficial interest therein, will be deemed to have given certain representations, warranties, undertakings, and acknowledgements primarily relating to U.S. Securities Act, the U.S. Investment Company Act, ERISA, U.S. Tax Code and other related considerations. The Proposals are conditional upon: (1) the passing of the Resolution at the Class Meeting which is convened for 8 April 2013 (or any adjournment thereof); (2) a minimum of 100 million Ordinary Shares electing to convert to Extended Life Shares; and (3) Admission of the Extended Life Shares which is currently expected to take place on or around 9 April 2013.
E4	Material interests	Not applicable. No interest is material to the Conversion.
E5	Name of person selling securities Lock-up agreements: the parties involved; and indication of the period of the lock up	The Extended Life Shares are being offered pursuant to the Conversion to Eligible Ordinary Shareholders by NB Distressed Debt Investment Fund Limited. Not applicable. There are no lock-up agreements in place.
E6	Dilution	Not applicable. No dilution will result from the Conversion.
E7	Expenses charged to the investor	The costs associated with the Conversion include a number of fixed and variable costs. These costs will be borne by the Extended Life Class Fund and will be charged by the Company to the Extended Life Class Fund immediately following Conversion. Whilst the variable costs represent a large proportion of the total costs the presence of fixed costs means that the more Eligible Ordinary Shareholders that elect to participate in the Conversion, the lower the cost per Extended Life Share. The costs are estimated to be approximately 0.35 per cent. of NAV of the Extended Life Class Fund, but this may vary depending on the number of Ordinary Shares electing to convert to Extended Life Shares.

Risk Factors

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

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

Eligible Ordinary Shareholders should review this document carefully and in its entirety and consult with their professional advisers prior to electing to convert Ordinary Shares into Extended Life Shares. Defined terms used in the risk factors below have the meanings set out under the section headed "Glossary of Selected Terms" on pages 132 to 139 of this document.

Risks relating to the Company

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

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

The Company does not intend to regularly publish target returns or to update or otherwise revise its Target Return to reflect subsequent events or circumstances. A failure to achieve the Target Return set forth in this document may adversely affect the Company's business, financial condition and results of operations.

The return on the Extended Life Shares may be materially lower than the return that Shareholders would have received had they remained invested in the Ordinary Shares

Whilst the Company believes that attractive investment opportunities will be available over the New Investment Period, there is no guarantee or assurance that the actual return on the Extended Life Shares will be at or near the level of returns that Shareholders would have received had they remained invested on the basis of the Current Investment Period.

Holders of Ordinary Shares and Extended Life Shares have limited voting rights

The Ordinary Shares and Extended Life Shares do not carry voting rights in relation to the election of the Company's board of directors and generally have no voting rights, except: (i) in the case of the Ordinary Shares, that certain fundamental changes to the Company and the terms of the Ordinary Shares and certain other matters (such as the voluntary liquidation or winding-up of the Company; any change in the rights conferred upon any shares in the Company, or any amendment to the Articles adverse to the Ordinary Shareholders; merger, consolidation or the sale of substantially all of the assets of the Company; the change in domicile of the Company and the termination by the Company of the Investment Management Agreement) require the consent of the Ordinary Shareholders by ordinary resolution (such that the Ordinary Shareholders may veto, but cannot force the Company to take, any such actions); (ii) in the case of the Extended Life Shares, certain fundamental changes to the Company and the terms of the Extended Life Shares and certain other matters (such as the voluntary liquidation or winding-up of the Company; any change in the rights conferred upon any shares in the Company, or any amendment to the Articles adverse to the Extended Life Shareholders; merger, consolidation or the sale of substantially all of the assets of the Company; the change in domicile of the Company and the termination by the Company of the Investment Management Agreement) require the consent of the Extended Life Shareholders by ordinary resolution (such that the Extended Life Shareholders may veto, but cannot force the Company to take, any such actions); and (iii) as may be required by Guernsey law. Further, neither the Ordinary Shareholders nor the Extended Life Shareholders can direct the Directors to redeem or repurchase any shares or return capital or liquidate the Company. The limited voting rights of the holders of the Ordinary Shares and the Extended Life Shares limit their ability to have an impact on Board decisions or Company policy and may adversely affect the value of such shares.

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

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

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

results comparable to any past performance achieved by the Investment Managers or any employee of the Investment Managers described in this prospectus.

Gains from the Company's investments may require significant time to materialise

There is typically a significant period between the date that the Company makes an investment and the date that any gain or loss on such investment is realised. Based on the Investment Managers' experience with investments made (and expected to be made) by the Company, it is likely that returns on the Company's investments are not likely to be realised for a substantial time period.

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

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

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

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

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

With respect to investments comprised in the Company Portfolio that do not have a readily available market quotation, such as unquoted investments or investments which are listed but deemed to be illiquid, the Sub-Investment Manager will value such investments at fair value on each NAV Calculation Date in accordance with the customary valuation methods, policies and procedures of the Sub-Investment Manager.

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

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

The Ordinary Shares and/or the Extended Life Shares may trade at a discount to the relevant NAV per Share for a variety of reasons, including due to market conditions or to the extent investors undervalue the management activities of the Investment Managers or discount their valuation methodology and judgments.

While the Directors may seek to mitigate any discount to NAV through discount management mechanisms they consider appropriate, there can be no guarantee that they will do so or that such mechanisms will be successful.

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

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

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

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

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

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

Risks relating to the Investment Managers

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

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

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

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

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

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

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

Ordinary Share Performance Fee

The Ordinary Share Performance Fee will only become payable once the Company has made aggregate cash distributions with respect to the Ordinary Shares (which shall include: (i) such proportion of the aggregate price of all Ordinary Shares repurchased or redeemed by the Company at any time prior to the Conversion as would be equal to the proportion of Ordinary Shares that remain in issue following the Conversion; and (ii) the aggregate price of all Ordinary Shares repurchased or redeemed by the Company at any time following the Conversion) equal to (a) such proportion of the aggregate gross proceeds of issuing Ordinary Shares (whether pursuant to the Issue, the exercise of Subscription Rights or otherwise) immediately prior to the Conversion as would be equal to the proportion of Ordinary Shares remaining in issue immediately following the Conversion plus (b) the aggregate gross proceeds of issuing Ordinary Shares following the Conversion ((a) and (b) together, the "**Ordinary Share Contributed Capital**") plus (c) such amount as will result in the Company having distributed a realised (cash-paid) IRR in respect of the Ordinary Share Contributed Capital equal to 6 per cent. (the "**Ordinary Share Initial Return**").

Following distribution by the Company of an amount with respect to the Ordinary Shares equal to the Ordinary Share Initial Return, there will be a 100 per cent. catch up to the Investment Manager until the Investment Manager has received 20 per cent. of all amounts in excess of Ordinary Share Contributed Capital distributed with respect to Ordinary Shares and paid to the Investment Manager as a performance fee. Thereafter, all amounts attributable to the Ordinary Shares which are distributed by the Company shall be split 20/80 per cent. between the Investment Manager's performance fee and the cash distributions to the Ordinary Shareholders respectively.

As any amounts paid out by the Company in respect of any shares repurchased or redeemed by the Company are included when determining the amount of capital which has been returned to Ordinary Shareholders for

the purposes of calculating when the Investment Manager begins to receive an Ordinary Share Performance Fee, the Investment Manager may receive an Ordinary Share Performance Fee before each Ordinary Shareholder has received from the Company an amount equal to the aggregate purchase price of the Ordinary Shares held by him plus the hurdle IRR.

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

The Extended Life Share Performance Fee will only become payable once the Company has made aggregate cash distributions with respect to the Extended Life Shares (which shall include: (i) such proportion of the aggregate price of all Ordinary Shares repurchased or redeemed by the Company at any time prior to the Conversion as would be equal to the ratio of Extended Life Shares to total Shares immediately following the Conversion; and (ii) the aggregate price of all Extended Life Shares repurchased or redeemed by the Company) equal to (a) such proportion of the aggregate gross proceeds of issuing all Ordinary Shares immediately prior to the Conversion (whether pursuant to the IPO, Secondary Placing, the exercise of Subscription Rights or otherwise) as would be equal to the ratio of Extended Life Shares to total Shares immediately following the Conversion; plus (b) the aggregate gross proceeds of issuing Extended Life Shares following the Conversion ((a) and (b) together, the "**Extended Life Share Contributed Capital**") plus (c) such amount as will result in the Company having distributed a realised (cash-paid) IRR in respect of the Extended Life Share Contributed Capital equal to 6 per cent. for the period from the IPO to Admission and 8 per cent. thereafter (the "**Extended Life Share Initial Return**").

Following distribution by the Company of an amount with respect to the Extended Life Shares equal to the Extended Life Share Initial Return, there will be a 100 per cent. catch up to the Investment Manager until the Investment Manager has received 20 per cent. of all amounts in excess of Extended Life Share Contributed Capital distributed with respect to Extended Life Shares and paid to the Investment Manager as a performance fee. Thereafter, all amounts attributable to the Extended Life Shares which are distributed by the Company shall be split 20/80 per cent. between the Investment Manager's performance fee and the cash distributions to the Extended Life Shareholders respectively.

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

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

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

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

Company is appropriate for an Other Account but not for the Company or that the allocation to the Company should be of a different proportion than that of an Other Account.

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

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

NB Affiliates are actively engaged in transactions in the same securities, currencies and instruments in which the assets of the Company may be invested. Subject to applicable law, NB Affiliates may purchase or sell securities of, or otherwise invest in or finance, issuers in which the Company has an interest. NB Affiliates also may manage or advise other accounts or investment funds that have investment objectives similar or dissimilar to those of the Company and which engage in transactions in the same type of securities, currencies and instruments as the Company. Trading activities of NB Affiliates are carried out without reference to positions held directly or indirectly by the Company and may have an effect on the value of the positions so held or may result in NB Affiliates having an interest adverse to that of the Company. NB Affiliates are not under any obligation to share any investment opportunity, idea or strategy or other relevant information about an investment with the Company or a portfolio manager and/or may not be able to share such information with the Investment Managers because of informational walls, confidentiality obligations or other disclosure constraints. As a result, NB Affiliates may compete with the Company for appropriate investment opportunities.

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

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

The Investment Managers have established policies and procedures reasonably designed to prevent the misuse by the Investment Managers and their personnel of material information regarding particular issuers that has not been publicly disseminated ("**material non-public information**") in accordance with applicable

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

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

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

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

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

Risks relating to the Proposals

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

The Company will apply for the Extended Life Shares to be admitted to trading on the SFM and to listing and trading on the Official List of the CISX, and expects the Extended Life Shares to be traded on these exchanges on or about 9 April 2013.

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

- the prevailing market price of the Extended Life Shares;
- the net asset value, market price volatility and liquidity of the Extended Life Shares;
- any related transaction costs; and
- the Company's creditworthiness.

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

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

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

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

The Conversion may also result in reduced liquidity in the Ordinary Shares which may affect (i) an investor's ability to realise some or all of his investment, and/or (ii) the price at which such investor can effect such realisation, and/or (iii) the price at which such Ordinary Shares trade in the secondary market.

If the assets of any Class Fund are insufficient to meet the liabilities attributable to it, the assets of the other Class Fund may become available to satisfy such liabilities, which may have a material adverse effect on the NAV of that other Class Fund

Conditional on the Resolution being approved, the Company Portfolio will be divided into two Class Funds relating to each of the Extended Life Share class and the Ordinary Share class. Ordinarily, each Class Fund will be treated as a distinct and segregated pool of assets and will bear all liabilities of the Company attributable solely to the corresponding Share class, until such time as each such Class Fund has been fully realised and all realisation proceeds have been distributed to the relevant Shareholders. However, the Class Funds are not legally "ring-fenced" and, if the assets of any Class Fund are insufficient to meet the liabilities attributable to it, the excess liabilities may have to be met out of the assets of the other Class Fund, which may have a material adverse effect on the NAV of such Class Fund.

The Ordinary Shares may suffer from reduced liquidity following the creation of the Extended Life Shares

The creation of the Extended Life Shares will result in the liquidity of the Company being split across two share classes. This may have an impact on the liquidity of the Ordinary Shares and the Extended Life Shares. Whilst there is a minimum size for the Extended Life Share class, there is no minimum size for the Ordinary Share class following the Proposals and, as such, depending on the number of Ordinary Shares that are elected for Conversion, the Ordinary Share class may be less liquid than prior to the creation of the Extended Life Shares. Whilst the Ordinary Shares will be placed into run-off from June 2013 and investors in the Ordinary Shares will receive capital returns over time in accordance with the Company's capital distribution policy with respect of such shares, this reduced liquidity may impact an Ordinary Shareholder's ability to exit their investment in the secondary market.

Risks relating to the investment strategy and investment portfolio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company's hedging arrangements may not be successful

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

The Company may utilise certain derivative instruments (such as using single-name credit default swaps, credit default swap and loan credit default swap indexes, equity futures and equity indexes) for hedging purposes. However, even if used primarily for hedging purposes, the price of derivative instruments is highly volatile, and acquiring or selling such instruments involves certain leveraged and unusual risks. The low initial margin deposits normally required to establish a position in such instruments permits an unusually

high degree of leverage. As a result, a relatively small movement in the price of a contract may result in substantial losses to the Company (which may not be offset by increases in the value of the instrument being hedged). There may be an imperfect correlation between the instrument acquired for hedging purposes and the investments or market sectors being hedged, in which case, a speculative element is added to the highly leveraged position acquired through a derivative instrument primarily for hedging purposes.

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

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

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

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

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

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

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

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

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

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

In a reorganisation or liquidation case relating to an issuer in which the Company invests, the Company may lose its entire investment, may be required to accept cash or substantial amounts of equity in the issuer in extinguishment of the issuer's debt with a value less than the Company's original investment and/or may be required to accept payment over an extended period of time. This can result in, among other things,

substantial dilution to an equity position previously acquired in the issuer by the Company, either directly or through the acquisition of convertible debt. In addition, the issuance of such equity can cause the Company to own well in excess of the maximum 10 per cent. of a given issuer's equity which the Company may acquire as Original Issue Equity.

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

The foreclosure process is subject to uncertainties

The Investment Managers concentrate on acquiring debt that is secured by assets that the Investment Managers believe to have a value adequate to ensure payment of such debt. However, if it becomes necessary to foreclose on the assets underlying a loan acquired by the Company, significant uncertainty may arise as to the outcome of the proceeding. Bankruptcy judges in the United States have broad discretion as to how they deal with the claims of different creditors, and the claims of secured creditors may not, despite their legal entitlement, always be respected as a matter of policy. The Company may make investments in restructurings and workouts that involve Portfolio Companies that are experiencing, or are expected to experience, severe financial difficulties, which may never be overcome and may lead to uncertain outcomes. The U.S. bankruptcy courts have broad discretion to control the terms of a reorganisation, and political factors may be of significant importance in the more high profile bankruptcies. Consequently, the Company may be prohibited from liquidating investments that are declining in value and such a prohibition may adversely affect the value of certain of the Company's investments as well as its financial condition and results of operations.

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

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

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

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

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

The Company may be subject to lender liability and equitable subordination

The Company may invest directly in Portfolio Companies by making direct loans to issuers. In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively referred to as "lender liability". Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. The Company may become subject to allegations of lender liability. The Company cannot provide assurance that these claims will not arise or that it will not be subject to significant liability if a claim of this type arises.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender, (i) intentionally takes an action that results in the undercapitalisation of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a shareholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination".

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

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

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

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

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

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

Risks relating to investing in distressed securities

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

Although the Investment Managers do not expect that the Company will invest to a meaningful extent directly in equity securities the Company may come to have significant equity holdings as a result of participating in reorganisation or bankruptcy proceedings. In fact, it is possible that substantially all of the Company Portfolio will, from time to time, consist of equity acquired as a result of reorganisations.

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

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

The Company may acquire trade claims, which are amounts due from a company to its suppliers. Trade claims are not "securities" for regulatory purposes, and the Company, in investing in trade claims, will not have the protection of the securities laws. Trade claims are typically highly illiquid and may have a relatively junior position as compared to securities and other debt owed by the issuer. In addition, there may be defences to trade claims, for example, in circumstances where the services or products furnished did not meet specifications that may result in the devaluation of the trade claim, of which the Investment Managers may not be aware at the time of the Company's acquisition of such claims. If the Company is unable to receive a payment under, or dispose of, such trade claims, this may adversely affect the Company's business and results of operations.

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

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

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

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

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

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

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

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

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

Risks relating to Real Estate, Infrastructure and Other Hard Asset Investments

Whilst investment opportunities remain strong in the Company's core markets such as power stations and real estate, the Investment Manager is starting to see opportunities in a number of new areas such as residential real estate and transportation (e.g. shipping) and infrastructure (e.g. toll roads). The following risk factors are the materials risks associated with investing in these sectors.

Reliance on Third-Party Operators and Management

The Investment Managers will rely on Third-Party Operators as well as other service providers familiar with the U.S. market to implement portions of the Investment Manager's real estate investments. There are numerous different functions for which the Investment Managers will be dependent on such third parties – including selection, refurbishing, renting (and collecting rents), evictions and resales. The market judgment of these third parties in identifying, acquiring, managing and selling such assets will be fundamental to the success of the Investment Manager's real estate investments.

The indifference, incompetence, negligence and/or misconduct of any of such third parties could materially adversely affect the prospects for real estate investments, as well as possibly cause liability for the Company.

The Company's time horizon for its real estate investments may be inconsistent with that of the Third-Party Operators with which the Company invests (as a result of changed market conditions, changes in the financial condition of Third-Party Operators and/or a number of other factors). As a result, the Company could be forced to sell its interests in certain real estate assets, perhaps at disadvantageous prices.

General Risks of real estate Ownership

The Company will be subject to all of the risks inherent in investing in real estate and real estate-related assets. These risks may include, without limitation, general, regional and local economic and social conditions, knowledge of local markets, fluctuations in real estate values, the financial resources of tenants, vacancies, changes in tax, zoning, building, environmental and other applicable laws, real property tax rates, changes in interest rates, the availability of mortgage financing and neighborhood deterioration. The steep decline in the housing values since 2006 underscores the high degree of risk to which the Company will be subject; there can be no assurance that this decline will not continue.

Real estate assets acquired by the Company could be materially adversely affected by natural catastrophes (e.g., earthquakes, hurricanes, tsunamis, floods, fire, hailstorms or volcanic eruptions), industrial accidents resulting in widespread nuclear or chemical contamination, and acts of terrorism. Insurance on the real estate assets owned by the Company might not cover all of these risks or cover them adequately. While such investments will generally be insured, the applicable insurance policies obtained on such properties will generally have material "deductibles" and may not cover losses resulting from certain types of natural catastrophes and/or other types of damage. Even if coverage exists and covers all losses, the Company might receive the proceeds due under the applicable policy only partially and after considerable delay.

Restrictions Imposed on Residences by Certain Institutional Sellers

Certain of the largest institutional sellers of real estate assets related to Residential Housing – e.g., the U.S. Federal National Mortgage Association and the U.S. Federal Home Loan Mortgage Corporation – have recently begun imposing restrictions on the resale of the Residential Housing which they offer at auction – for example, minimum holding periods and indirect forms of rent control. These restrictions, which the Company may in certain cases be compelled to accept due to the intense competition to acquire Residential

Housing, could adversely, perhaps materially adversely, reduce the Company's profit potential and increase its risk.

Limited Availability of Financing

Without readily available financing, it is unlikely that there will be sufficient purchasing power in the Real Estate market for the Company to sell certain real estate assets at the contemplated profit level. The financial crisis of 2007–2008 has resulted in a severely reduced level of securitization activity across a wide range of asset classes – residential and commercial mortgages, credit card receivables, automobile loans, etc. Ultimately, unless the securitization markets recover, the financing available to prospective purchasers for certain real estate assets will be materially more restricted than is likely to be necessary for the Company to execute its exit strategy effectively. There can be no assurance that adequate financing will be available to prospective purchasers of certain real estate assets.

Rising Interest Rates

The higher the interest rates, the more difficult it will be for prospective purchasers to obtain financing and acquire certain real estate assets of the Company. Portions of the Company's real estate assets will be vulnerable to increases in interest rates, as without affordable and immediately available mortgage loan financing there may be an insufficient number of buyers for these assets.

Poor Construction; Depreciation; Obsolescence

The value of certain real estate assets can be materially impaired by deficient construction. Often it will be difficult, if not impossible, for the Third-Party Operators to detect any such deficiencies before investing.

It may be that certain real estate assets in which the Company invests is effectively made obsolete before the Harvesting Period due to technological improvements, design changes, new materials and other features of more recently-built Residential Housing.

Regulation

Congress as well as several states and municipalities have enacted laws limiting certain rights of, and imposing additional responsibilities on, entities that become property owners through foreclosure. To the extent these requirements apply to the Company, they may result in increased delays and expenses.

Eminent Domain

Government authorities may exercise "eminent domain" to acquire the land on which the Residential Housing is built, in order to build roads and other infrastructure needs. Private investors may encourage governmental authorities to make use of their right of "eminent domain" to acquire Residential Housing and/or mortgages, potentially competing with the Company for desirable Residential Housing acquisitions. Any such exercise of "eminent domain" would cause the Company to recover only the "fair value" of the affected Residential Housing which may be substantially less than real value.

General Risks Related to Maritime Investments

Certain investments made by the Company in maritime Assets are subject to the overall health of the global economy, although with particular interim risk exposure to the fiscal and geopolitical uncertainties in areas including, but not limited to the Middle East, Latin America, Russia, Southeast Asia, and West Africa.

Global demand for oil and natural gas is crucial for certain maritime vessels, and may be affected by the direct effects of rising energy costs, as well as by the indirect impacts of energy-related pressures on their major trading partners and the quantity of commodities shipped. Also, a substantial increase in shipyard capacity, without a subsequent increase in demand for tonnage has negative implications for new sales, resale and secondary prices.

General Risks Related to Infrastructure Investments

When sourcing opportunities, the fund is able to invest in projects which are not substantially complete and are not immediately cash generative, resulting in a lower than anticipated return. Any overrun in costs of such construction will negatively affect returns. Once operational, a project may require the replacement or refurbishment of certain items of equipment which, if earlier than expected or costing more than expected, will also negatively affect returns. A further operational risk is that payments received on certain assets may be inherently tied to usage of those assets and as such exposed to demand risk.

Investments in infrastructure assets may result in future environmental liabilities in relation to sites used (including, for example, clean-up and remediation liabilities) which may adversely affect returns. In addition to this, the Company is exposed to insurance risk where its returns may be negatively impacted by the cost of insurance policies or an event may occur which is uninsurable or subject to an excess or exclusions of general events.

Risks relating to the Company's collateral

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

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

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

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

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

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

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

Risks relating to regulation and taxation

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

Legislation proposing greater regulation of the financial services industry, including hedge funds, is being actively pursued by U.S. Congress, as well as the governing bodies of non-U.S. jurisdictions, in the wake of the ongoing financial crisis and the dramatic losses incurred both by private funds and their counterparties from trading in substantially unregulated markets. The U.S. government "bailout" of financial institutions that began in 2008 is the largest governmental intervention in the history of the U.S. financial markets. In connection with this "bailout," U.S. Congress has applied new restrictions to the U.S. financial markets. Similar government "bailouts" of financial institutions by both individual member states and the European Union has also increased the scrutiny on the financial services industry in Europe and may lead to further regulation of the financial markets.

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

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

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

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

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

In order to maintain its non-UK tax resident status, the Company is required to be controlled and managed outside the United Kingdom. The composition of the board of Directors of the Company, the place of residence of the individual Directors and the location(s) in which the board of Directors of the Company makes decisions will be important in determining and maintaining the non-UK tax resident status of the Company. Although the Company is established outside the United Kingdom and a majority of the Directors live outside the United Kingdom, continued attention must be given to ensure that major decisions are not made in the United Kingdom or the Company may lose its non-UK tax resident status. As such, management errors may potentially lead to the Company being considered UK tax resident which may adversely affect the Company's financial condition, results of operations, the value of the Shares and/or the after-tax return to the Shareholders.

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

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

U.S. source payments may be subject to withholding under the HIRE Act

The Hiring Incentives to Restore Employment Act (the "HIRE Act") provides that a 30 per cent. withholding tax will be imposed on certain payments of U.S. source income and certain payments of proceeds from the sale of property that could give rise to U.S. source interest or dividends unless the Company enters into an agreement with the IRS to disclose the name, address and taxpayer identification number of certain U.S. persons that own, directly or indirectly, an interest in the Company, as well as certain other information relating to any such interest. The IRS has released regulations that provide for the phased implementation of the foregoing withholding and reporting requirements. Although the Company will attempt to satisfy any obligations imposed on it to avoid the imposition of this withholding tax, no assurance can be given that the Company will be able to satisfy these obligations. If the Company becomes subject to a withholding tax as a result of the HIRE Act, the return of all Shareholders may be materially affected. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of the HIRE Act on their investments in the Company.

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

The AIFM Directive, which is due to be transposed by EU Member States into national law in 2013, seeks to regulate alternative investment fund managers (in this paragraph, "AIFM") based in the EU and prohibits

such managers from managing any alternative investment fund (in this paragraph, "AIF") or marketing shares in such funds to EU investors unless authorisation is granted to the AIFM. In order to obtain such authorisation, and be able to manage the AIF, an AIFM will need to comply with various obligations in relation to the AIF, which may create significant additional compliance costs that may be passed to investors in the AIF.

The AIFM Directive will require the Investment Managers to seek authorisation to manage the Company. If one of the Investment Managers were to fail to obtain such authorisation it may be unable to continue to manage the Company or its ability to manage the Company may be impaired.

Following national transposition of the AIFM Directive in a given EU Member State, the marketing of shares in AIFs that are established outside the EU to investors in that EU Member State shall be prohibited unless certain conditions are met. Certain of these conditions are outside the Company's control as they are dependent on the regulators of the relevant third country and Member State entering into agreements with one another and so the Company cannot guarantee that such conditions will be satisfied.

Any regulatory changes arising from implementation of the AIFM Directive (or otherwise) that impair the ability of the Investment Managers to manage the investments of the Company, or limit the Company's ability to market future issuances of its Shares, may materially adversely affect the Company's ability to carry out its investment strategy and achieve its investment objective.

Risks relating to the Extended Life Shares

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

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

The Extended Life Shares will be subject to significant transfer restrictions as well as forced transfer provisions

The Extended Life Shares have not been registered and will not be registered under the U.S. Securities Act or under the securities laws of any state or other jurisdiction of the United States and are subject to restrictions on transfer contained in such laws.

Moreover, in order to avoid being required to register under the U.S. Investment Company Act and to address certain ERISA, U.S. Tax Code and other considerations, the Company has imposed significant restrictions on the transfer of the Extended Life Shares which may materially affect the ability of Shareholders to transfer their Extended Life Shares. For example, the Extended Life Shares may only be resold or otherwise transferred (i) in an "offshore transaction" complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person, by prearrangement or otherwise, or (ii) to the Company or a subsidiary thereof. See "Acquisition and transfer restrictions" in Part V of this document. These restrictions may make it more difficult for a U.S. Person or a Shareholder in the United States to resell the Shares and may have an adverse effect on the liquidity and market value of the Extended Life Shares.

Furthermore, under the Articles, if any Extended Life Shares are owned directly, indirectly or beneficially by a Non-Qualified Person, the Directors may give notice requiring such person within 30 days either (i) to provide the Directors with sufficient satisfactory documentary evidence to satisfy the Directors that such person is a Qualified Person, or (ii) to sell or transfer his Extended Life Shares to a Qualified Person. Any such person who fails to comply with such notice shall be deemed to have forfeited his Extended Life Shares and the Directors shall be empowered at their discretion to follow the procedure provided for in the

Articles with respect to forfeited shares. See paragraph 5.8 ("Transfer of Shares") in Part VII of this document.

Shareholders do not have pre-emption rights

Under the laws of Guernsey, to which the Company is subject, there are no rules restricting the ability of the Directors to issue additional Ordinary Shares or Extended Life Shares on a non pre-emptive basis at any time.

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

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

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

A U.S. taxable shareholder may also be able to mitigate the adverse tax consequences of the PFIC rules by making a "mark-to-market election" in respect of its investment in the Company (provided such investment consists of "marketable stock" for U.S. federal income tax purposes). If a U.S. taxable shareholder does not make a QEF election or, alternatively, a "mark-to-market election," in respect of its investment in the Company or any Subsidiary PFIC, such shareholder will be subject to certain adverse tax rules with respect to any "excess distribution" made by the Company or any Subsidiary PFIC (for these purposes, any gain realised by a U.S. taxable shareholder upon disposition of its investment in the Company will generally be characterised as an "excess distribution"). The tax payable by a U.S. taxable shareholder on an excess distribution will be determined by allocating such excess distribution ratably to each day of the U.S. taxable shareholder's holding period for its Ordinary Shares or Extended Life Shares. The amount of excess distribution allocated to the taxable year of such distribution will be included as ordinary income for that taxable year. The amount of excess distribution allocated to any other period included in the shareholder's holding period cannot be offset by any net operating losses of the shareholder and will be taxed at the highest marginal rates applicable to ordinary income for each such period and, in addition, an interest charge will be imposed on the amount of tax for each such period.

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

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

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

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

Tax audits

The Company may be audited by U.S. federal, state or other tax authorities. An income tax audit may result in an increased tax liability of the Company, including with respect to years when an investor was not a Shareholder of the Company, which could reduce the Net Asset Value of the Company and affect the return of all Shareholders.

Accounting for uncertainty in income taxes

Accounting Standards Codification Topic No. 740, "Income Taxes" (in part formerly known as "FIN 48") ("**ASC 740**"), provides guidance on the recognition of uncertain tax positions. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. It also provides guidance on recognition, measurement, classification and interest and penalties with respect to tax positions. A prospective investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the Net Asset Value of the Company, including reducing the Net Asset Value of the Company to reflect reserves for income taxes, such as U.S. and foreign withholding taxes and income taxes payable on income effectively connected with a trade or business, that may be payable by the Company. This could cause benefits or detriments to certain investors, depending upon the timing of their entry and exit from the Company.

Certain activities of the Company may cause it to be treated as engaged in a trade or business within the United States for U.S. federal income tax purposes

It is possible that the Company may engage in certain activities that may be considered by the IRS to be a U.S. financing or other U.S. trade business if, among other facts, such activity is regularly carried on by the Company during a taxable year. If the Company were engaged in, or deemed to be engaged in, a U.S. trade or business in any year, the Company (but not any of the Shareholders) would be required to file a U.S. federal income tax return for such year and pay tax on its income and gain that is effectively connected with such U.S. trade or business at U.S. corporate tax rates. In addition, the Company generally would be required to pay a branch profits tax equal to 30 per cent. of the earnings and profits of such U.S. trade or business that are not reinvested therein.

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

If 25 per cent. or more of any class of equity in the Company is owned, directly or indirectly, by U.S. Plan Investors that are subject to Title I of ERISA or Section 4975 of the U.S. Tax Code, the assets of the Company will be deemed to be "plan assets", subject to the constraints of ERISA and Section 4975 of the U.S. Tax Code. This would result, among other things, in: (i) the application of the prudence and fiduciary responsibilities standards of ERISA to investments made by the Company, and (ii) the possibility that certain transactions that the Company and its subsidiaries might enter into, or may have entered into in the ordinary course of business, might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA and/or Section 4975 of the U.S. Tax Code and might have to be rescinded. A non-exempt prohibited

transaction may also result in the imposition of an excise tax under the U.S. Tax Code upon a "party in interest" (as defined in ERISA) or "disqualified person" (as defined in the U.S. Tax Code), with whom a plan engages in the transaction. The Company will use commercially reasonable efforts to limit ownership by U.S. Plan Investors of equity in the Company. However, no assurance can be given that investment by U.S. Plan Investors will not exceed 25 per cent. or more of any class of equity in the Company.

Important Notices

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

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

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

General

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

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

Statements made in this document are based on the law and practice currently in force and are subject to changes therein. This document should be read in its entirety before making any application for Extended Life Shares.

Application will be made to the London Stock Exchange for all the Extended Life Shares to be issued pursuant to the conversion to be admitted to trading on the SFM. Application will also be made for all the Extended Life Shares to be issued pursuant to the conversion to be admitted to listing and trading on the Official List of the CISX. It is expected that such admissions will become effective and that dealings in such Extended Life Shares will commence at 0800 hours on 9 April 2013.

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

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

Restrictions on Distribution, Acquisition and Transfer

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

For a description of restrictions on acquisitions and transfers of the Extended Life Shares, see "Acquisition and transfer restrictions" in Part V of this document.

A registered collective investment scheme is not permitted to be directly offered to the public in Guernsey but may be offered to regulated entities in Guernsey or offered to the public by entities appropriately licensed under the POI Law.

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

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

Commodity Futures Trading Commission Notice

As to Commodity Pool Operator Registration:

The Board of Directors of the Company has delegated all rights and responsibilities as "commodity pool operator" with respect to the fund to the Investment Manager. The Investment Manager is exempt from registration with the U.S. Commodity Futures Trading Commission (the "**CFTC**") as a "commodity pool operator" with respect to the Investment Manager's management of the Company pursuant to the CFTC's Regulation 4.13(a)(3).

This exemption allows the Investment Manager to operate the fund without registering as such because, among other required elements, the fund is operated pursuant to the following criteria: (1) Shares in the Company are exempt from registration under the U.S. Securities Act and such Shares are offered and sold without marketing to the public in the United States, (2) each investor in the fund is an Accredited Investor as defined in Rule 501 of Regulation D under the U.S. Securities Act or a Qualified Purchaser as defined in the U.S. Investment Company Act, and (3) the fund's commodity interest positions (whether or not entered into for bona fide hedging purposes) will be limited such that either: (a) the aggregate initial margin, premiums and required minimum security deposit for commodity interest transactions required to establish such positions will be limited to 5 per cent. of the liquidation value of the fund's portfolio, after taking into account unrealized profits and unrealized losses on any such positions it has entered into; or (b) the aggregate net notional value (as described below) of such positions, determined at the time the most recent position was established, does not exceed 100 per cent. of the liquidation value of the fund's portfolio, after taking into account unrealized profits and unrealized losses on any positions it has entered into. For these purposes, commodity interest positions include, among other things, futures contracts and commodity options (options on futures contracts and certain options on currencies and commodities), retail forex transactions and swaps.

Therefore, unlike a "commodity pool" operated by a registered "commodity pool operator," the Company is not required, under applicable CFTC rules, to deliver either (i) a CFTC disclosure document to the Eligible Ordinary Shareholder or (ii) an audited annual report or any other CFTC-required reports to Existing Shareholders. Notwithstanding the foregoing exemption, the Company is hereby delivering this document to Eligible Ordinary Shareholders and will deliver the periodic and annual reports described herein to all Shareholders.

As to Commodity Trading Advisor Registration:

The Investment Manager is exempt from registration with the CFTC as a "commodity trading advisor" with respect to its management of the fund pursuant to CFTC Rule 4.14(a)(5).

No Incorporation of Website

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

Enforceability of Judgments

The Company is incorporated under the laws of Guernsey. All or substantially all of the assets of the Company are expected to be in the United States. The Investment Manager is incorporated in the United Kingdom. As a result, it may not be possible for investors to effect service of process within jurisdictions other than the United Kingdom and Guernsey upon the Company, the Investment Manager or any of their respective directors, or to enforce in such other jurisdictions judgments obtained against the Company, the Investment Manager or any of their respective directors in the courts of such other jurisdictions, including, without limitation, judgments based upon the civil liability provisions of the laws of any state or territory

other than the United Kingdom and Guernsey. There is doubt as to the enforceability in the United Kingdom and Guernsey, in original actions or in actions for enforcement of judgments of courts outside the United Kingdom and Guernsey, of civil liabilities predicated solely upon the laws of jurisdictions other than the United Kingdom and Guernsey. In addition, awards for punitive damages in actions brought outside the United Kingdom and Guernsey may be unenforceable in the United Kingdom and Guernsey.

Forward-looking Statements

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

- changes in economic conditions generally and the Company's ability to achieve its investment objective and returns on equity for investors;
- the Company's ability to invest the cash on its balance sheet in suitable investments on a timely basis;
- foreign exchange mismatches with respect to exposed assets;
- changes in interest rates and/or credit spreads, as well as the success of the Company's investment strategy in relation to such changes and the management of investment proceeds;
- impairments in the value of the Company's investments;
- the availability and cost of capital for future investments;
- the departure of key personnel employed by the Investment Managers;
- the failure of the Investment Manager to perform its obligations under the Investment Management Agreement with the Company or the termination of the Investment Manager;
- the failure of the Sub-Investment Manager to perform its obligations under the Sub-Investment Management Agreement with the Investment Manager or the termination of the Sub-Investment Manager;
- changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to the Company or Portfolio Companies; and
- general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events.

Given these uncertainties, Shareholders are cautioned not to place any undue reliance on such forward-looking statements. Shareholders should carefully review the "Risk Factors" section of this

document for a discussion of additional factors that could cause the Company's actual results to differ materially before making an investment decision. Forward-looking statements speak only as at the date of this document. Although the Company and the Investment Managers undertake no obligation to revise or update any forward looking statements contained herein (save where required by the Prospectus Rules or Disclosure and Transparency Rules or rules of the CISX or the GFSC), whether as a result of new information, future events, conditions or circumstances, any change in the Company's or the Investment Managers' expectations with regard thereto or otherwise, Shareholders are advised to consult any communications made directly to them by the Company and/or any additional disclosures through announcements that the Company may make through a RIS.

Bailiwick of Guernsey – regulatory considerations

The Company is a registered closed-ended collective investment scheme incorporated as a non-cellular company limited by shares in Guernsey. The Company is registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended (the "POI Law") and the Registered Collective Investment Scheme Rules 2008 (the "RCIS Rules") issued by the Guernsey Financial Services Commission (the "GFSC"). The GFSC, in granting registration, has not reviewed this document but has relied upon specific warranties provided by BNP Paribas Fund Services (Guernsey) Limited, the Company's "designated manager" for the purposes of the POI Law and the RCIS Rules. Neither the GFSC nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it.

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

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

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

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

Expected Timetable

Conversion Notice Date – latest time and date for receipt of Conversion Notice	1030 hours on 5 April 2013
Latest time and date for receipt of Forms of Proxy for use at the Class Meeting	1030 hours on 5 April 2013
Class Meeting of the holders of Ordinary Shares	1030 hours on 8 April 2013
Result of the Class Meeting and Conversion announced	8 April 2013
Effective Date	9 April 2013
Admission to listing and trading on the Official List of the CISX	0800 hours on 9 April 2013
Admission to trading and unconditional dealings commence on the SFM	0800 hours on 9 April 2013
Crediting of CREST stock accounts in respect of the Extended Life Shares	0800 hours on 10 April 2013
Extended Life Share certificates dispatched by	17 April 2013

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

Directors, Manager and Advisers

Directors

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

All c/o the Company's registered office.

Registered Office

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey GY1 1WA
Channel Islands

Investment Manager

Neuberger Berman Europe Limited
57 Berkeley Square
London W1J 6ER
United Kingdom

Sub-Investment Manager

Neuberger Berman Fixed Income LLC
190 S LaSalle Street
Chicago IL 60603
United States of America

Financial Adviser and Corporate Broker

Oriel Securities Limited
150 Cheapside
London EC2V 6ET
United Kingdom

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

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG
United Kingdom

Corporate Broker

Jefferies International Limited
Vintners Place
68 Upper Thames Street
London EC4V 3BJ
United Kingdom

Advocates to the Company (as to Guernsey law)

Carey Olsen
PO Box 98
Carey House
Les Banques
St. Peter Port
Guernsey GY1 4BZ
Channel Islands

CISX Sponsor

Carey Commercial Limited
PO Box 285
1st and 2nd Floor
Elizabeth House
Les Ruettes Braye
St. Peter Port
Guernsey GY1 4LX
Channel Islands

Registrar

Capita Registrars (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St. Sampson
Guernsey GY2 4LH
Channel Islands

Administrator, Custodian and Company Secretary

BNP Paribas Fund Services (Guernsey) Limited
BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey GY1 1WA
Channel Islands

Auditors

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

Principal Bankers

BNP Paribas Securities Services S.C.A.
Guernsey Branch
BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey GY1 1WA
Channel Islands

NB DISTRESSED DEBT INVESTMENT FUND LIMITED

(*a non-cellular company limited by shares incorporated under the laws of Guernsey with registered number 51774*)

Directors:

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

Registered Office:

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 1WA

6 March 2013

Dear Shareholder

Proposals relating to the Company's Investment Period, the Conversion offer and Admission of up to 444,270,312 Extended Life Shares to the SFM and CISX and Notice of Class Meeting

1. Introduction

NB Distressed Debt Investment Fund Limited (the "**Company**") is a Guernsey-registered, non-cellular company limited by shares which was incorporated on 20 April 2010. The Company's Ordinary Shares are traded on the SFM and on the CISX. The primary listing of the Ordinary Shares is on the Official List of the CISX. The Company is managed by Neuberger Berman Europe Limited (the "**Investment Manager**"), an indirect wholly-owned subsidiary of NB Group. The Investment Manager has delegated certain of its responsibilities and functions to Neuberger Berman Fixed Income LLC (the "**Sub-Investment Manager**"), which is also an indirect wholly-owned subsidiary of NB Group.

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

The Company's current investment period (the "**Current Investment Period**") expires on 10 June 2013, being the third anniversary of the IPO, following which the Company Portfolio is due to be placed into run-off with the proceeds (net of the fees and expenses payable by the Company) of realising the Company's investments being distributed to Ordinary Shareholders over the remaining life of the Company. However, your Board, following discussions with the Investment Managers, is of the view that the distressed debt market remains an attractive investment opportunity in the medium term. Your Board accordingly intends to enable Eligible Ordinary Shareholders to gain exposure to new opportunities in this asset class after 10 June 2013 by giving each Eligible Ordinary Shareholder the opportunity to convert all or part of its holding of Ordinary Shares into a new class of shares (the "**Extended Life Shares**") which will be created by the Company and will be subject to an investment period ending on 31 March 2015 (the "**New Investment Period**"), whilst ensuring that those Shareholders who wish to remain invested on the basis of the Company's current investment period are able to do so.

Unless any Eligible Ordinary Shareholder elects to have all or part of its holding of Ordinary Shares converted into Extended Life Shares, it will not have any of its Ordinary Shares converted into Extended Life Shares. As a result, such an Eligible Ordinary Shareholder will continue to hold Ordinary Shares and will remain invested on the basis of the Current Investment Period.

It is proposed that the Extended Life Shares will be subject to:

- a new capital return policy;
- a new discount control policy; and
- an increased preferred return (for the purposes of calculating the Investment Manager's performance fee) with effect from Admission,

as described in further detail in paragraph 3 below.

The Board confirms that no further extensions to the investment period will be proposed to Shareholders in the future.

Applications will be made to the London Stock Exchange and the CISX for the Extended Life Shares to be admitted to trading on the SFM and the CISX and to listing on the Official List of the CISX.

The principal purpose of this letter is to provide you with details of, and background to, the Proposals and explain why the Directors are recommending that you vote in favour of the Resolution to be proposed at the Class Meeting.

2. Background and reasons for the Proposals

The Investment Managers and the Board have concluded that the distressed debt market is proving a longer-term opportunity than anticipated at the time of the IPO. Contrary to the expectations at that time that the banking system would address its problem loans, over US$1.9 trillion[1] of non-performing loans remain on global banks' balance sheets and banks have announced over US$2.0 trillion[2] of asset reduction targets. The Investment Managers believe that the banking system will face increasing pressure to purge these assets from their books going forward. Non-performing loan portfolios are expensive from a capital perspective, and with the introduction of Basel III, the minimum capital standards are going to increase in the future.

The Board would like to provide all Eligible Ordinary Shareholders with the opportunity to capitalise on this opportunity and consequently set out the Proposals in paragraph 3 below.

Further details regarding the market opportunity are set out in Part III of this Prospectus.

3. Proposals

3.1 New Investment Period

The Current Investment Period is due to expire on 10 June 2013.

The Extended Life Shares will be subject to the New Investment Period such that until 31 March 2015 the Investment Managers will continue to seek new opportunities in which to invest any cash attributable to the Extended Life Shares (including the proceeds of realising any investments, save for any capital profits which will be distributed to holders of Extended Life Shares as described at paragraph 3.4 below). The assets comprised in the Company Portfolio which are attributable to the Extended Life Shares will then be placed into run-off after 31 March 2015, with the net realisation proceeds being distributed to the Extended Life Shareholders as appropriate.

The Ordinary Shares will continue to be subject to the Current Investment Period such that the assets comprised in the Company Portfolio attributable to the Ordinary Shares will, as envisaged at the time of the Company's IPO, be placed into run-off on 10 June 2013, with the net realisation proceeds being distributed to the Ordinary Shareholders as appropriate.

1. Source: KPMG Global Debt Sales Survey 2012
2. Source: IMF Stability Report, April 2012

3.2 Opportunity to convert Ordinary Shares into Extended Life Shares

All Eligible Ordinary Shareholders will be given the opportunity to elect to convert all or part of their holding of Ordinary Shares into Extended Life Shares. The Board has the discretion to agree with individual Ordinary Shareholders any amendments to their Conversion Notice or TTE Instruction (as relevant) in respect of the Conversion.

Provided the Resolution to be proposed at the Class Meeting is passed and the conditions set out in paragraph 3.8 below are satisfied, the Conversion will take effect on the Effective Date.

Eligible Ordinary Shareholders who wish to convert all or part of their holding of Ordinary Shares should refer to paragraph 10 "Action to be Taken" below.

The Conversion shall be effected by way of redesignation of Ordinary Shares into Extended Life Shares.

3.3 Allocation of assets between the Ordinary Shares and the Extended Life Shares

In connection with the conversion of Ordinary Shares into Extended Life Shares, the Directors shall create two Class Funds, one in respect of the Extended Life Shares ("**Extended Life Class Fund**") and one in respect of the Ordinary Shares ("**Ordinary Class Fund**"). Assets and liabilities of the Company on the Effective Date worth in aggregate (as at the NAV Calculation Date immediately preceding the Effective Date) an amount equal to the Net Asset Value (at the same date) attributable to the Ordinary Shares which have been converted into Extended Life Shares pursuant to the Proposals will be allocated to the Extended Life Class Fund. The remaining assets and liabilities of the Company will be allocated to the Ordinary Class Fund.

The allocation of assets and liabilities of the Company to the Extended Life Class Fund and the Ordinary Class Fund shall be determined as follows:

(1) cash assets shall be allocated *pro rata* to the cash held in the Company Portfolio, provided that the Directors, in their absolute discretion, may adjust the proportion of cash to be so allocated if they consider that it would be equitable to do so both for those shareholders retaining Ordinary Shares and those shareholders whose Ordinary Shares are being converted into Extended Life Shares; and

(2) the Directors shall select non-cash assets in the Company Portfolio to be allocated with a view to ensuring that, in so far as practicable, there is *pro rata* allocation of such assets between the Extended Life Class Fund and the Ordinary Class Fund, provided that the Directors, in their absolute discretion, may adjust such allocation if they consider that it would be equitable to do so both for those shareholders retaining Ordinary Shares and those shareholders whose Ordinary Shares are being converted into Extended Life Shares.

Any liabilities comprised in the Company Portfolio as at the Effective Date will be allocated between the Class Funds on a *pro-rata* basis save for the costs of the Proposals to be allocated as set out in paragraph 6 below.

Consequently, from the Effective Date, the NAV per Ordinary Share as at any NAV Calculation Date shall be equal to the NAV of the Ordinary Class Fund divided by the number of Ordinary Shares in issue as at such date. Similarly, the NAV per Extended Life Share as at any NAV Calculation Date shall be equal to the NAV of the Extended Life Class Fund divided by the number of Extended Life Shares in issue as at such date.

Following the expiry of the Current Investment Period, whenever the Company exits an Existing Asset, the proportion of the net realisation proceeds of such exit attributable to the Ordinary Class Fund will be returned to Ordinary Shareholders as described in paragraph headed "Distribution Policy, Capital" in Part II of this document, whereas the proportion of the net realisation proceeds attributable to the Extended Life Class Fund (less any capital profits which will be available for distribution in accordance with the Company's capital return policy in respect of the Extended Life

Shareholders set out in paragraph 3.4 below) will be reinvested in accordance with the Company's investment policy.

In the period from Admission to the end of the Current Investment Period, any investment made by the Company will be allotted *pro rata* between the Ordinary Share Class and the Extended Shares Class. Any asset acquired after the expiry of the Current Investment Period will be attributable solely to the Extended Life Shares and will therefore be allocated solely to the Extended Life Class Fund. The net realisation proceeds of an exit attributable to the Extended Life Class Fund will be distributed only to the holders of Extended Life Shares. Any distributions will only be made by the Company in accordance with applicable law at the relevant time, including the Companies Law (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Law at the relevant time).

The Class Funds will bear their respective *pro rata* share of the ongoing costs and expenses of the Company. The Extended Life Class Fund will also bear all costs and expenses of the Company determined by the Directors to be attributable solely to the Extended Life Shares and the Ordinary Class Fund will also bear all costs and expenses of the Company determined by the Directors to be attributable to the Ordinary Shares.

3.4 Capital return policy in respect of Extended Life Shares

The Extended Life Shares will be subject to a new capital return policy pursuant to which the Company will seek to return to the holders of Extended Life Shares all capital profits arising from the exit of any assets attributable to the Extended Life Shares (net of any amount that the directors estimate may become payable as performance fee), at least every six months, with the first such distribution expected to be made for the period ending on 31 December 2013. Any capital return will only be made by the Company in accordance with applicable law at the relevant time, including the Companies Law (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Law at the relevant time).

3.5 Discount control mechanism for Extended Life Shares

The Board is committed to seeking to limit the level of the discount to Net Asset Value per Extended Life Share at which the Extended Life Shares may trade and therefore, pursuant to the Proposals, the Board is proposing a new discount control policy with respect to the Extended Life Shares involving repurchases of shares.

Shareholders and prospective Shareholders should note that any repurchase of Extended Life Shares by the Company is entirely discretionary and is subject to (i) normal market conditions and available cash resources; (ii) the Directors having the requisite authority pursuant to the Articles and the Companies Law to repurchase the Shares; and (iii) the repurchase of Shares not being prohibited by any other statute, rule or regulation applicable to the Directors or the Company (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Law at the relevant time). Therefore no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

Subject to the above, if the Extended Life Shares trade at a price which is at a discount of more than 5 per cent. to the most recently published Net Asset Value per Extended Life Share ("**Relevant Discount**"), the Company intends to repurchase Extended Life Shares with a view to reducing the Relevant Discount.

This discount policy applies to the Extended Life Shares only. The Ordinary Shares will be placed into run-off on 10 June 2013, and any capital will be returned beyond this date in any event by the appropriate mechanism at that time in accordance with paragraph headed "Distribution Policy, Capital" in Part II of this document.

3.6 Increased Hurdle Rate

The preferred return to Shareholders before any Performance Fee becomes payable to the Investment Manager will be increased, with effect from Admission, from 6 per cent. to 8 per cent. in respect of the Extended Life Share Class ("**Extended Life Share Hurdle Rate**"), such that the Extended Life Share Hurdle Rate shall be 6 per cent. for the period from the IPO to Admission and shall be 8 per cent. thereafter. The Performance Fee is described in further detail in paragraph 6.1 of Part VII of this document.

3.7 Admission and dealings of Extended Life Shares

Applications will be made to the London Stock Exchange and CISX for the Extended Life Shares to be admitted to trading on the SFM and to listing and trading on the Official List of the CISX.

If the Proposals are implemented, it is expected that Admission will become effective and that unconditional dealing in the Extended Life Shares will commence at 0800 hours on 9 April 2013.

Definitive certificates in respect of the Extended Life Shares are expected to be dispatched by 17 April 2013 to Shareholders who held their Ordinary Shares in certificated form. For those Shareholders who held their Ordinary Shares in uncertificated form the Extended Life Shares will be credited to their CREST accounts, and be admitted to and enabled for settlement in CREST on 9 April 2013.

3.8 Adoption of new Articles

In order to implement the Proposals it will be necessary to amend the existing Articles. The new Articles will provide for, *inter alia*, the creation of the Extended Life Shares and the conversion of Ordinary Shares into Extended Life Shares, together with such other amendments as are necessary to implement the Proposals. The new Articles will also set out the detailed rights attaching to the Extended Life Shares.

A copy of the new Articles showing the full terms of the proposed amendments to the existing Articles will be produced to the Class Meeting and will be available for inspection as described in paragraph 13 of Part VII of this document.

3.9 Amendments to the Investment Management Agreement

The Investment Management Agreement will be amended to reflect the implementation of the Proposals.

In particular, the Performance Fee payable to the Investment Manager by the Company under the Investment Management Agreement will be amended such that, with respect to each of the Ordinary Class Fund and the Extended Life Class Fund, the Performance Fee will be calculated and be payable separately, ensuring, however, that there shall be no double charging of Performance Fee. Although no change will be made to the preferred return with respect to the Ordinary Share class, the preferred return in respect of the Extended Life Share class will be raised to 8 per cent. with effect from Admission (as described in paragraph 3.6 above).

3.10 Conditions to the Proposals

The Proposals are conditional upon:

(1) the passing of the Resolution at the Class Meeting which is convened for 8 April 2013 (or any adjournment thereof);

(2) a minimum of 100 million Ordinary Shares electing to convert to Extended Life Shares; and

(3) Admission of the Extended Life Shares which is currently expected to take place on 9 April 2013.

4. Benefits of the Proposals

The Proposals provide the opportunity for Eligible Ordinary Shareholders to remain invested with the Company on the basis of the New Investment Period whilst those Eligible Ordinary Shareholders who wish to remain invested on the basis of the Current Investment Period will continue to be able to do so.

The Board believes it is important to provide this optionality to Eligible Ordinary Shareholders, in order to ensure that any investor who acquired Ordinary Shares on the basis of the Current Investment Period are not prejudiced in this regard by the Proposals. Accordingly, following the expiry of the Current Investment Period, no new investment will be made with the realisation proceeds of any exits attributable to the Ordinary Shareholders (who continue to remain invested on the basis of the Current Investment Period) and such proceeds shall be returned to the Ordinary Shareholders as appropriate. Therefore, the time scale for realisation of assets attributable to the Ordinary Shareholders will not be affected by the Conversion.

5. Overseas Shareholders

Ordinary Shareholders who are not, or who appear to the Board not to be, Eligible Ordinary Shareholders are not entitled to participate in the Conversion. An Ordinary Shareholder will not be permitted to participate in the Conversion and will not receive any Extended Life Shares if: (i) such Shareholder is unable to make the representations and warranties and does not deliver to the Company, as applicable, certain written representations, warranties, undertakings, acknowledgments and agreements, in each case, set out in "*Acquisition and transfer restrictions*" in Part V of this document; (ii) such Shareholder completes Box 5 of the Conversion Notice with an address in any of the Restricted Territories or has a registered address in any of the Restricted Territories; or (iii) the Conversion Notice received from such Shareholder is in an envelope postmarked in, or which appears to the Company or its agents to have been sent from any of the Restricted Territories. The Company reserves the right, in its absolute discretion, to investigate in relation to any election for Conversion whether the representations and warranties set out in "*Acquisition and transfer restrictions*" in Part V of this document given by any Shareholder are correct and, if such investigation is undertaken and as a result the Company determines (for any reason) that such representation or warranty is not correct, such election for Conversion shall not be valid.

6. Costs of the Proposals

The costs associated with the Conversion include a number of fixed and variable costs. These costs will be borne by the Extended Life Class Fund and will be charged by the Company to the Extended Life Class Fund immediately following Conversion. The costs are estimated to be approximately 0.35 per cent.[1] of NAV of the Extended Life Class Fund however this may vary depending on the number of Ordinary Shares electing to convert to Extended Life Shares.

7. Taxation treatment of the Proposals

The following paragraphs are intended as a general guide only and are based on current law and HM Revenue and Customs practice. They summarise the tax position of Ordinary Shareholders who are resident or ordinarily resident in the United Kingdom for taxation purposes and who hold their Ordinary Shares as an investment. Certain Ordinary Shareholders, such as dealers in securities, insurance companies and collective investment schemes, may be taxed differently and are not considered.

For the purposes of United Kingdom taxation of chargeable gains, the conversion of Ordinary Shares into Extended Life Shares will be regarded as a reorganisation of the share capital of the Company. Accordingly, on the Effective Date, an Ordinary Shareholder will not be treated as making a disposal of any part of their existing holding of Ordinary Shares. The Extended Life Shares will be treated as the same asset as the

1. assuming 75 per cent. of Ordinary Shares elect to convert to Extended Life Shares.

Shareholder's existing holding of Ordinary Shares, acquired at the same time as the existing Ordinary Shares.

The Extended Life Shares should also qualify to be held within a stocks and shares ISA.

The Proposals should not otherwise have any UK tax implications. Both the Ordinary Shares and the Extended Life Shares should fall outside the scope of the UK Offshore Fund Rules contained in Part 8 of the Taxation (International and other Provisions) Act 2010. A subsequent disposal of Ordinary Shares or Extended Life Shares should therefore be subject to chargeable gains taxation depending on the Shareholder's particular circumstances. A summary of the current Guernsey, United Kingdom and United States taxation treatment of the Company and Shareholders is set out in Part VII of this Document.

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

8. The Class Meeting

In order to implement the Proposals it is necessary to amend the Articles. Accordingly, prior approval of the Ordinary Shareholders by an ordinary resolution passed at a separate general meeting of the Ordinary Shareholders (the "**Class Meeting**") will be required.

The Resolution to be proposed at the Class Meeting will require approval by at least a simple majority of the votes cast in person or by proxy.

The quorum for the Class Meeting will be two Ordinary Shareholders present and entitled to vote in person or by proxy. If within 30 minutes of the time appointed for the Class Meeting a quorum is not present, the Meeting shall stand adjourned and will be reconvened to be held on the same day in the next week (or if that day be a public holiday in Guernsey to the next working day thereafter) at the same time and place and no notice of such adjournment need be given. If the Class Meeting is adjourned for want of a quorum, the quorum for the reconvened Class Meeting will be those Ordinary Shareholders who are present in person.

9. Written resolutions of the Class A Shareholder

The Class A Shares are held by the Trustee pursuant to a purpose trust established under Guernsey law. Under the terms of the Trust Deed, the Trustee holds the Class A Shares for the purpose of exercising the rights conferred by such shares in the manner it considers, in its absolute discretion, to be in the best interests of the Ordinary Shareholders as a whole.

The Articles can only be amended with the consent of the Class A Shareholder in accordance with the Companies Law. Accordingly, the Class A Shareholder has conditionally approved the Proposals (including all necessary amendments to the Articles to implement the Proposals) by way of a special resolution passed by way of the Written Resolutions dated 4 March 2013, an executed copy of which will be produced to the Class Meeting and will be available for inspection as described in paragraph 13 of Part VII of this document.

10. Action to be taken

10.1 To vote at the Class Meeting

Shareholders will find Forms of Proxy enclosed with this document. Shareholders that hold their Shares in uncertificated form (that is, in CREST) can appoint a proxy by utilising the CREST electronic proxy appointment service or by completing and returning the relevant Forms of Proxy.

It is important that Shareholders read this document carefully and complete and return the Forms of Proxy by post or by hand (during normal business hours) to Capita Registrars, PXS The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive as soon as possible but no later than 1030 hours on 5 April 2013, whether they intend to attend the Class

Meeting in person or not. Completion and return of Forms of Proxy will not affect any Shareholder's right to attend and vote at the Class Meeting.

Shareholders using the CREST electronic voting service should do so in accordance with the procedures set out in the CREST Manual (please also refer to accompanying notes in the notices for the Class Meeting set out at the end of this document).

Proxies submitted via CREST for the Class Meeting must be transmitted so as to be received by the Registrar as soon as possible but no later than 1030 hours on 5 April 2013 whether they intend to attend the Class Meeting in person or not.

If you have any queries relating to the completion of the Forms of Proxy, please contact Capita Registrars, PXS The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. The Registrar can only provide information regarding the completion of the Forms of Proxy and cannot provide you with investment or tax advice.

10.2 To elect to convert Ordinary Shares into Extended Life Shares

Enclosed with this document is a Conversion Notice for use by Eligible Ordinary Shareholders holding their Ordinary Shares in certificated form and who wish to convert all or a part of their holding of Ordinary Shares into Extended Life Shares in accordance with the Proposals. To be effective, the Conversion Notice must be signed and returned (together with the share certificate(s) relating to the Ordinary Shares which are the subject of the Conversion Notice) in accordance with the instructions printed thereon to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive as soon as possible but no later than 1030 hours on 5 April 2013. Once a Conversion Notice has been submitted by an Ordinary Shareholder to the Company, it may not be withdrawn by the Ordinary Shareholder except with the Company's consent.

In the case of Ordinary Shares held in certificated form, a share certificate representing the balance of Ordinary Shares retained will be provided as soon as possible following submission of the Conversion Notice.

Eligible Ordinary Shareholders holding their Ordinary Shares in uncertificated form should send (or, if they are a CREST sponsored member procure that their CREST sponsor sends) a TTE Instruction to Euroclear which must be properly authenticated in accordance with Euroclear's specification and which must contain, in addition to other information that is required for the TTE Instruction to settle in CREST, the following details:

- the number of Ordinary Shares to be converted;
- the participant ID of the holder of the Ordinary Shares;
- the member account ID of the holder of the Ordinary Shares;
- the participant ID of the Receiving Agent, RA10;
- the member account ID of the Receiving Agent, 27862NBD;
- the corporate action number (which will be allocated by Euroclear and can be found by viewing the relevant corporate action details);
- the Corporate Action ISIN GG00B64GWK95;
- the intended settlement date. This should be as soon as possible and, in any event, no later than 1030 hours on 5 April 2013;
- input with a standard TTE delivery instruction with priority 80; and
- contact name and telephone number in the shared note field.

After settlement of the TTE Instruction, an Ordinary Shareholder will not be able to access the Shares concerned in CREST for any transaction or for charging purposes, notwithstanding they will be held by Receiving Agent as escrow agent in accordance with the Proposals. Ordinary Shareholders are recommended to refer to the CREST manual for further information on the CREST procedures outlined above.

Eligible Ordinary Shareholders should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will, therefore, apply in connection with a TTE Instruction and its settlement. Ordinary Shareholders should therefore ensure that all necessary action is taken by them (or by their CREST sponsor) to enable a TTE Instruction relating to the Ordinary Shares to settle prior to 1030 hours on 5 April 2013. Ordinary Shareholders are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

Eligible Ordinary Shareholders do not need to submit a Conversion Notice or transfer any of their Ordinary Shares into escrow within CREST if they wish to remain invested in the Company on the basis of the Current Investment Period and therefore do not wish to convert any part of their holding of Ordinary Shares into Extended Life Shares. Eligible Ordinary Shareholders who, by the Conversion Notice Date, do not submit a valid Conversion Notice or TTE Instruction (as appropriate) will not have any part of their holding of Ordinary Shares converted into Extended Life Shares.

11. Recommendation

Your Directors consider the Proposals to be in the best interests of the Shareholders taken as a whole and recommend that Shareholders vote in favour of the Resolution to be proposed at the Class Meeting. However, the Directors make no recommendation to Ordinary Shareholders as to whether or not they should elect to convert their Ordinary Shares into Extended Life Shares in accordance with the Proposals or retain their Ordinary Shares. Whether Ordinary Shareholders decide to convert their Ordinary Shares into Extended Life Shares or retain their Ordinary Shares will depend on their own individual circumstances.

Your Directors intend to vote their beneficial holdings in favour of the Resolution in respect of their aggregate holding of 666,000 Ordinary Shares (representing approximately 0.15 per cent. of the Company's issued Ordinary Shares) and each Director intends to convert his entire holdings of Ordinary Shares into Extended Life Shares.

Yours faithfully

Robin Monro-Davies
Chairman

Part II Information on the Company

Introduction

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

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

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

Conditional upon the Proposals being approved at the Class Meeting, following Admission: (i) the Ordinary Shares in the Company will be subject to the Current Investment Period; and (ii) the Extended Life Shares will be subject to the New Investment Period.

In connection with the conversion of Ordinary Shares into Extended Life Shares, the Directors shall create two Class Funds, one in respect of the Extended Life Shares ("**Extended Life Class Fund**") and one in respect of the Ordinary Shares ("**Ordinary Class Fund**"). Assets and liabilities comprised in the Company Portfolio on the Effective Date worth in aggregate (as at the NAV Calculation Date immediately preceding the Effective Date) an amount equal to the Net Asset Value (at the same date) attributable to the Ordinary Shares which have been converted into Extended Life Shares pursuant to the Proposals will be allocated to the Extended Life Class Fund. The remaining assets comprised in the Company Portfolio will be allocated to the Ordinary Class Fund.

The Current Investment Period will expire in June 2013, following which the net proceeds of realising the Company's investments attributable to the Ordinary Shares (as determined by the Directors in accordance with the Articles), will, at such times and in such amounts as the Directors shall in their absolute discretion determine, be distributed, to Ordinary Shareholders *pro rata* to their respective holdings of Ordinary Shares.

The New Investment Period will expire on 31 March 2015, following which the net proceeds of realising the Company's investments attributable to the Extended Life Shares (as determined by the Directors in accordance with the Articles (less any capital profits which will be available for distribution by the Company to the holders of Extended Life Shares in accordance with the Company's capital return policy with respect to the Extended Life Shares)), will, at such times and in such amounts as the Directors shall in their absolute discretion determine, be distributed, to Extended Life Shareholders *pro rata* to their respective holdings of Extended Life Shares.

The Ordinary Shares and the Extended Life Shares (and not the Class A Shares) carry rights to receive all income and capital returns (attributable to their respective Class Funds) distributed by the Company.

Any distributions will only be made by the Company in accordance with applicable law at the relevant time, including the Companies Law (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Law at the relevant time).

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

Applications will be made to each of the London Stock Exchange and the CISX for all of the Extended Life Shares arising pursuant to the Conversion to be admitted to trading on the SFM and to listing and trading on the Official List of the CISX respectively. It is expected that Admission will become effective and that dealings in such Extended Life Shares will commence at 0800 hours on 9 April 2013.

Investment Objective

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

Targeted Return

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

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

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

Investment Policy

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

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

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

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

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

In certain situations, the Company may also invest in performing and non-performing real estate assets, including commercial mortgage loans and mortgage-backed securities as well as in other asset backed securities, assets, businesses and any other type of financial claim that the Investment Managers identify as a compelling investment opportunity. The Company may also participate in the origination of loans. The Investment Managers may take short positions (either outright or through the use of derivatives) for what the Investment Managers believe to be hedging and general risk reduction rather than speculative purposes.

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

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

Diversification policies

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

By issuer:	maximum per issuer (or group of affiliated issuers) – 5 per cent.;
By industry:	maximum single industry market value exposure – 20 per cent.;
By geography (as determined by the issuer's headquarters):	minimum North American (U.S. and Canada) – 70 per cent.; maximum international – 30 per cent.
Original Issue Equity:	maximum – 10 per cent.

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

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

Leverage

The Company will not leverage its market exposure.

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

Changes to the Company's investment policy

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

Investment Strategy

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

The Investment Managers expect to generate investment ideas for the Company through industry research and company specific due diligence as well as from access to the NB NIGC platform, a business group within the Sub-Investment Manager. The NB NIGC platform invests on behalf of the Sub-Investment Manager's clients in the debt of over 400 companies, thereby facilitating – through the detailed information that debt holders are generally entitled to receive – ongoing due diligence on those companies, their peers and their industries. The NB NIGC platform also provides the Investment Managers with broad access to a network of management teams, advisers and consultants.

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

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

Bankruptcy situations

It has been the experience of NB Distressed Credit, a part of the NB NIGC platform, that situations in which a Portfolio Company is involved, heading into or emerging from a reorganisation process governed by the United States Bankruptcy Code (or similar laws in other countries) often present opportunities to purchase assets at prices that are depressed in relation to their intrinsic value and/or estimated recovery proceeds. The Investment Managers believe that these depressed prices are often a result of investors and/or lenders selling securities when a company they own enters, or emerges from, a bankruptcy proceeding or displays signs of severe financial distress. In addition, the Investment Managers believe that these sales are often driven by macro balance sheet concerns and can be consummated without an in-depth analysis of intrinsic value or potential recovery scenarios and/or dictated by certain laws, mandates, policies or restrictions compelling the sellers to dispose of the securities in question.

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

The Company intends to focus on Bankruptcy Investments in Portfolio Companies which NB Distressed Credit believes have substantial asset values or business franchises and operate in indispensable "staple" market sectors (for example, power plants as opposed to video games). NB Distressed Credit identifies companies with public and private debt that show signs of financial distress, have recently entered bankruptcy proceedings or are close to emerging from bankruptcy protection. Additionally, companies that have defaulted on debt securities but have not yet filed for bankruptcy protection are also potential

investment candidates. The Investment Managers may also cause the Company to invest in Portfolio Companies that NB Distressed Credit does not identify as a Bankruptcy Investment but whose securities have declined materially in price due to a general market expectation of a bankruptcy proceeding.

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

Out-of-court restructurings/workouts

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

Special situations

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

Non-distressed investments

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

Direct investments

From time to time the Company, instead of acquiring securities in the secondary market, may act as a direct lender to distressed companies through syndicated or bilateral credit facilities, including "rescue financings", bridge financings and debtor-in-possession loans extended within the context of a Chapter 11 (U.S. Bankruptcy Code) process. These investments will likely take the form of debt and will be identified and evaluated in the same manner as any other Company investment, but with the difference that the Investment Managers will typically deal directly with the Portfolio Companies in question in structuring the Company's investments and have greater flexibility to structure the terms of such investments to the particular circumstances involved (whereas in acquiring securities in the secondary market, the Investment Managers have little, if any, ability to negotiate their terms). The timing of these investments – in other words, at what stage of the "distressed debt cycle" the Portfolio Company is in when the Company invests – will vary based on the individual circumstances of each Portfolio Company. In these situations, the Company will attempt to

manage its exposure to issuer-specific idiosyncratic risk by structuring the terms of its investment (for example, requiring additional collateral and/or "put" rights), conducting ongoing due diligence, holding regular meetings with management and, in certain cases, syndicating portions of its investment to third parties.

Investment Process

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

Sourcing

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

Security selection

NB Distressed Credit's due diligence will draw upon its substantial resources and investing experience to evaluate: (i) an issuer's competitive position, relationships with customers and suppliers, ability to generate free cash flow, liquidity and financial profile (including corporate and capital structures); (ii) the value of the collateral pledged to secure the Company's prospective investment, including such collateral's original and current replacement cost; (iii) the ability to dispose of such collateral upon foreclosure; (iv) industry characteristics such as barriers to entry, threat of product substitution, commodity risks, complexity and environmental hazards; (v) key provisions of the applicable credit documents; (vi) process risk, including the composition of respective creditor groups, the financial incentives and other motivations of key players and bankruptcy professionals, the presence and likely support or objections of unionised employees and the potential for government intervention; (vii) applicable law and the implications of such law for regulatory, tax or other considerations (for example, non-U.S. Bankruptcy Code insolvency standards may be materially different from those under the U.S. Bankruptcy Code and may not give effective protection to creditors); (viii) the quality and incentives of management; and (ix) potential signs of fraud. Incorporating these factors and other considerations into a probability-weighted scenario analysis should allow the investment management team to assess (but always subject to the risks of general market and individual Portfolio Company uncertainty) the intrinsic value, potential return and downside risk of a prospective Company investment.

Management and disposition of outstanding investments

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

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

Cash Uses and Cash Management Activities

In accordance with the Company's investment policy, the Company's principal use of cash will be to fund investments sourced by the Investment Managers, ongoing operational expenses and payment of dividends and other distributions to Shareholders, in accordance with the Company's distribution policy as discussed in the section entitled "*Distribution policy*" in Part II of this document.

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

Borrowing Powers

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

The Company at present has no borrowings.

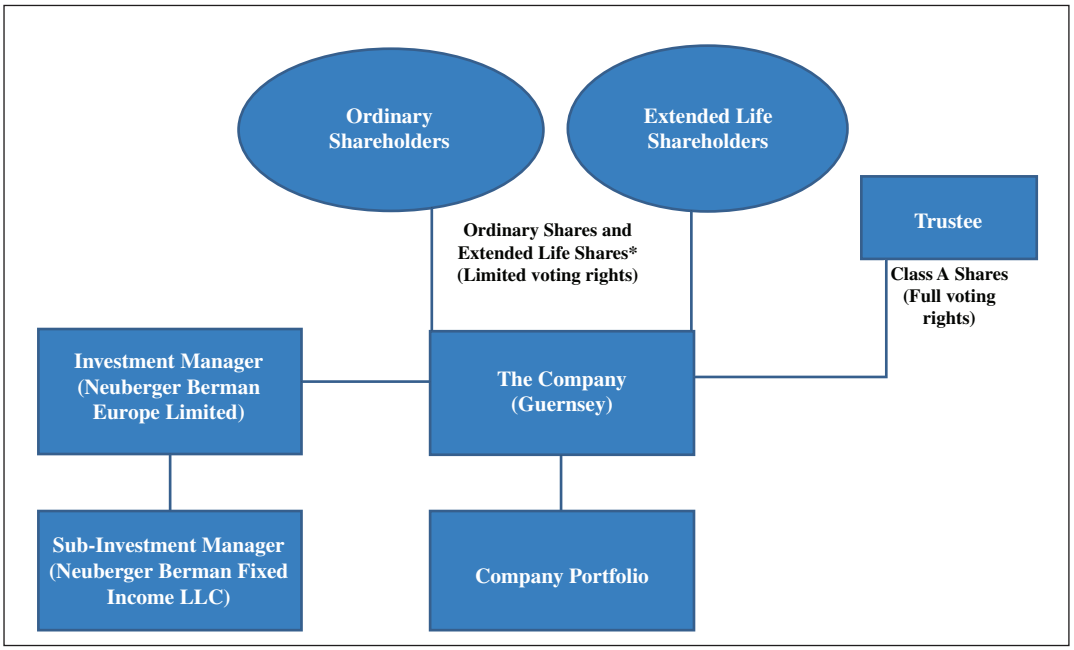
Hedging Transactions and Currency Risk Management

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

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

Organisational Structure

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



* The Ordinary Shares and the Extended Life Shares have certain limited voting rights, but are not, for example, eligible to vote in the election of the Directors. Please refer to paragraph 5 of Part VII of this document for further information.

Notes:

1. The Company and the Investment Manager have entered into the Investment Management Agreement. In addition, the Investment Manager and the Sub-Investment Manager have entered into the Sub-Investment Management Agreement. Please refer to the sections headed "Investment Managers" set out in Part IV of this document and "Material Contracts" set out in Part VII of this document for further information.

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

Trustee

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

Under the terms of the Trust Deed, the Trustee holds the Class A Shares for the purpose of exercising the rights conferred by such shares in the manner it considers, in its absolute discretion, to be in the best interests of the holders of Ordinary Shares and Extended Life Shares as a whole. The Investment Manager, who has

been appointed as the "enforcer" of the trust, has a duty under the Trust Deed to ensure that this purpose is fulfilled.

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

Share Purchases and Buy Backs

Share buy backs

The Class A Shareholder has granted the Directors general authority to purchase in the market up to 14.99 per cent. of each of the Ordinary Shares and Extended Life Shares in issue immediately following Admission at a price not exceeding the higher of (i) 5 per cent. above the average of the mid-market value of the Shares of the relevant class for the five business days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid for Shares of the relevant class. The Directors intend to seek annual renewal of this authority from the Class A Shareholder.

Pursuant to this authority, and subject to the Listing Rules, the Companies Law and the discretion of the Directors, the Company may purchase Ordinary Shares and/or Extended Life Shares in the market on an ongoing basis with a view to addressing any imbalance between the supply of and demand for such Shares thereby increasing the relevant NAV per Share of the Ordinary Shares or the Extended Life Shares and assisting in controlling the discount to the relevant NAV per Share of the Ordinary Shares or the Extended Life Shares in relation to the price at which such Shares may be trading. Such purchases will only be made in accordance with applicable law at the relevant time, including the Companies Law (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Law at the relevant time). Purchases of Ordinary Shares and/or Extended Life Shares will also be made in accordance with any guidelines established from time to time by the Board and the timing of any such purchases will be decided by the Board. Notwithstanding the foregoing, any such purchases will be made at a price not exceeding the relevant published NAV per Share of the Ordinary Shares or the Extended Life Shares prevailing as at the time of purchase. Ordinary Shares and/or Extended Life Shares purchased by the Company may be cancelled or held in treasury.

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

Discount control policy in relation to Extended Life Shares

The Board is committed to seeking to limit the level of the discount to Net Asset Value per Extended Life Share at which the Extended Life Shares may trade and therefore, pursuant to the Proposals, the Board is proposing a new discount control policy with respect to the Extended Life Shares involving repurchases of shares.

Shareholders and prospective Shareholders should note that any repurchase of Extended Life Shares by the Company is entirely discretionary and is subject to (i) normal market conditions and available cash resources; (ii) the Directors having the requisite authority pursuant to the Articles and the Companies Law to repurchase the Shares; and (iii) the repurchase of Shares not being prohibited by any other statute, rule or regulation applicable to the Directors or the Company (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Law at the relevant time). Therefore no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

Subject to the above, if the Extended Life Shares trade at a price which is at a discount of more than 5 per cent. to the most recently published Net Asset Value per Extended Life Share ("**Relevant Discount**"), the Company intends to repurchase Extended Life Shares with a view to reducing the Relevant Discount.

Treasury shares

Pursuant to the Companies Law and the Articles, the Company may hold up to 10 per cent. of each class of its issued share capital in treasury when Ordinary Shares and/or Extended Life Shares have been purchased by the Company. It is the Company's current intention that Ordinary Shares and/or Extended Life Shares held in treasury will only be sold at the relevant NAV prevailing at the time or at a premium to the relevant NAV.

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

Distribution Policy

Income

The Company will pay out, in respect of each class of Shares, all net income received on investments of the Company attributable to such class of Shares, as appropriate. It is not anticipated that the net income on the portfolio will be material and therefore any dividends may be on an ad-hoc basis. It is a requirement of an exception to the United Kingdom offshore fund rules that all income from the Company's Portfolio (after deduction of reasonable expenses) is to be paid to investors. This dividend policy should ensure that this requirement will be met. The exact amount of such dividend in respect of any class of Shares will be variable depending on the amounts of income received by the Company attributable to such class of Shares and will only be made available in accordance with applicable law at the relevant time, including the Companies Law (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Law at the relevant time). Furthermore, the amount of dividends paid in respect of one class of Shares may be different from that of another class.

Capital

Following the expiry of the Current Investment Period the Capital Proceeds attributable to the Ordinary Shares (as determined by the Directors in accordance with the Articles), will, at such times and in such amounts as the Directors shall in their absolute discretion determine, be distributed, to Ordinary Shareholders *pro rata* to their respective holdings of Ordinary Shares. The amount and timing of any such return of capital will be solely within the discretion of the Directors to determine.

The Company will seek to return to the holders of Extended Life Shares all capital profits arising from the exit from any assets attributable to the Extended Life Shares, at least every six months, with the first such distribution expected to be made for the period ending on 31 December 2013.

Following the expiry of the New Investment Period the Capital Proceeds attributable to the Extended Life Shares (as determined by the Directors in accordance with the Articles), will, at such times and in such amounts as the Directors shall in their absolute discretion determine, be distributed, to Extended Life Shareholders *pro rata* to their respective holdings of Extended Life Shares. The amount and timing of any such return of capital will be solely within the discretion of the Directors to determine.

Any capital return will only be made by the Company in accordance with applicable law at the relevant time, including the Companies Law (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Law at the relevant time).

Although the Directors intend to return capital to Shareholders in such manner so that Shareholders who are ordinarily resident in the United Kingdom, or who carry on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected, may be liable to United Kingdom tax on chargeable gains on such capital distributions, they may, at their sole discretion, return capital to Shareholders by way of a dividend in circumstances where, in the opinion of the Directors, it would be reasonably practicable to do so.

Reports and Accounts

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

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

The financial statements of the Company are prepared in accordance with U.S. GAAP. The Company's financial statements, which are the responsibility of its Board, consist of a balance sheet, profit and loss statement and cash flow statement, related notes and any additional information that the Board deems appropriate or that is required by applicable law.

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

Net Asset Value

Publication of Net Asset Value

The Company publishes the NAV per Ordinary Share on a daily basis, as calculated by the process described below. Following the implementation of the Proposals, in addition to the NAV per Ordinary Share, the Company will publish the NAV per Extended Life Share on a daily basis. Such NAV per Ordinary Share and the NAV per Extended Life Share will be published by RIS announcement and be available on the websites of the Company and the CISX.

Valuation of the assets held in the Company Portfolio

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

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

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

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

- Valuation of other securities by the same issuer for which market quotations are available;
- Reasons for absence of market quotations;

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

Suspension of the calculation of Net Asset Value

The Directors may at any time, but cannot be obliged to, temporarily suspend the calculation of the NAV of the Ordinary Shares and/or NAV of the Extended Life Share during:

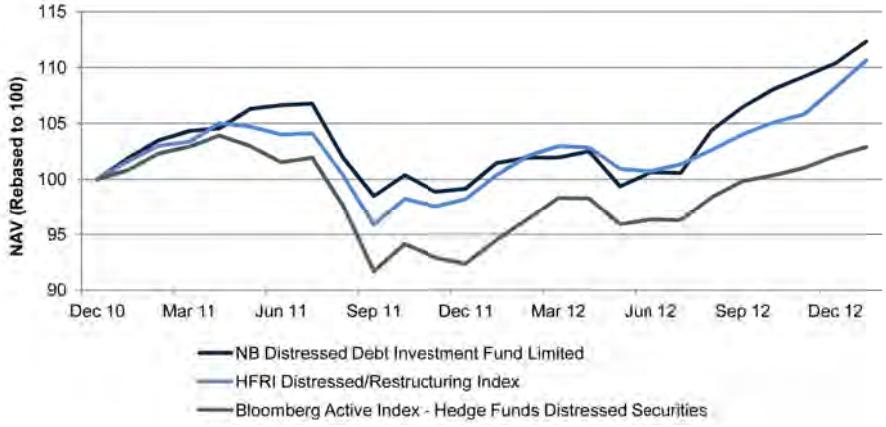
- any period when any of the principal markets or stock exchanges on which a substantial part of the investments are quoted is closed, otherwise than for ordinary holidays, or during which dealings thereon are restricted or suspended;
- any period when, as a result of political, economic, military or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

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

Investment Performance

Since the IPO in June 2010, the NAV of the Company has increased from US$0.98 per Ordinary Share to US$1.1090 per Ordinary Share as at 4 March 2013 (being the latest practicable date prior to the publication of this document). Figure 1 below show the NAV performance since 31 December 2010 to 31 January 2013 versus the Bloomberg Active Index for Hedge Fund Distressed Securities and HFRI Distressed/Restructuring Index showing and outperformance of 9.4 per cent. and 1.7 per cent. respectively.

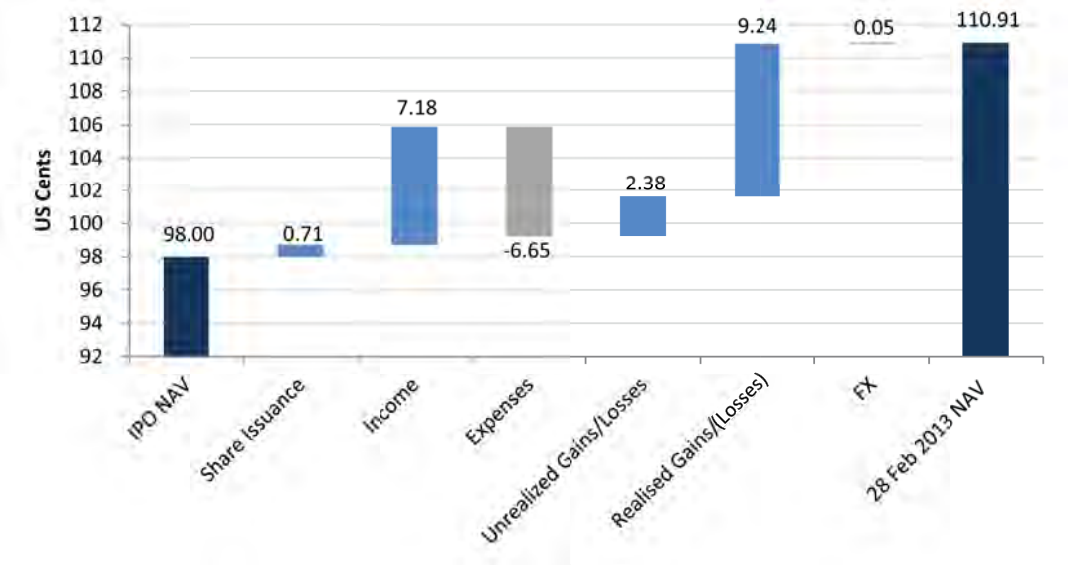
Figure 1 – NAV performance



Source: Bloomberg, Hedge Fund Research, Inc. and the Company

This performance has been driven primarily by gains generated through exiting investments with income broadly offsetting expenses. The Company anticipates that realisations will continue to be the driver for future NAV growth.

Figure 2 – NAV bridge analysis from IPO in June 2010 to 28 February 2013



Source: the Company

The Company has made 11 exits.

Figure 3 – Exits

Exit	Industry	Instrument	Entry Price	Exit Price	Hold Period (months)	Catalyst	ROR	IRR
1	Utilities	Secured Loan	84.64**	97.25	4	Asset Sale	19%	55%
2	Utilities	Secured Loan	87.00	100.00	2	Refinancing	16%	107%
3	Lodging	Secured Loan	80.00**	89.12	10	Asset Sale	13%	18%
4	Commercial Mortgage	Secured Loan	$9.6m	$10.1m	7	Note Sale	6%	12%
5	Utilities	Secured Loan	85.58	100.00	8	Refinancing	20%	39%
6	Utilities	Private Equity	$22.0m	$25.8m	11	Liquidation	17%	31%
7	Telecoms	Secured Loan	83.93	90.00	18	Secondary Sale	13%	9%
8	Containers	Secured Loan	84.45**	100.00	19	Refinancing	23%	17%
9	Telecoms	Secured Loan	$3.30m	$3.85m	25	Debt Restructuring	17%	11%
10	REITs/REOCs	Secured Loan	$15.80m	$19.15m	25	Debt Restructuring	21%	14%
11	Utilities	Post-reorganisation equity	$8.90m**	$12.79m*	20	Liquidation	38%	27%

* exit price comprised of liquidating distribution and secondary sale of remaining equity interest.

** multiple purchases; entry price was determined by averaging the price of each of the purchases.

Source: the Company

Portfolio Summary

The portfolio was approximately 93 per cent. invested in distressed assets as at 28 February 2013 with investments in 49 companies diversified across 17 industries. The Investment Managers seek to hold on average up to 10 per cent. of the Company portfolio in cash in order to take advantage of mispricing opportunities and also make follow-on investments. As at 28 February 2013, the cash holding of the Company was 6.8 per cent. of NAV. The Investment Managers have recently been adding incrementally to existing names and continue to see opportunities for investments as outlined in the section entitled "*Market Overview*" below. The top ten investments along with an analysis of the portfolio by industry and geography and coupon profile are set out below. There has been no material change in the composition of the portfolio since 28 February 2013.

Figure 4 – Top 10 Holdings as at 28 February 2013

Holding	Industry	Purchased Instrument	Status	Country	% of NAV	Primary Assets
1	Real Estate Development	Secured Loan	Post-reorganization	US	7%	Multifamily residential real estate
2	Oil & Gas	Secured Bonds	Defaulted	Switzerland	4%	Petroleum processing facilities
3	Lodging and Casinos	Secured Loan	Defaulted	US	4%	Hotel/lodging real estate
4	Surface Transportation	Secured Loan	Post-reorganization	US	4%	Transportation equipment & real estate
5	Utilities	Secured Loan	Current	Australia	4%	Power plants
6	REIT/REOCs	Private Equity	Current	US	4%	Residental real estate
7	Lodging and Casinos	Secured Loan	Current	US	4%	Hotels & casinos
8	Broadcasting	Secured Loan	Current	US	4%	Broadcasting licenses & equipment
9	Utilities	Secured Loan	Current	US	3%	Power plants
10	Utilities	Private Equity	Post-reorganization	US	3%	Power plants

Source: the Company

Figure 5 – Sector breakdown as at 28 February 2013

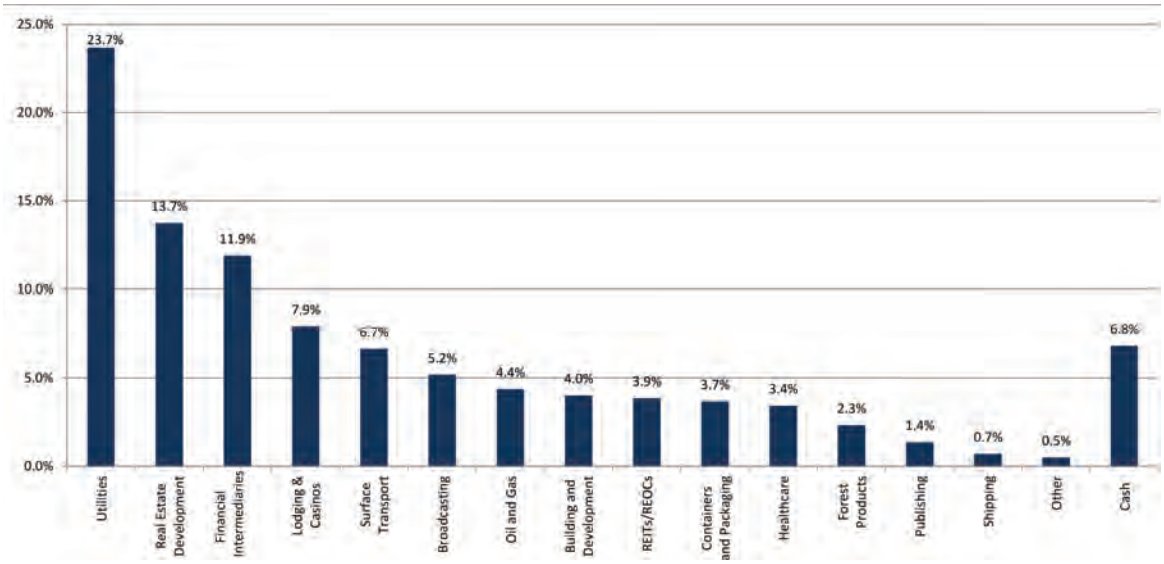


Figure 6 – Country breakdown as at 28 February 2013*

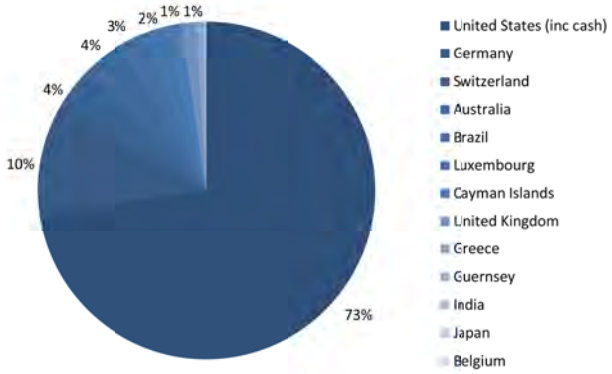
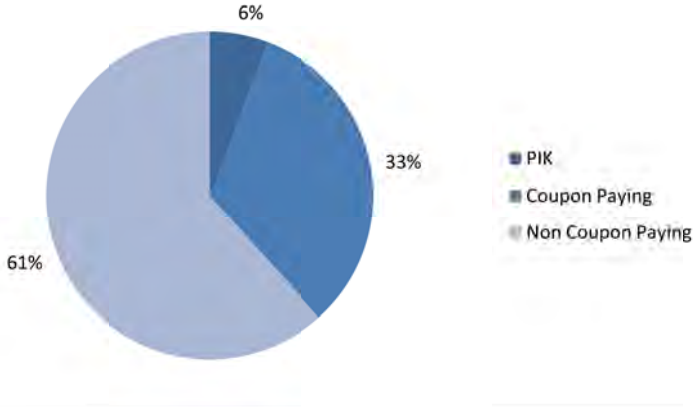


Figure 7 – Coupon payments**



* The UK investments are Sterling denominated and all other investments are US$ denominated

** Excludes cash and cash equivalents

Source: the Company

Summary of Investment Exits

Exit 1 – Natural Gas & Oil-fired generating facilities in the northeastern United States

The Company purchased US$7.0 million (face value) of first lien claims at approximately 84.6 per cent. of par value secured by natural gas and oil-fired electricity generating facilities. The investment thesis was that the loan price undervalued the borrower company's assets and that in the event of a sale of the plants it would recover in excess of 90 per cent. of par value.

The interest was sold prior to the Bankruptcy Court's approval of the asset sale at 97.25 per cent. of par value. The company subsequently announced that it reached an agreement to sell its assets to a Fortune 500 company. In order to consummate the transaction "free and clear of liens", the company filed for Chapter 11 and sold its assets under Section 363 of the US Bankruptcy Code.

Purchase Price: 84.6 per cent. of par; Holding Period: 4 months; Exit Price: 97.25 per cent. of par; ROR: 19 per cent.; IRR: 55 per cent.

Exit 2 – Coal-fired generating facility in the southern United States

The Company purchased US$1.99 million (par value) of the second lien term loan at approximately 87.0 per cent. of par value secured by a coal-fired generating facility. The investment thesis was that the debt would likely be refinanced or in the event of default the Company would be able to take control of the assets at an attractive valuation (US$1,258 per kW versus an estimated replacement cost of over US$3,167 per kW).

The borrower company successfully refinanced the capital structure, resulting in a principal recovery of 100 per cent. of par value plus interest.

Purchase Price: 87.0 per cent. of par; Holding Period: 2 months; Exit Price: 100 per cent. of par; ROR: 16 per cent.; IRR: 107 per cent.

Exit 3 – Resort and Casino in Nevada

The Company purchased US$14.0 million (face value) of the first lien term loan at a weighted average price of 80.0 per cent. secured by the resort and casino. Due to a challenging economic environment, financial performance declined and interest payments had ceased. The investment thesis was that it was one of the highest quality properties in its region, that gaming trends had bottomed out and the region would experience growth going forward, and that on the downside the entry valuation was approximately 20 per cent. less than construction costs.

The first lien lenders ultimately accepted a bid by a gaming operator which resulted in 89.1 per cent. recovery. The bid included an all-cash bid and adequate protection payments throughout a pre-packaged bankruptcy filing.

Purchase Price (Day 1): 80 per cent.; Holding Period: 10 months; Exit Price: 89.1 per cent.; ROR: 13 per cent.; IRR:18 per cent.

Exit 4 – Retail and residential complex in the midwestern United States

The Company purchased US$20.0 million (face value) of a construction loan at US$9.6 million secured by a retail and residential complex. It was the Investment Managers' belief at the time of the investment that the owners of the property would either sell the property to repay the lenders or, transfer ownership to the lenders through a foreclosure or consensual transfer.

The Company was not able to purchase additional senior debt at attractive levels, therefore with the lender group and the borrower, the company auctioned the debt/property rather than take control of the assets resulting in a recovery of US$10.1 million.

Purchase Price: US$9.6 million; Period: 7 months; Exit Price: US$10.1 million; ROR: 6 per cent.; IRR: 12 per cent.

Exit 5 – Natural gas-fired combined-cycle facility in southern United States

The Company purchased US$8.38 million (face value) of the second lien term loan secured by a natural gas-fired combined-cycle facility at a weighted average price of approximately 85.5 per cent.

The plant was in the middle of a sales process and it was the Company's belief that value would be in excess of the second lien term loan. Subsequently a Fortune 500 company announced a purchase of the plant resulting in a recovery of 100 per cent. of principal plus accrued interest.

Purchase Price: 85.5 per cent. of par; Holding Period: 8 months; Exit Price: 100 per cent. of par plus interest; ROR: 20 per cent.; IRR: 39 per cent.

Exit 6 – Natural gas-fired power plants in the southeastern United States

The Company purchased a US$22.0 million equity interest of a post-reorganization power generation company in the process of being liquidated. Net of distributable cash, the Company's entry price valued the power plants at approximately US$132 per kW. Subsequently the company announced that the plants would be sold to a local utility company for a valuation of approximately US$400/kW.

The Company's investment return was comprised of a liquidating dividend of US$9.6 million and the sale of the Company's remaining equity interest of US$16.2 million in the secondary market, providing a total income of US$3.8 million.

Purchase Price: US$22.0 million; Holding Period: 11 months; Exit Price: US$25.8 million; ROR: 17 per cent.; IRR: 31 per cent.

Exit 7 – Telecommunications & Broadcasting infrastructure in northwest Europe

The Company purchased a first lien term loan at US$7.9 million representing a 16.1 per cent. discount to par value. The investment thesis was that the debt would likely be refinanced or in the event of default the Company would take control of the assets at an attractive valuation relative to comparable assets.

The company did not subsequently default, and due to market conditions a near-term refinancing looked unlikely. The Company sold its position in the secondary market at 90 per cent. of par value for US$8.6 million sales proceeds, resulting in total income (including earned interest) of US$1.0 million.

Purchase Price: 83.9 per cent. of par; Holding Period: 18 months; Exit Price: 90 per cent. of par; ROR: 13 per cent.; IRR: 9 per cent.

Exit 8 – Plastic film manufacturing assets in western Europe & North America

The Company purchased a first lien term loan at US$13.4 million representing a 15.55 per cent. discount to par. The investment thesis was that the debt would either be refinanced or that in the event of default the Company would take control of the assets at an attractive valuation relative to comparable companies.

Subsequent to the purchase, the company restructured its balance sheet and the borrower company's debt was paid off at par. In order to avoid a default and debt restructuring, the company's second lien lenders secured sufficient capital to refinance the first lien debt in full. Total income from this investment (including earned interest) was approximately US$2.6 million.

Purchase Price: 84.5 per cent. of par; Holding Period: 19 months; Exit Price: 100 per cent. of par; ROR: 23 per cent.; IRR: 17 per cent.

Exit 9 – Telecommunications – rural local exchange carrier

The Company purchased US$5.0 million face value of defaulted first lien term loan at US$3.3 million secured by incumbent network telecommunications assets in the Northeast United States. The company had filed for bankruptcy in October 2009.

The Company believed that the entry point represented a discounted valuation versus comparable companies. The company subsequently emerged from bankruptcy with a restructured balance sheet.

The Company exited the post-reorganisation debt and equity securities in the secondary market believing management had taken the necessary steps to restructure the borrower company and return it to financial stability and that the company's security prices accurately reflected their full value in the market.

Purchase Price: US$3.3 million, Holding Period: 25 months, Exit Price: US$3.85 million, ROR: 17 per cent., IRR: 11 per cent.

Exit 10 – Retail REIT assets in Australia and North America

The Company purchased US$26.6 million of defaulted first lien term loan at US$15.8 million secured by properties and equity in the borrower company's management business. The borrower company is an Australia based REIT that invested in and managed over 700 retail properties in Australia and the US.

A comprehensive restructuring plan was announced in March 2011 and completed in December 2011 where the company reorganized the Australian business by using proceeds from the sale of its US portfolio to pay down a portion of the senior debt and swapping the residual amount of debt into a NewCo containing the Australian assets.

The senior debt holders now own over 70 per cent. of the Australian portfolio in a publicly traded security. The Company exited its investment through a sale of shares on the Australian stock exchange believing share price accurately reflected its full value in the market.

Purchase Price: US$15.8 million, Holding Period: 25 months, Exit Price: US$19.15 million, ROR: 21 per cent., IRR: 14 per cent.

Exit 11 – Power plant in Texas

The Company purchased US$8.9 million equity interest of a post-reorganization power generation company which owns a combined-cycle gas turbine power plant in the Texas market. The borrower company had previously filed from protection from creditors under Chapter 11 of the United States Bankruptcy Code, and subsequently emerged from bankruptcy protection under control of the prepetition senior lenders. The power plant has been sold to a Fortune 500 energy company and the borrower company is in the process of being wound up. The Company's investment return was comprised of a liquidating dividend of US$12.4 million and the sale of the Company's remaining equity interest of US$0.4 million in the secondary market, for a total income, after expenses of US$0.4 million, of US$3.4 million.

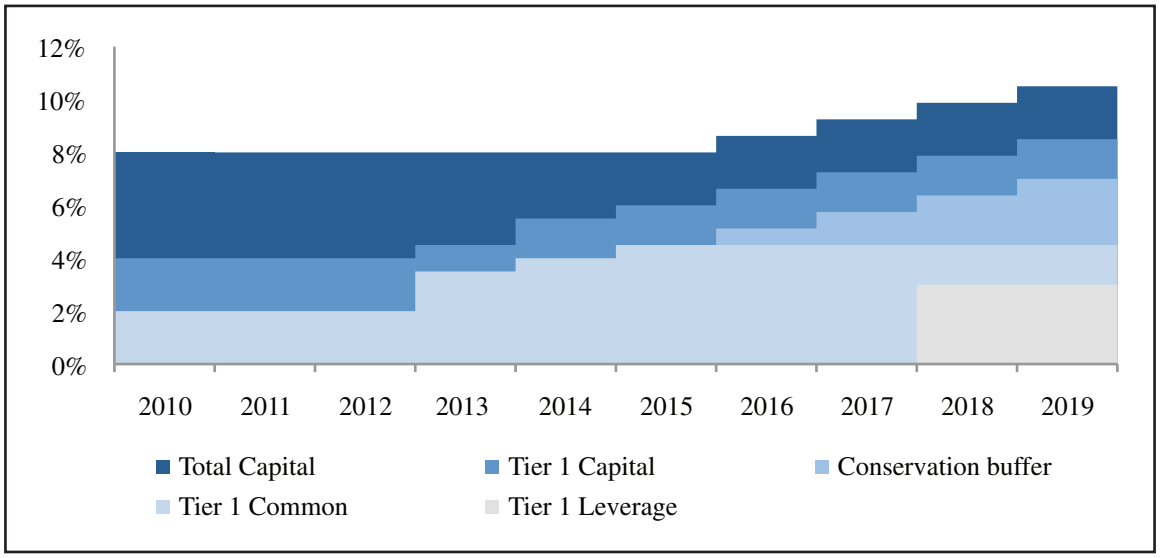
Purchase Price: US$8.9 million, Holding Period: 20 months, Exit Price: US$12.79 million, ROR: 38 per cent., IRR: 27 per cent.

Market Overview

At the time of the IPO in June 2010, the Investment Managers believed that there were compelling reasons why the investment opportunity for distressed debt would continue for the subsequent three to four years. Strong distressed debt investment performance had historically followed periods when a large number of companies had failed to meet their debt obligations. The Investment Managers believed that the rising level of middle-market loan defaults in 2009 and 2010 would provide good opportunities for the Company's investment strategy. However, the Investment Managers expected the distressed cycle to wind down by 2013 as banks worked out and/or sold defaulted loans. As a result, the Company was originally structured with a three-year investment period terminating in June 2013.

The Investment Managers and the Board have concluded that the distressed debt market is proving a longer-term opportunity than the Investment Managers had originally anticipated. Contrary to the Investment Managers' initial expectations that the banking system would address its problem loans, over US$1.9 trillion[1] of non-performing loans remain on global banks' balance sheets and banks have announced over US$2.0 trillion[2] of asset reduction targets. The Investment Managers believe that the banking system will face increasing pressure to purge these assets from their books going forward. Non-performing loan portfolios are expensive from a capital perspective, and with the introduction of Basel III, the minimum capital standards are going to increase in the future.

Figure 8 – Basel III Minimum Capital Standards[3]



Whilst country-by-country factors relating to their speed of disposal may vary, problem assets still need to be removed from bank balance sheets, leading to medium term opportunities. Consequently, the Investment Managers expect that year-end selling pressure from banks' balance sheets over the next few years should result in continued compelling investment opportunities. For example, the 2012 year-end opportunity for purchasing distressed assets was stronger than in prior years, and as a result the Company's percentage of Net Asset Value deployed in distressed assets increased from 82 per cent. in September 2012 to over 91 per cent. in December 2012. This year-end NAV deployment level represented the highest level achieved in the history of the Company at that time.

Even after a strong year-end asset accumulation period, the pipeline of opportunities remains strong in the Company's core industries such as energy and real estate. Additionally, there are emergent opportunities in transportation (e.g., shipping), residential property and infrastructure (e.g., toll roads) which the Investment Managers believe could provide potentially compelling investments and the Investment Manager envisages increasing focus on these areas going forward. The Investment Managers continue to be confident about the current and future environment for distressed debt investing.

1 Source: KPMG Global Debt Sales Survey 2012.

2 Source: IMF Stability Report, April 2012.

3 Source: Basel Committee on Banking Supervision, December 2010.

Voting rights

The share capital of the Company consists of Ordinary Shares (which carry limited voting rights), and Class A Shares (which carry extensive voting rights). Following the implementation of the Proposals, the share capital of the Company will also consist of Extended Life Shares (carrying limited voting rights). Holders of Ordinary Shares and the Extended Life Shares are not entitled to vote in relation to the appointment or removal of directors of the Company. Rather, Directors may be elected and removed by the Trustee as holder of the Class A Shares.

Directors

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

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

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

Robin Monro-Davies (Chairman)

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

Talmai Morgan (Guernsey)

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

Supervisors. From July 2004 to May 2005, Mr. Morgan served as chief executive of Guernsey Finance, which is the official body for the promotion of the Guernsey finance industry. Mr. Morgan is now the chairman or a non-executive director of a number of investment-companies including companies listed on the LSE. He holds an M.A. in economics and law from the University of Cambridge.

John E. Hallam (Guernsey)

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

Christopher Sherwell (Guernsey)

Christopher Sherwell is a non-executive director of a number of investment-related companies. Mr. Sherwell was managing director of Schroders (C.I.) Limited from April 2000 to January 2004. He remained a non-executive director of Schroders (C.I.) Limited until he stepped down at the end of December 2008. His other directorships include the Schroder Oriental Income Fund and Baker Steel Resources Limited. Before joining Schroders in 1993, he worked as Far East regional strategist with Smith New Court Securities in London and then in Hong Kong. Mr. Sherwell was previously a journalist, working for the Financial Times. Mr. Sherwell received a B.Sc. (Gen) in physical sciences from the University of London, an M.A. in economics and politics from the University of Oxford and an M.Phil. in politics from the University of Oxford.

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

Michael Holmberg

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

Patrick Flynn

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

Investment Managers

The investment manager of the Company is Neuberger Berman Europe Limited, a company incorporated in England and Wales, with registered number 05463227. The Investment Manager has been appointed pursuant to the Investment Management Agreement (further details of which are set out in paragraph 6 of Part VII of this document) and has, pursuant to the Sub-Investment Management Agreement, delegated certain of its responsibilities and functions to the subinvestment manager, Neuberger Berman Fixed Income LLC, a limited liability company incorporated in Delaware.

The Investment Managers are wholly-owned indirect subsidiaries of the NB Group. Established in 1939, the NB Group is one of the world's largest private, independent employee-controlled asset management companies, managing approximately US$205 billion in assets as of 31 December 2012, including approximately US$96 billion in fixed income investments and which includes more than US$23 billion in high yield bonds and approximately US$5.2 billion loans.

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

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

Administrator, Secretary and Custodian

BNP Paribas Fund Services (Guernsey) Limited has been appointed as Administrator, Secretary, Custodian and Designated Manager of the Company pursuant to the Administration and Custody Agreement (further details of which are set out in paragraph 6 of Part VII of this document). In such capacity, the Administrator is responsible for the day to day administration of the Company (including but not limited to the calculation and publications of the estimated daily NAV), general secretarial functions required by the Companies Law (including but not limited to the maintenance of the Company's accounting and statutory records) and certain safekeeping and custody services.

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

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

Principal Banker

BNP Paribas Securities Services S.C.A. Guernsey Branch acts as the Company's Principal Banker.

Fees and expenses

Expenses relating to the Proposals

The costs associated with the Conversion include a number of fixed and variable costs. These costs will be borne by the Extended Life Class Fund and will be charged by the Company to the Extended Life Class Fund immediately following Conversion. The costs are estimated to be approximately 0.35 per cent.[1] of NAV of the Extended Life Class Fund, but this may vary depending on the number of Ordinary Shares electing to convert to Extended Life Shares.

These expenses will be paid on or around Admission and will include, without limitation, listing and admission fees; the cost of settlement and escrow arrangements; printing; legal fees, and any other applicable expenses.

1 assuming 75 per cent. of Ordinary Shares elect to convert to Extended Life Shares.

Ongoing, Annual Expenses

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

(i) Investment Manager

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

The Investment Manager will be entitled to a Performance Fee.

Ordinary Share Performance Fee

The Ordinary Share Performance Fee will only become payable once the Company has made aggregate cash distributions with respect to the Ordinary Shares (which shall include: (i) such proportion of the aggregate price of all Ordinary Shares repurchased or redeemed by the Company at any time prior to the Conversion as would be equal to the ratio of the Ordinary Shares to total Shares immediately following the Conversion; and (ii) the aggregate price of all Ordinary Shares repurchased or redeemed by the Company at any time following the Conversion) equal to (a) such proportion of the aggregate gross proceeds of issuing Ordinary Shares (whether pursuant to the IPO, Secondary Placing, the exercise of Subscription Rights or otherwise) immediately prior to the Conversion as would be equal to the ratio of Ordinary Shares to total Shares immediately following the Conversion plus (b) the aggregate gross proceeds of issuing Ordinary Shares following the Conversion ((a) and (b) together, the "**Ordinary Share Contributed Capital**") plus (c) such amount as will result in the Company having distributed a realised (cash-paid) IRR in respect of the Ordinary Share Contributed Capital equal to 6 per cent. (the "**Ordinary Share Initial Return**"). Following distribution by the Company of an amount with respect to the Ordinary Shares equal to the Ordinary Share Initial Return, there will be a 100 per cent. catch up to the Investment Manager until the Investment Manager has received 20 per cent. of all amounts in excess of Ordinary Share Contributed Capital distributed with respect to Ordinary Shares and paid to the Investment Manager as a performance fee. Thereafter, all amounts attributable to the Ordinary Shares which are distributed by the Company shall be split 20/80 per cent. between the Investment Manager's performance fee and the cash distributions to the Ordinary Shareholders respectively.

Extended Life Share Performance Fee

The Extended Life Share Performance Fee will only become payable once the Company has made aggregate cash distributions with respect to the Extended Life Shares (which shall include: (i) such proportion of the aggregate price of all Ordinary Shares repurchased or redeemed by the Company at any time prior to the Conversion as would be equal to the ratio of Extended Life Shares to total Shares immediately following the Conversion; and (ii) the aggregate price of all Extended Life Shares repurchased or redeemed by the Company) equal to (a) such proportion of the aggregate gross proceeds of issuing all Ordinary Shares immediately prior to the Conversion (whether pursuant to the IPO, Secondary Placing, the exercise of Subscription Rights or otherwise) as would be equal to the ratio of Extended Life Shares to total Shares immediately following the Conversion; plus (b) the aggregate gross proceeds of issuing Extended Life Shares following the Conversion ((a) and (b) together, the "**Extended Life Share Contributed Capital**") plus (c) such amount as will result in the Company having distributed a realised (cash-paid) IRR in respect of the Extended Life Share Contributed Capital equal to 6 per cent. from the IPO to Admission and 8 per cent. thereafter (the "**Extended Life Share Initial Return**"). Following distribution by the Company of an amount with respect to the Extended Life Shares equal to the Extended Life Share Initial Return, there will be a 100 per cent. catch up to the Investment Manager until the Investment Manager has received 20 per cent. of all amounts in excess of Extended Life Share Contributed Capital distributed with respect to Extended Life Shares and paid to the Investment Manager as a performance fee. Thereafter, all amounts attributable to the Extended Life Shares which are distributed by the Company shall be

split 20/80 per cent. between the Investment Manager's performance fee and the cash distributions to the Extended Life Shareholders respectively.

(ii) Administration

The Administrator is entitled to the following fees, including an annual administration fee of 0.09 per cent. of NAV subject to a minimum of £100,000, an annual secretarial fee of £36,000, a custodian fee of 0.02 per cent. subject to a minimum of £20,000, and an annual loan administration fee of 0.045 per cent. subject to a minimum of £75,000.

(iii) Registrar

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

(iv) Directors

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

Other operational expenses

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

The Class Funds will bear their respective *pro rata* share of the ongoing costs and expenses of the Company. The Extended Life Class Fund will also bear all costs and expenses of the Company determined by the Directors to be attributable solely to the Extended Life Shares and the Ordinary Class Fund will also bear all costs and expenses of the Company determined by the Directors to be attributable to the Ordinary Shares.

Taxation

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

Meetings and reports to Shareholders

All general meetings of the Company shall be held in Guernsey.

The Company's audited annual report and accounts are prepared to 31 December each year and copies are sent to Shareholders in April each year, or earlier if possible. Shareholders also receive an unaudited interim report each year in respect of the period to 30 June, expected to be dispatched in August each year, or earlier

if possible. The Company's audited annual report and accounts are also available on the Company's website www.nbddif.com.

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

Conflicts of interest

Directors

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

The Directors are required by the Registered Collective Investment Scheme Rules 2008 to take all reasonable steps to ensure that there is no breach of the conflicts of interest requirements of those rules.

Investment Managers

The Company, and an investment in the Company, are subject to a number of actual and potential conflicts of interest involving NB Affiliates and, in particular, the Investment Managers. The Investment Managers' policy relating to conflicts of interest (the "**Conflicts Policy**"), as set out below, describes the arrangements in place within the Investment Managers to ensure the fair management of conflicts of interest. In addition, potential investors should read carefully the Risk Factors set out on pages 20 to 43 of this document and, in particular, the risks set out under the section headed "*Risks relating to the Investment Managers*" on page 23 of this document.

Allocation of investment opportunities

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

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

As a general policy, investment opportunities will be allocated among those accounts for which participation in the respective opportunity is considered appropriate *pro-rata* based on the relative capital size of the accounts. In addition, the Investment Managers may also take into consideration other factors such as the investment programs of the accounts, tax consequences, legal or regulatory restrictions, including those that may arise in various different international jurisdictions, the relative historical participation of an account in the investment, the difficulty of liquidating an investment for more than one account, new accounts with a

substantial amount of investable cash and such other factors considered relevant by the Investment Managers. Such considerations may result in allocations among the Company and one or more Other Accounts on other than a *pari passu* basis (which may result in different performances among them).

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

Corporate governance

On 1 January 2012, the GFSC's "Finance Sector Code of Corporate Governance" (the "**Code**") came into effect, which applies to all companies that hold a licence from the GFSC under the regulatory laws or which are registered or authorised as collective investment schemes. The GFSC has stated in the Code that companies which report against the UK Corporate Governance Code or the AIC Code are deemed to meet the requirements of Code.

The Company is a member of the AIC. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment companies (the "**AIC Guide**"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code of Corporate Governance, except as set out below.

The UK Corporate Governance Code includes provisions relating to: (i) the role of the chief executive; (ii) executive directors' remuneration; (iii) internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of NB Distressed Debt Investment Fund Limited, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

Audit committee

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

Conversion of Ordinary Shares into Extended Life Shares

All Eligible Ordinary Shareholders will be given the opportunity to elect to convert all or part of their holding of Ordinary Shares into Extended Life Shares. All Ordinary Shares in respect of which valid Conversion Notices or TTE Instructions (as appropriate) are received, will be converted into Extended Life Shares. The Board has the discretion to agree with individual Ordinary Shareholders any amendments to their Conversion Notice or TTE Instruction (as relevant) in respect of the Conversion.

Overseas Shareholders

Ordinary Shareholders who are not, or who appear to the Board not to be, Eligible Ordinary Shareholders are not entitled to participate in the Conversion. An Ordinary Shareholder will not be permitted to participate in this Conversion and will not receive any Extended Life Shares if: (i) such Shareholder is unable to make the representations and warranties and does not deliver to the Company, as applicable, certain written representations, warranties, undertakings, acknowledgments and agreements, in each case, set out in "*Acquisition and transfer restrictions*" in Part V of this document; (ii) such Shareholder completes Box 5 of the Conversion Notice with an address in any of the Restricted Territories or has a registered address in any of the Restricted Territories; or (iii) the Conversion Notice received from him is in an envelope postmarked in, or which appears to the Company or its agents to have been sent from any of the Restricted Territories. The Company reserves the right, in its absolute discretion, to investigate in relation to any election for Conversion, whether the representations and warranties set out in "*Acquisition and transfer restrictions*" in Part V of this document given by any Shareholder are correct and, if such investigation is undertaken and as a result the Company determines (for any reason) that such representation or warranty is not correct, such election for Conversion shall not be valid.

Conversion process

Eligible Ordinary Shareholders who wish to convert all or part of their holding of certificated Ordinary Shares must elect to do so by submitting a Conversion Notice (enclosed with this document) to the Registrar as soon as possible but no later than 1030 hours on 5 April 2013, being the Conversion Notice Date. Eligible Ordinary Shareholders who wish to convert all or part of their holding of uncertificated Ordinary Shares must transfer them into escrow within CREST as soon as possible but no later than the Conversion Notice Date (as set out in paragraph 10 ("*Action to be taken*") of Part I of this document). All Ordinary Shares in respect of which valid Conversion Notices or TTE Instructions (as appropriate) are received, will be converted into Extended Life Shares.

Eligible Ordinary Shareholders who do not submit a valid Conversion Notice or a TTE Instruction (as set out in paragraph 10 ("*Action to be taken*") of Part I of this document) by the Conversion Notice Date with respect to all or part of their Ordinary Shares will not receive any Extended Life Shares.

Applications will be made to the London Stock Exchange and CISX for the Extended Life Shares to be admitted to trading on the SFM and to listing and trading on the Official List of the CISX. Details regarding the conversion of Ordinary Shares into Eligible Ordinary Shares are set out in Part I of this document.

Action to be taken

Eligible Ordinary Shareholders who hold the Shares in certificated form who wish to convert all or part of their holding of Ordinary Shares into Extended Life Shares must sign and return the Conversion Notice enclosed with this document (together with the share certificate(s) relating to the Ordinary Shares which are subject of the Conversion Notice) in accordance with the instructions printed thereon to Capita Registrars,

Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive as soon as possible but no later than 1030 hours on 5 April 2013. Once a Conversion Notice has been submitted by an Ordinary Shareholder to the Company, it may not be withdrawn by the Ordinary Shareholder except with the Company's consent.

Eligible Ordinary Shareholders holding their Ordinary Shares in uncertificated form who wish to convert all of part of this holding of Ordinary Shares into Extended Life Shares should send (or, if they are a CREST sponsored member procure that their CREST sponsor sends) a TTE Instruction to Euroclear which must be properly authenticated in accordance with Euroclear's specification and which must contain, in addition to other information that is required for the TTE Instruction to settle in CREST, the following details:

- the number of Ordinary Shares to be converted;
- the participant ID of the holder of the Ordinary Shares;
- the member account ID of the holder of the Ordinary Shares;
- the participant ID of the Receiving Agent, RA10;
- the member account ID of the Receiving Agent, 27862NBD;
- the corporate action number (which will be allocated by Euroclear and can be found by viewing the relevant corporate action details);
- the Corporate Action ISIN GG00B64GWK95;
- the intended settlement date. This should be as soon as possible and, in any event, no later than 1030 hours on 5 April 2013;
- input with a standard TTE delivery instruction with priority 80; and
- contact name and telephone number in the shared note field.

After settlement of the TTE Instruction, an Ordinary Shareholder will not be able to access the Shares concerned in CREST for any transaction or for charging purposes, notwithstanding they will be held by Receiving Agent as escrow agent in accordance with the Proposals. Ordinary Shareholders are recommended to refer to the CREST manual for further information on the CREST procedures outlined above.

Eligible Ordinary Shareholders should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will, therefore, apply in connection with a TTE Instruction and its settlement. Eligible Ordinary Shareholders should therefore ensure that all necessary action is taken by them (or by their CREST sponsor) to enable a TTE Instruction relating to the Ordinary Shares to settle prior to 1030 hours on 5 April 2013. Eligible Ordinary Shareholders are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

Ordinary Shareholders do not need to submit a Conversion Notice or transfer any of their Ordinary Shares into escrow within CREST if they wish to remain invested in the Company on the basis of the Current Investment Period and therefore do not wish to convert any part of their holding of Ordinary Shares into Extended Life Shares. Provided the Resolution is passed, Ordinary Shareholders who, by the Conversion Notice Date, do not submit a valid Conversion Notice or TTE Instruction (as appropriate) will not have any part of their holding of Ordinary Shares converted into Extended Life Shares.

Clearing and settlement

If the Proposals are approved at the Class Meeting and all conditions as described in Part I ("*Letter from the Chairman*") of this document are satisfied, it is expected that Admission will become effective and that unconditional dealing in the Extended Life Shares will commence at 0800 hours on 9 April 2013.

Definitive certificates in respect of the Extended Life Shares are expected to be dispatched by 17 April 2013 to Shareholders who held their Ordinary Shares in certificated form. For those Shareholders who held their Ordinary Shares in uncertificated form the Extended Life Shares will be credited to their CREST accounts, and be admitted to and enabled for settlement in CREST on 9 April 2013.

Subject to very limited exceptions, Ordinary Shareholders in the United States or who are U.S. Persons will not be eligible to acquire Extended Life Shares through the Conversion. See "Overseas Shareholders" above and "Acquisition and transfer restrictions" below. To the extent that the Company decides to permit an Ordinary Shareholder in the United States or who is a U.S. Person to acquire Extended Life Shares through the Conversion, such Extended Life Shares will be issued in registered and certificated form, and may not be transferred into CREST or any other paperless system without the prior approval of the Company. Such approval will only be granted if such Shareholder seeks to transfer the Extended Life Shares and delivers a written certification in the form of an Offshore Transaction Letter attached as Appendix A (or in a form otherwise acceptable to the Company) to the Company, with copies to the Administrator and the Registrar, containing, *inter alia*, a representation that the transfer is being made outside the United States in an "offshore transaction" complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person, by pre-arrangement or otherwise.

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

It is expected that the Company will arrange for Euroclear UK and Ireland to be instructed on 9 April 2013 to credit the appropriate CREST accounts of the subscribers concerned or their nominees with their respective entitlements to Extended Life Shares. The names of subscribers or their nominees investing through their CREST accounts will be entered directly on to the share register of the Company.

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

Dealings

Applications will be made to the London Stock Exchange and CISX for the Extended Life Shares arising pursuant to the Conversion to be admitted to trading on the SFM and to listing and trading on the Official List of the CISX, respectively. The minimum size of the Extended Life Share Class will be 100 million Extended Life Shares.

If the Proposals are approved at the Class Meeting, it is expected that Admission will become effective and that unconditional dealing in the Extended Life Shares will commence at 0800 hours on 9 April 2013. Dealings in Extended Life Shares in advance of the crediting of the relevant stock account shall be at the risk of the person concerned.

For the Extended Life Shares, the ISIN number is GG00B9CBV553 and the SEDOL code is B9CBV55 and B90LNV7 (CISX).

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Extended Life Shares, nor does it guarantee the price at which a market will be made in the Extended Life Shares. Accordingly, the dealing price of the Extended Life Shares may not necessarily reflect changes in the NAV per Extended Life Share. Furthermore, the level of the liquidity in the various classes of Shares can vary significantly.

Acquisition and transfer restrictions

This document does not constitute an offer to issue or sell, or the solicitation of an offer to acquire or subscribe for, Extended Life Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or the Investment Managers. The Extended Life Shares have not been and will not be registered under the applicable securities laws of Australia, Canada, Japan, New Zealand or South Africa. Subject to certain exceptions, the Extended Life Shares may not be offered or sold within Australia, Canada, Japan, New Zealand or South Africa or into any other jurisdiction where to do so would constitute a violation of applicable laws or regulations of such other jurisdiction or to any national, resident or citizen of Australia, Canada, Japan, New Zealand or South Africa or into any other jurisdiction where to do so would constitute a violation of applicable laws or regulations of such other jurisdiction.

Subject to very limited exceptions, neither this document nor any other related documents will be distributed in or into the United States or any of the Restricted Territories, and neither this document nor any other related documents constitutes an offer of the Extended Life Shares to any Shareholder with a registered address in, or who is resident or located in, the United States or any of the Restricted Territories. None of the Extended Life Shares have been or will be registered under the relevant laws of any state, province or territory of the United States or any of the Restricted Territories. This document does not constitute an invitation or offer to issue or the solicitation of an invitation or offer to acquire the Extended Life Shares in any jurisdiction in which such offer or solicitation is unlawful. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Company has elected to impose the restrictions described below on the Conversion and on the future trading of the Extended Life Shares so that the Company will not be required to register the Extended Life Shares under the U.S. Securities Act, so that the Company will not have an obligation to register as an "investment company" under the U.S. Investment Company Act and related rules and to address certain ERISA, U.S. Tax Code and other considerations. These transfer restrictions, which will remain in effect until the Company determines in its sole discretion to remove them, may adversely affect the ability of holders of the Extended Life Shares to trade such securities. Due to the restrictions described below, Shareholders in the United States and U.S. Persons are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Extended Life Shares. The Company and its agents will not be obligated to recognise any resale or other transfer of the Extended Life Shares made other than in compliance with the restrictions described below.

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

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

The Extended Life Shares are being offered and issued outside the United States to non-US Persons in reliance on the exemption from registration provided by Regulation S under the U.S. Securities Act. The Company has not been and will not be registered under the U.S. Investment Company Act and, as such, Shareholders will not be entitled to the benefits of the U.S. Investment Company Act.

The Extended Life Shares may not be offered or issued within the United States, or to US Persons, except to persons who are (subject to certain exceptions) QIBs and who are also Qualified Purchasers. Each acquirer of Extended Life Shares pursuant to the Conversion and each subsequent transferee, by acquiring Extended Life Shares or a beneficial interest therein, will be deemed to have represented, warranted, undertaken, agreed and acknowledged that: (i) it is either (a) outside the United States and not a U.S. Person or (subject to certain exceptions) (b) a QIB who is also a Qualified Purchaser, and (ii) if in the future it decides to offer, sell, transfer, assign, pledge or otherwise dispose of the Extended Life Shares or any beneficial interest therein, it will do so only (a) in an "offshore transaction" complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person, by prearrangement or otherwise, or (ii) to the Company or a subsidiary thereof.

Subject to very limited exceptions, any person in the United States who obtains a copy of this document or any other related documents and who is not a QIB who is also a Qualified Purchaser is required to disregard it.

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

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

(i) no portion of the assets it uses to acquire, and no portion of the assets it uses to hold, the Extended Life Shares or any beneficial interest therein constitutes or will constitute the assets of: (A) an "employee benefit plan" as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (B) a "plan" as defined in Section 4975 of the U.S Tax Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the U.S Tax Code; or (C) an entity whose underlying assets are considered to include "plan assets" by reason of investment by an "employee benefit plan" or "plan" described in preceding clause (A) or (B) in such entity pursuant to the U.S. Plan Asset Regulations; and

(ii) if an investor is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the U.S. Tax Code, its acquisition, holding, and disposition of the Extended Life Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

Ordinary Shareholders outside the United States that are not U.S. Persons

Ordinary Shareholders who submit a valid Conversion Notice or TTE Instruction with respect to all of the Ordinary Shares held by such Ordinary Shareholder will be deemed to have represented, warranted, undertaken, acknowledged and agreed as follows:

(a) it is, in respect of member states of the European Economic Area (except for the United Kingdom), a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive;

(b) it is not a U.S. Person, is not located within the United States and is not acquiring the Extended Life Shares for the account or benefit of a U.S. Person;

(c) it is acquiring the Extended Life Shares in an offshore transaction meeting the requirements of Regulation S;

(d) it acknowledges that the Extended Life Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the

United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons;

(e) it acknowledges that the Extended Life Shares have not been and will not be registered under the applicable securities laws of Australia, Canada, Japan, New Zealand or South Africa, and that, subject to certain exceptions, the Extended Life Shares may not be offered or sold within Australia, Canada, Japan, New Zealand or South Africa or into any other jurisdiction where to do so would constitute a violation of applicable laws or regulations of such other jurisdiction or to any national, resident or citizen of Australia, Canada, Japan, New Zealand or South Africa or into any other jurisdiction where to do so would constitute a violation of applicable laws or regulations of such other jurisdiction;

(f) it acknowledges that the Company has not registered under the U.S. Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not and will not be required to register under the U.S. Investment Company Act;

(g) no portion of the assets used to acquire, and no portion of the assets used to hold, the Extended Life Shares or any beneficial interest therein constitutes or will constitute the assets of (i) an "employee benefit plan" as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a "plan" as defined in Section 4975 of the U.S. Tax Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Tax Code; or (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the Code. In addition, if an investor is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the U.S. Tax Code, its acquisition, holding, and disposition of the Extended Life Shares will not constitute or result in a non-exempt violation of any such substantially similar law;

(h) that if any Extended Life Shares are issued to it in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect unless otherwise determined by the Company in accordance with applicable law:

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

(i) if in the future it decides to offer, sell, transfer, assign, pledge or otherwise dispose of the Extended Life Shares or any beneficial interest therein, it will do so only (i) in an "offshore transaction" complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person, by prearrangement or otherwise, or (ii) to the Company or a subsidiary thereof. It acknowledges that any offer, sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;

(j) it is acquiring the Extended Life Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to

or for sale or other transfer in connection with any distribution of the Extended Life Shares in any manner that would violate the U.S. Securities Act, the U.S. Investment Company Act or any other applicable securities laws;

(k) it acknowledges that the Company reserves the right to make inquiries of any holder of the Extended Life Shares or interests therein at any time as to such person's status under the U.S federal securities laws and to require any such person that has not satisfied the Company that such person's holding will not violate or require registration under the U.S. securities laws to transfer such Extended Life Shares or interests in accordance with the Articles;

(l) it is entitled to acquire the Extended Life Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Extended Life Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, the Investment Managers, Neuberger Berman Europe Limited or Oriel, or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Conversion or its acceptance of participation in the Conversion;

(m) it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Extended Life Shares into or within the United States or to any U.S. Persons, nor will it do any of the foregoing;

(n) if it is acquiring any Extended Life Shares as a fiduciary or agent for one or more accounts, the investor has sole investment discretion with respect to each such account and full power and authority to make, and does make, the foregoing representations, warranties, undertakings, acknowledgements and agreements on behalf of each such account; and

(o) the Company, the Investment Managers, Neuberger Berman Europe Limited and Oriel, and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, undertakings, acknowledgments and agreements. If any of the foregoing representations, warranties, undertakings, acknowledgments or agreements are no longer accurate or have not been complied with, it will immediately notify the Company.

Ordinary Shareholders in the United States or who are U.S. Persons (or who otherwise may not be Eligible Ordinary Shareholders)

Subject to very limited exceptions, Ordinary Shareholders in the United States or who are U.S. Persons will not be eligible to acquire Extended Life Shares through the Conversion.

Ordinary Shareholders who are not, or who appear to the Board not to be, Eligible Ordinary Shareholders are not entitled to participate in the Conversion. An Ordinary Shareholder will not be permitted to participate in this Conversion and will not receive any Extended Life Shares if: (i) such Shareholder is unable to make the representations and warranties and does not deliver to the Company, as applicable, certain written representations, warranties, undertakings, acknowledgments and agreements, in each case, set out in "Acquisition and transfer restrictions" in Part V of this document; (ii) such Shareholder completes Box 5 of the Conversion Notice with an address in any of the Restricted Territories or has a registered address in any of the Restricted Territories; or (iii) the Conversion Notice received from him is in an envelope postmarked in, or which appears o the Company or its agents to have been sent from any of the Restricted Territories. The Company reserves the right, in its absolute discretion, to investigate in relation to any election for Conversion, whether the representations and warranties set out in "Acquisition and transfer restrictions" in Part V of this document given by any Shareholder are correct and, if such investigation is undertaken and as a result the Company determines (for any reason) that such representation or warranty is not correct, such election for Conversion shall not be valid.

In order to acquire Extended Life Shares through the Conversion, any Ordinary Shareholders in the United States or who are U.S. Persons must (subject to certain exceptions) (i) be QIBs who are also Qualified Purchasers and (ii) deliver to the Company certain written representations, warranties, undertakings, acknowledgements and agreements, including an undertaking that if in the future the Shareholder decides to offer, sell, transfer, assign, pledge or otherwise dispose of the Extended Life Shares or any beneficial interest therein, it will do so only (a) in an "offshore transaction" complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person, by prearrangement or otherwise, or (b) to the Company or a subsidiary thereof.

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

Any Extended Life Shares issued to Shareholders in the United States or who are U.S. Persons will be issued in registered and certificated form, and may not be transferred into CREST or any other paperless system without the prior approval of the Company. Such approval will only be granted if such Shareholder seeks to transfer the Extended Life Shares and delivers a written certification in the form of an Offshore Transaction Letter attached as Appendix A (or in a form otherwise acceptable to the Company) to the Company, with copies to the Administrator and the Registrar, containing, *inter alia*, a representation that the transfer is being made outside the United States in an "offshore transaction" complying with Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person, by pre-arrangement or otherwise.

The certificates evidencing ownership of the Extended Life Shares will bear the following legend:

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

IN ADDITION, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON USING THE ASSETS OF (I) (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA; (B) A "PLAN" AS DEFINED IN SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), INCLUDING AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE CODE; OR (C) AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY OF THE FOREGOING TYPES OF PLANS, ACCOUNTS OR ARRANGEMENTS THAT IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR (II) A GOVERNMENTAL, CHURCH, NON-US OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE IF THE PURCHASE, HOLDING OR DISPOSITION OF THE SECURITIES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR LAW.

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

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

1. Published annual reports and accounts for the financial year ended 31 December 2010 and 31 December 2011

1.1 Historical financial information

The published annual report and audited accounts of the Company for the financial year ended 31 December 2010 and 31 December 2011 (which has been incorporated in this document by reference) included, on the pages specified in the table below, the following information:

	31 December 2011	31 December 2010
Independent auditors' report	24	21
Consolidated statement of assets and liabilities	25	22
Condensed consolidated schedule of investments	26 to 29	23 to 25
Consolidated statement of operations	30	26
Consolidated statement of changes in net assets	31	27
Consolidated statement of cash flows	32	28
Notes to the consolidated financial statements	33 to 46	29 to 38

1.2 Selected financial information

The key audited figures that summarise the financial condition of the Company in respect of the financial year ended 31 December 2010 and 31 December 2011, which have been extracted directly on a straightforward basis without material adjustment from the historical financial information referred to in paragraph 1.1 of this Part VI are set out in the following table. Investors should read the whole of such report and not rely solely on the key or summarised information set out below:

Consolidated statement of assets and liabilities

	31 December 2011 US$	31 December 2010 US$
Assets		
Investments, at fair value (2011: cost of US$440,234,699) (2010: cost of US$472,557,325)	420,330,876	470,739,677
Cash and cash equivalents	51,264,893	21,808,522
Other assets		
Interest receivables	1,521,807	572,543
Receivables for investments sold	668,145	6,614,558
Other receivables and prepayments	32,208	75,640
Total assets	473,817,929	499,810,940

	31 December 2011 US$	31 December 2010 US$
Liabilities		
Payables for investments purchased	43,095,401	69,616,129
Payables to Investment Manager and affiliates	537,300	536,691
Accrued expenses and other liabilities	482,846	317,683
Total liabilities	44,115,547	70,470,503
Total net assets	429,702,382	429,340,437
Net asset value per ordinary share	0.9672	0.9754

2. Published unaudited interim report and financial statements for the financial period ended 30 June 2011 and 30 June 2012

2.1 Historical financial information

Published unaudited interim report and financial statements for the financial period ended 30 June 2011 and 30 June 2012 (which have been incorporated in this document by reference) included, on the pages specified in the table below, the following information:

	Period to 30 June 2012	Period to 30 June 2011
Independent accountant's report	12	13
Consolidated statement of assets and liabilities	13	14
Condensed consolidated schedule of investments	14–17	15–18
Consolidated statement of operations	18	19
Consolidated statement of changes in net assets	19	20
Consolidated statement of cash flows	20	21
Notes to the consolidated financial statements	21–34	22–34

2.2 Selected financial information

The key unaudited figures that summarise the financial condition of the Company in respect of the financial periods from 1 January 2011 to 30 June 2011 and from 1 January 2012 to 30 June 2012, which have been extracted directly on a straightforward basis without material adjustment from the half yearly reports of 2011 and 2012, respective, as referred to in paragraph 2.1 of Part VI of this Prospectus, are set out in the following table. Investors should read the whole of such report and not rely solely on the key or summarised information set out below:

	30 June 2012 US$	30 June 2011 US$
Assets		
Investments, at fair value (2012: cost of US$463,464,560) (2011: cost of US$440,234,699)	443,096,812	510,242,325
Cash and cash equivalents	28,861,130	46,780,241
Other assets		
Receivables for investments sold	3,092,620	7,893,750
Interest receivables	1,753,576	1,628,760
Credit default swap	0	789,366
Other receivables and prepayments	1,848	56,350
Total assets	476,805,986	567,390,792
Liabilities		
Payables for investments purchased	24,799,448	108,321,999
Payables to Investment Manager and affiliates	525,459	568,965
Accrued expenses and other liabilities	396,182	379,579
Total liabilities	25,721,089	109,270,543
Total net assets	451,084,897	458,120,249
Net asset value per ordinary share	1.0153	1.0408

2.3 Operating and financial review

The published annual report and audited accounts of the Company for the financial year ended 31 December 2010 and 31 December 2011 (which has been incorporated in this document by reference) included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Company's portfolio of investments for that period.

	31 December 2011	31 December 2010
Chairman's statement	2	3–4
Investment Managers' report	3–4	5–6
Consolidated schedule of investments	26–29	23–25

The published unaudited interim report and financial statements for the financial period from 1 January 2011 to 30 June 2011 and from 1 January 2012 to 30 June 2012 (which has been incorporated in this document by reference) included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Company's portfolio of investments for that period.

	Period to 30 June 2012	**Period to 30 June 2011**
Chairman's statement	2	3
Investment Managers' report	3–4	4–5
Consolidated schedule of investments	14–17	15–18

2.4 Incorporation by reference and availability of annual report and interim report for inspection

The following documents, each of which has been: (i) previously published; (ii) approved by the FSA or filed with or notified to it, shall be deemed to be incorporated in, and form part of, the Prospectus:

- the published annual report and audited accounts of the Company for the financial year ended 31 December 2010;
- the published annual report and audited accounts of the Company for the financial year ended 31 December 2011;
- the published unaudited interim report and financial statements for the financial period from 1 January 2011 to 30 June 2011; and
- the published unaudited interim report and financial statements for the financial period from 1 January 2012 to 30 June 2012.

Copies of the above documents are available for inspection at the addresses set out in paragraph 13 of Part VII of this document.

Part VII Additional Information

1. Incorporation and administration

1.1 The Company was incorporated as a non-cellular company limited by shares in Guernsey under the Companies Law on 20 April 2010 with registered number 51774. The Company has been declared by the GFSC to be a registered closed-ended collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Registered Collective Investment Scheme Rules 2008 issued by the GFSC. The registered office and principal place of business of the Company is BNP Paribas House, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 1WA, and the telephone number +44 (0) 1481 750850. The statutory records of the Company are kept at this address. The Company operates under the Companies Law and ordinances and regulations made thereunder and has no employees. The Company's accounting period ends on 31 December of each year.

1.2 KPMG Channel Islands Limited has been the only auditor of the Company since its incorporation. KPMG Channel Islands Limited is a member of the Institute of Chartered Accountants of England & Wales.

1.3 The annual report and accounts are prepared according to U.S. GAAP.

1.4 Save for its entry into the material contracts summarised in paragraph 6 of this Part VII and certain non-material contracts, since its incorporation the Company has not incurred borrowings, issued any debt securities, incurred any contingent liabilities or made any guarantees, nor granted any charges or mortgages.

1.5 Changes in the issued share capital of the Company since incorporation are summarised in paragraph 2 below.

1.6 Save as disclosed below, there has been no significant change in the financial or trading position of the Company since 30 June 2012, the end of the period in respect of which unaudited financial statements have been prepared:

- the net asset value per share has increased from US$1.0153 as at 30 June 2012 to US$1.1090 as at 4 March 2013.
- the net investment income for the 7 months period from 30 June 2012 to 31 January 2013 was $1.60 million compared to $3.15 million for the comparable 7 month period to 31 January 2012. Investment income is not anticipated to constitute a significant proportion of the overall return and a significant variability of income is expected and is a reflection of the distressed securities held in the portfolio at any one time.

1.7 As at 4 March 2013 (which is the latest practicable date prior to the publication of this document), the unaudited NAV per Ordinary Share was US$1.1090.

1.8 The Company is the parent company of the following subsidiaries: London Adams LLC, London Dearborn LLC, London Granite Ridge LLC, London Jackson LLC, London Jackson Holdco LLC, London Madison LLC, London Mayslake LLC, London Quincy LLC, London Randolph LLC, London Randolph Holdco LLC, London Tides LLC, London Tides Holdco LLC, London Wabash LLC, London Wacker LLC, London Washington LLC, London Washington Holdco LLC, London American Homes LP, together the Group. London American Homes LP is a wholly owned Cayman Limited Partnership and all of the remaining wholly-owned subsidiaries are incorporated in Delaware. They all operate in the United States.

1.9 Shares in the Company are not redeemable at the option of the Shareholders.

1.10 The Extended Life Shares will be denominated in U.S. Dollars.

2. Share capital

2.1 Under the Articles, the Board has the authority to allot and issue an unlimited number of Shares, such authority to expire on the fifth anniversary of adoption of the Articles unless revoked by the Shareholders by ordinary Resolution. As at the date of this document, the share capital of the Company consists of: (a) 10,000 Class A Shares of par value US$1.00 each (which carry extensive voting rights); (b) an unlimited number of shares of no par value which may upon issue be designated as Ordinary Shares or Capital Distribution Shares (each of which carry limited voting rights). If the Proposals are approved, the share capital of the Company will also consist of Extended Life Shares.

2.2 The Company's issued and fully paid up share capital consists of two Class A Shares of par value US$1.00 each, and 444,270,312 Ordinary Shares of no par value each. On 7 June 2010 the Company issued 197,186,044 Ordinary Shares of no par value each and 39,437,205 Subscription Shares of no par value each pursuant to the IPO and on 18 October 2010 the Company issued 242,983,252 Ordinary Shares of no par value each pursuant to the Secondary Placing. The following changes have occurred in the share capital of the Company since the Secondary Placing:

Date	Class of Shares issued	Number issued	Price	Event
20 April 2010	A Shares	2	U.S.$1.00	Incorporation
7 June 2010	Ordinary Shares	197,186,044	U.S.$1.00 per share	IPO
7 June 2010	Subscription Shares	39,437,205	Nil	IPO
18 October 2010	Ordinary Shares	242,983,252	U.S.$1.005	Secondary placing
12 December 2011	Subscription Shares	(39,437,205)		Cancelled
12 December 2011	Ordinary Shares	4,101,016		Conversion of Subscription Shares

2.3 The Class A Shares in issue are held by the Trustee. For further information on the rights attaching to Ordinary Shares, Extended Life Shares and Class A Shares, please refer to paragraph 5 below.

2.4 By virtue of the Trustee's holding of Class A Shares described in paragraph 2.3 of this Part VII above, the Trustee may, save as disclosed elsewhere in this document and subject to the Articles (a summary of which is set out at paragraph 5 below) exercise direct control over the Company. The Articles seek to prevent the abuse of such control by reserving certain matters, including any adverse change to the rights attaching to the Ordinary Shares or the Extended Life Shares, to the Ordinary Shareholders or the Extended Life Shareholders voting at a separate meeting of the Ordinary Shareholders or the Extended Life Shareholders (as the case may be).

2.5 The Extended Life Shares will be created in accordance with the Articles and the Companies Law.

2.6 The Extended Life Shares will be in registered form and, from Admission, will be capable of being held in uncertificated form and title to such Extended Life Shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where the Extended Life Shares are held in certificated form, share certificates will be sent to the registered members or their nominated agent (at their own risk) within 10 days of the completion of the registration process or transfer, as the case may be, of the Extended Life Shares. Where Extended Life Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The Registrar, whose registered address is set out under the section headed "Directors, Managers and Advisers" of this document, maintains a register of Shareholders holding their Shares in CREST.

2.7 Pursuant to the Articles, the Company may from time to time by ordinary resolution of the Class A Shareholders increase its share capital by such sum, to be divided into shares of such new or existing class and amount, as the resolution shall prescribe. In addition, the Company may by ordinary resolution:

2.7.1 consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

2.7.2 sub-divide its Shares, or any of them, into Shares of smaller amount than is fixed by the Memorandum, so, that in such sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in the case of the Share from which the reduced Share is derived;

2.7.3 cancel any Shares which, at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its Share capital by the amount of the Shares so cancelled;

2.7.4 convert the whole, or any particular class, of its Shares into Shares of any other class or into redeemable shares;

2.7.5 issue Shares which shall entitle the holder to no voting right or entitle the holder to a restricted voting right;

2.7.6 convert all or any of its fully paid Shares the nominal amount of which is expressed in a particular currency into fully paid shares of a nominal amount of a different currency, the conversion being effected at the rate of exchange (calculated to not less than 3 significant figures) current on the date of the resolution or on such other day as may be specified therein; and

2.7.7 where its share capital is expressed in a particular currency or former currency, denominate or redenominate it, whether by expressing its amount in units or subdivisions of that currency or former currency, or otherwise.

2.8 None of the actions specified in paragraph 2.7 above shall be deemed an action requiring the approval of Ordinary Shareholders and/or the Extended Life Shareholders, as the case may be, pursuant to the rights attached to the Ordinary Shares or the Extended Life Shares (as relevant).

2.9 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

3. Directors' and other interests

3.1 As at the date of this document, the Directors held the number of Ordinary Shares as set out below:

Director	No. of Ordinary Shares
Robin Monro-Davies	300,000
Patrick Flynn	123,000
John Hallam	75,000
Michael Holmberg	123,000
Talmai Morgan	NIL
Christopher Sherwell	45,000

3.2 The Directors (or any person connected with any of the Directors) intend to participate in the Conversion in respect of all of their holding of Ordinary Shares.

3.3 Save as disclosed in paragraph 2.3 and 2.4 above, as at 6 March 2013 to the extent known to the Company, it is not directly or indirectly owned or controlled by any person and there are no

arrangements known to the Company which may subsequently result in a change of control of the Company. As at 6 March 2013, insofar as is known to the Company, the following persons are directly or indirectly interested in 5 per cent. or more of the Company's total voting rights:

	% Company's voting rights
NBDDIF Purpose Trust	100

Voting rights of major Shareholders of the same class are no different from the voting rights of the other Shareholders of that class.

3.4 Under the Investment Management Agreement, the Investment Manager has the right to appoint two directors to the Board. As at the date of this document, the directors so appointed by the Investment Manager are Michael Holmberg and Patrick Flynn.

3.5 As employees of the Sub-Investment Manager, each of Michael Holmberg and Patrick Flynn are interested in the Investment Management Agreement, and the Sub-Investment Management Agreement. The Investment Manager will receive fee for its services as described in paragraph 6.1 in this Part VII. In the event of a conflict of interest arising between Mr. Holmberg or Mr. Flynn's duties as Directors and as employees of the Sub-Manager, the provisions of the Articles summarised in paragraph 5 of this Part VII will apply.

3.6 There are no outstanding loans from the Company to any of the Directors or any outstanding guarantees provided by the Company in respect of any obligation of any of the Directors.

3.7 The aggregate remuneration and benefits in kind of the Directors in respect of the Company's accounting period ending on 31 December 2012 was US$200,000. Each of the Directors received US$45,000 per annum other than the Chairman who received US$60,000 per annum and the chairman of the Audit Committee received an additional fee of US$5,000 per annum. Each of Michael Holmberg and Patrick Flynn has agreed to waive his director fee. No amount has been set aside or accrued by the Company to provide pension, retirement or other similar benefits.

3.8 No Director has a service contract with the Company, nor are any such contracts proposed. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (i) written resignation; (ii) unauthorised absences from board meetings for 6 months in succession; (iii) written request of the other Directors; and (iv) an ordinary resolution of the Class A Shareholders.

3.9 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.

3.10 None of the Directors has, or has had, an interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

3.11 Pursuant to an instrument of indemnity entered into between the Company and each Director, the Company has undertaken, subject to certain limitations, to indemnify each Director out of the assets and profits of the Company against all costs, charges, losses, damages, expenses and liabilities arising out of any claims made against him in connection with the performance of his duties as a Director of the Company.

3.12 In addition to their directorships of the Company, the Directors hold or have held the directorships and are or were members of the partnerships, as listed in the table below, over or within the past five years. Details of the directorships that are held and have been held in the past five years by any Director will also be made available to any subscriber or potential subscriber at the registered office of the Company.

Name	Current directorships/partnerships	Past directorships/partnerships
Robin Monro-Davies	Assured Guaranty Ltd. Assured Guaranty UK Ltd AXA Tech BigIssueInvest Company Limited HSBC Bank Plc NB Distressed Debt Investment Fund Limited RMD Forestry Developments The Ukraine Opportunities Trust Plc Thomas Murray	Fitch Ratings Limited Fitch IBCA Sovereign Ratings Limited Fitch France S.A. Pakistan Credit Rating Agency Fitch South Africa (Pty) Limited Fitch Singapore Pte Limited IBCA Insurance Ratings Limited Inter Arab Rating Company Maghreb Rating Fitch Inc. Fitch Information Inc Nile Rating Fimalac SA New Flag UK Holdings Limited Fitch Holdings A.G. Fitch Deutschland GmbH PeopleRisk Limited Binley Management Limited Core Ratings MergerMarket Limited Forbes CP Limited Binley Limited AXA Asia Pacific Holdings Lay Properties European Equity Tranche Income Limited
Talmai Morgan	Altius Associates GP Limited BH Global Limited BH Macro Limited DCG Iris Limited EuroDekania Limited Global Fixed Income Realisation Limited Goldman Sachs Dynamic Opportunities Limited (in liquidation) John Laing Infrastructure Fund Limited Kieger (Guernsey) Limited Mont Hubert Limited Myrtle Grove Limited NB Distressed Debt Investment Fund Limited NB Private Equity Partners Limited Real Estate Credit Investments PCC Limited Sherborne Investors (Guernsey) A Limited Sherborne Investors (Guernsey) B Limited Star Asia Finance, Limited	Altius Select Europe (GP) Limited AnaCap Atlantic Co-Investment GP Limited AnaCap Debt Opportunities Limited AnaCap Derby Co-Investment GP Limited AnaCap FP Debt Opportunities GP Limited AnaCap FP GP Limited AnaCap FP GP II Limited Babson Capital Global Floating Rate Loan Fund Limited Bourse Trust Company Limited BRIX Global Investments Limited Close European Accelerated Fund Limited European Investments (Guernsey) Limited European Investment Holdings (Guernsey) Limited Glebe Central Cross Limited Glebe London Limited Mayven International Limited Mayven UK plc Peak Asia Properties Limited PSource Asian Recovery Limited Prodesse Investment Limited TCR1 Limited

Name	Current directorships/partnerships	Past directorships/partnerships
Talmai Morgan *(continued)*	The Finance Sector Non-Executive Directors Forum LBG Third Point Offshore Independent Voting Company Limited	TCR2 Limited The Emotional Assets Fund 1 Limited Therium Holdings Limited Trebuchet Finance Limited
John Hallam	Barclays Insurance Guernsey PCC Limited Baring Coller Secondaries Fund Limited Baring Coller Secondaries Fund II Limited BH Global Limited Bracken Partners Investments Channel Islands Limited Dexion Absolute Limited EFG Private Bank (Channel Islands) Limited Genesis Asset Managers LLP HICL Infrastructure Co Limited IGA LP GP Ltd Investec Expert Investment Funds PCC Limited Investec Premier Funds PCC Limited Les Grandes Moulins Limited Motion Fund II (GP) Ltd NB Distressed Debt Investment Fund Ltd NB Private Equity Partners Limited Olivant Limited Partners Group Global Opportunities Limited Ruffer Illiquid Strategies Fund of Funds 2009 Ltd Ruffer Illiquid Strategies Fund 2011 Ltd Sienna Investment Co Limited Sienna Investment Co 2 Limited Sienna Investment Co 3 Limited Sienna Investment Co 4 Limited Stapleford Insurance Co Limited Weightman Vizards Insurance Limited	Anfre Insurance PCC (Guernsey) Limited BSkyB Guernsey Limited Cazenove Absolute Equity Limited Ciel Bleu Limited Ciel Clair Limited Cognetas Fund (GP) Limited Develica Asia Pacific Limited Develica Asia Pacific Real Estate Fund (GP) Limited Develica Deutschland Limited Develica Equity Partners Limited Develica Germany (GP) Limited EFG Offshore Limited Emperor Marine Limited Genesis Emerging Markets Opportunities Fund Limited Genesis Emerging Markets Opportunities Fund Limited II Genesis Emerging Markets Opportunities Fund Limited III Harlequin Insurance PCC Limited Investec Emerging Markets Currency Alpha Fund Limited Investec Global Energy Long Short Fund Limited M&G Recovery Investment Co Limited Mannequin Insurance PCC Limited NB PEP GP Limited New Star RBCHedge 250 Index Exchange Traded Securities PCC Limited Partners Group Alternative Strategies PCC Limited Prodesse Investment Ltd Septup Limited Standard Life Investments Property Income Trust Limited Tapestry Investment Co PCC Limited Vision Opportunity China Fund Ltd

Name	Current directorships/partnerships	Past directorships/partnerships
Chris Sherwell	Burnaby Insurance (Guernsey) Limited Schroder Oriental Income Fund Limited IRP Property Investments Limited The Prospect Japan Fund Limited The Clifford Estate Company Limited The Clifford Estate (Chattels) Limited Strategic Investment Portfolio GP Limited Rufford & Ralston PCC Limited NB Private Equity Partners Limited NB Distressed Debt Investment Fund Limited Raven Russia Limited Baker Steel Resources Trust Limited Renshaw Bay Limited Guernsey Community Foundation LBG Alternative Liquidity Solutions Limited (formerly known as Saltus European Debt Strategies Limited) Goldman Sachs Dynamic Opportunities Limited (in liquidation)	Corazon Capital Group Limited Mid Europa III Management Limited EMP Europe (CI) Limited JP Morgan Progressive Multi-Strategy Fund Limited New Star RBC Hedge 250 Index Exchange Traded Securities PCC Ltd Hermes Absolute Return Fund (Guernsey) Limited NB PEP GP Limited Alternative Asset Opportunities PCC Limited Ciel Bleu Limited BSkyB Guernsey Limited Ciel Clair Limited Schroders (C.I.) Limited Fox Paine Guernsey GP Limited Consulta (Channel Islands) Limited Consulta Alternative Strategy Fund PCC Ltd Consulta Capital Fund PCC Limited Consulta Collateral Fund PCC Limited Consulta High Yield Fund PCC Limited Consulta Canadian Energy Fund Limited Dexion Equity Alternative Limited Hermes Alternative Investment Funds plc (formerly known as Hermes Commodities Umbrella Fund Limited) FF&P Alternative Strategy PCC Ltd DP Property Europe Limited Henderson Global Property Companies Limited Prodesse Investment Limited Henderson Global Property Companies Ltd Collins Stewart (CI) Limited Cayuga Global Macro Fund Limited
Michael Holmberg	None	Newberry Capital Management LLC
Patrick Flynn	None	Bush Industries Inc

3.13 Save as disclosed in paragraph 3.5 above, as at the date of this document, there are no potential conflicts of interest between any duties to the Company of any of the Directors and their private interests and/or other duties. There are no lock-up provisions regarding the disposal by any of the Directors of any Shares.

3.14 As detailed above, Mr. Monro-Davies was a director of Binley Management Limited, which has now been dissolved via solvent voluntary liquidation.

3.15 As detailed above, Mr. Sherwell was a director of Cayuga Global Macro Fund Limited, Ciel Bleu Ltd, Ciel Clair Limited, Consulta Alternative Strategy Fund PCC Ltd, Consulta Capital Fund PCC Limited, Consulta Collateral Fund PCC Limited, Consulta High Yield Fund PCC Limited, New Star RBCHedge 250 Index Exchange Traded Securities PCC Limited, Dexion Equity Alternative Limited, Hermes Absolute Return Fund (Guernsey) Limited, JP Morgan Progressive Multi-Strategy Fund Limited and Prodesse Investment Limited. All of these entities have now been either dissolved via solvent voluntary liquidation or are currently in solvent voluntary liquidation. Mr. Sherwell remains a director of Goldman Sachs Dynamic Opportunities Limited, even though it is also currently in solvent, voluntary liquidation.

3.16 As detailed above, Mr. Hallam was a director of Ciel Bleu Limited, Ciel Clair Limited, Develica Asia Pacific Limited, Develica Asia Pacific Real Estate Fund (GP) Limited, Develica Deutschland Limited, Develica Germany (GP) Limited, Investec Global Energy Long Short Fund Limited, M&G Recovery Investment Co Limited, New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited, Prodesse Investment Limited, Septup Limited, Tapestry Investment Co PCC Limited, Vision Opportunity China Fund Limited. All of these entities have now been either dissolved via solvent voluntary liquidation or are currently in solvent voluntary liquidation.

3.17 As detailed above, Mr. Morgan was a director of Prodesse Investment Limited which has now been dissolved via solvent voluntary liquidation. Mr. Morgan was also a director of Glebe Central Cross Limited, TCR1 Limited and TCR2 Limited which were placed into members' voluntary winding up and Guernsey Law at the request of and with the express consent of the sole creditor. Mr. Morgan remains a director of Goldman Sachs Dynamic Opportunities Limited, even though it is also currently in solvent voluntary liquidation.

3.18 At the date of this document:

3.18.1 none of the Directors has any convictions in relation to fraudulent offences for at least the previous five years;

3.18.2 save as detailed above, none of the Directors was a director of a company, a member of an administrative, management or supervisory body or a senior manager of a company within the previous five years which has entered into any bankruptcy, receivership or liquidation proceedings;

3.18.3 none of the Directors has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years; and

3.18.4 none of the Directors are aware of any contract or arrangement subsisting in which they are materially interested and which is significant to the business of the Company which is not otherwise disclosed in this document.

3.19 The Company maintains directors' and officers' liability insurance on behalf of the Directors at the expense of the Company.

3.20 No members of the Administrator or the Investment Managers have any service contracts with the Company.

4. Taxation

General

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

United Kingdom

(i) The Company

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

(ii) Shareholders

UK Offshore Fund Rules

Following receipt of non-statutory clearance from HM Revenue & Customs prior to the launch of the Company, and given that all income of the Company after deductions for reasonable expenses will be required to be paid to holders of the Ordinary Shares and Extended Life Shares, the Directors have been advised that the Company should not, and each separate class of Shares in the Company should not, be an offshore fund for the purposes of United Kingdom taxation and that the legislation contained in Part 8 of the Taxation (International and other Provisions) Act 2010 should not apply. Accordingly, Shareholders (other than those holding Shares as dealing stock, who are subject to separate rules) who are resident or ordinarily resident in the United Kingdom, or who carry on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected, may, depending on their circumstances and subject as mentioned below, be liable to United Kingdom tax on chargeable gains realised on the disposal of their Shares (which will include a redemption and on final liquidation of the Company).

Tax on Chargeable Gains

A disposal of Shares (which will include a redemption) by a Shareholder who is resident or, in the case of an individual, ordinarily resident in the United Kingdom for United Kingdom tax purposes or who are not so resident but carry on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains or capital gains, depending on the Shareholder's circumstances and subject to any available exemption or relief. For such individual Shareholders, capital gains tax at the rate of tax at 18 per cent. (for basic rate taxpayers) or 28 per cent. (for higher or additional rate taxpayers) will be payable on any gain and for Shareholders that are bodies corporate any gain will be within the charge to corporation tax. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which presently exempts the first £10,600 of gains from tax for tax year 2012–13) depending on their circumstances. Shareholders which are bodies corporate resident in the United Kingdom for taxation purposes will benefit from indexation allowance which, in general terms,

increases the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index.

Capital Distributions

Although the Directors intend to return capital to Shareholders in such manner so that Shareholders who are ordinarily resident in the United Kingdom, or who carry on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected, may be liable to United Kingdom tax on chargeable gains on such capital distributions, they may, at their sole discretion, return capital to Shareholders by way of a dividend in circumstances where, in the opinion of the Directors, it would be reasonably practicable to do so.

Dividends

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

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

With effect from 8 April 2010, a new additional rate of income tax applies for United Kingdom resident individuals with income in excess of £150,000. Such individuals will pay 42.5 per cent. tax on dividends received (reduced to 36.11 per cent. for eligible taxpayers as a result of applying the tax credit). The additional rate is to be reduced from 8 April 2013 so that such individuals will pay 37.5 per cent. tax on dividends received (reduced to 30.56 per cent. for eligible investors as a result of applying the tax credit). Shareholders who are bodies corporate resident in the United Kingdom for tax purposes may be able to rely on the corporation tax provisions which exempts certain classes of dividends.

*Stamp duty and Stamp Duty Reserve Tax ("**SDRT**")*

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

ISAs and SSAS/SIPPs

Both the Ordinary Shares and the Extended Life Shares are eligible for inclusion in a stocks and shares ISA.

The annual ISA investment allowance is £11,280 for the tax year 2012–2013. Up to £5,640 of that allowance can be invested as cash with one provider. The remainder of the allowance can be invested in a stocks and shares ISA with either the same or another provider.

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

Other United Kingdom Tax Considerations

United Kingdom resident companies having an interest in the Company, such that 25 per cent. or more of the Company's profits for an accounting period could be apportioned to them, may be liable to United Kingdom corporation tax in respect of their share of the Company's undistributed profits in

accordance with the provisions of Chapter IV of Part XVII of the Income and Corporation Taxes Act 1988 relating to controlled foreign companies. These provisions only apply if the company is controlled by United Kingdom residents. Investors should note that the UK controlled foreign company regime is the subject of a full reform pursuant to Finance Act 2012 under which a new regime will apply to accounting periods beginning on or after 1 January 2013.

Individuals ordinarily resident in the United Kingdom should note that Chapter II of Part XVIII of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed income and profits of the Company. It should be noted that the draft Finance Bill 2013 (published on 11 December 2012) contains provisions which will amend these provisions in order to make the legislation compatible with EU law. The changes limit the scope of the provision.

The attention of Shareholders resident or ordinarily resident in the United Kingdom is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than 10 per cent. of the Shares. It should be noted that the Finance Bill 2013 contains provisions which amend these provisions in order to make the legislation compatible with EU law, The draft Finance Bill 2013 clauses expand the categories of assets excluded from charge to include those used in genuine economic activity and also introduces a motive test. The draft Finance Bill also reduces the scope of the provision to persons who hold, alone or together with associated persons, more than 25 per cent. of the shares in a company.

Guernsey

The Company

The Company has applied for and has been granted exempt company status for Guernsey tax purposes. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee which is currently fixed at £600, provided that it continues to qualify under the applicable legislation for exemption. It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify for the exemption.

As an exempt company, the Company will be treated as not being resident in Guernsey for Guernsey tax purposes. Under current law and practice in Guernsey, the Company will only be liable to tax in Guernsey in respect of income arising or accruing in Guernsey, other than bank deposit interest. It is not anticipated that any income other than bank interest will arise in Guernsey and therefore the Company is not expected to incur any additional liability to Guernsey tax.

In the absence of exempt status, the Company would be treated as resident in Guernsey for Guernsey tax purposes and would be subject to the standard company rate of tax, currently zero per cent.

Guernsey currently does not levy taxes upon capital inheritances, capital gains gifts, sales or turnover (unless the varying of investments and the turning of such investments to account is a business or part of a business), nor are there any estate duties (save for registration fees and *ad valorem* duty for a Guernsey Grant of Representation where the deceased dies leaving assets in Guernsey which require presentation of such a Grant).

No stamp duty or other taxes are chargeable in Guernsey on the issue, transfer, disposal, conversion or redemption of Shares.

In keeping with its ongoing commitment to meeting international standards, the States of Guernsey has completed a review of its corporate income tax regime. During the course of the review an announcement was made in relation to the removal of certain “deemed distribution” provisions which are not relevant to tax exempt companies. In addition, although the standard rate for corporate income tax will remain at zero per cent., with effect from 1 January 2013 the company intermediate income tax rate of ten per cent. will be extended to income arising from the carrying on of business as a licensed fiduciary (in respect of

regulated activities), a licensed insurer (in respect of domestic insurance business) and a licensed insurance intermediary and a licensed insurance manager.

No changes that would impact the Company are expected to the exempt company regime.

Shareholders

Shareholders who are resident for tax purposes in Guernsey (which includes Alderney and Herm) will incur Guernsey income tax at the applicable rate on any dividends paid on Shares owned by them but will suffer no deduction of tax by the Company from any such dividends paid by the Company where the Company is granted exempted status. The Company is required to provide the Director of Income Tax in Guernsey such particulars relating to any distribution paid to Guernsey resident Shareholders as the Director of Income Tax may require, including the names and addresses of the Guernsey resident Shareholders, the gross amount of any distribution paid and the date of the payment. Shareholders resident in Guernsey should note that where income is not distributed but is accumulated, then a tax charge will not arise until the holding is disposed of. On disposal the element of the proceeds relating to the accumulated income will have to be determined.

The Director of Income Tax can require the Company to provide the name and address of every Guernsey resident who, on a specified date, has a beneficial interest in Shares in the Company, with details of the interest.

In the case of Shareholders who are not resident in Guernsey for tax purposes, the Company's distributions, whether paid as cash or as scrip dividend, can be paid to such Shareholders without deduction of Guernsey tax nor will the Company be required to withhold Guernsey tax on such distributions.

Shareholders are not subject to tax in Guernsey as a result of purchasing, owning or disposing of Shares or either participating or choosing not to participate in a redemption of Shares. There will be no Guernsey tax on the conversion of Shares of one class into Shares of another class.

Implementation of EU Savings Directive in Guernsey

Although not a Member State of the European Union, Guernsey, in common with certain other jurisdictions, entered into bilateral agreements with EU Member States on the taxation of savings income. From 1 July 2011 paying agents in Guernsey must automatically report to the Director of Income Tax in Guernsey any interest payment to individuals resident in the contracting EU Member States which falls within the scope of the EU Savings Directive (2003/48/EC) (the "EU Savings Directive") as applied in Guernsey. However, whilst such interest payments may include distributions from the proceeds of shares or units in certain collective investment schemes which are, or are equivalent to, UCITS, in accordance with EC Directive 85/611/EEC (as recast by EC Directive 2009/65/EC (recast)) and guidance notes issued by the States of Guernsey on the implementation of the bilateral agreements, the Company should not be regarded as, or as equivalent to, a UCITS. Accordingly, any payments made by the Company to Shareholders will not be subject to reporting obligations pursuant to the agreements between Guernsey and EU Member States to implement the EU Savings Directive in Guernsey.

The operation of the EU Savings Directive is currently under review by the European Commission and a number of changes have been outlined which, if agreed, will significantly widen its scope. These changes could lead to the Company having to comply with the EU Savings Directive in the future.

FATCA (Foreign Account Tax Compliance Act)

It is expected that rules will be introduced in Guernsey to implement FATCA or alternatively that Guernsey may enter into an Intergovernmental Agreement with the US under which the Company may comply with FATCA by reporting to Guernsey's domestic tax authority relevant information in relation to certain Shareholders which will be shared with the IRS.

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

United States

The following is a summary of certain aspects of the U.S. federal income taxation of the Company and its Shareholders that should be considered by a prospective investor. This summary is based on the U.S. federal income tax laws, regulations, administrative rulings and judicial decisions in effect or available on the date of this document. No assurance can be given that administrative, judicial or legislative changes will not occur that would make the statements herein incorrect or incomplete. This summary does not discuss all of the tax consequences that may be relevant to a particular investor or to certain investors subject to special treatment under the U.S. federal income tax laws. In addition, this summary does not address the U.S. federal income tax considerations applicable to an investment in the Company by persons other than non-resident alien individuals, foreign corporations and United States persons. Each prospective investor should consult its own tax advisors regarding the U.S. federal income tax consequences of an investment in the Company.

Any discussion of U.S. federal tax issues set forth in this document is written in connection with the promotion and marketing by the Company of the Shares. Such discussion is not intended or written to be legal or tax advice to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

(i) The Company

The Company will be classified as a corporation for U.S. federal income tax purposes. As a foreign corporation, the Company generally will not be subject to U.S. federal income taxation on income or gain realized by it from trading and investment activities provided that the Company is not engaged in, or deemed to be engaged in, a U.S. trade or business to which such income or gain is treated as effectively connected. The Company should not be considered to be so engaged, so long as (i) the Company is not considered a dealer in stocks, securities or commodities, and does not regularly offer to enter into, assume, offset, assign, or otherwise terminate positions in derivatives with customers, (ii) the Company's U.S. business activities (if any) consist solely of investing in and/or trading stocks or securities, commodities of a kind customarily dealt in on an organized commodity exchange (if the transaction is of a kind customarily consummated at such place) and derivatives for their own account, and (iii) any entity in which the Company invests that is classified as a disregarded entity or partnership for U.S. federal income tax purposes is not engaged in, or deemed to be engaged in, a U.S. trade or business.

The Company may be engaged, or deemed to be engaged, in a U.S. trade or business as a result of certain of its investment activities. If the Company were engaged in, or deemed to be engaged in, a U.S. trade or business in any year, the Company (but not any of the Shareholders) would be required to file a U.S. federal income tax return for such year and pay tax on its income and gain that is effectively connected with such U.S. trade or business at U.S. corporate tax rates. In addition, the Company generally would be required to pay a branch profits tax equal to 30 per cent. of the earnings and profits of such U.S. trade or business that are not reinvested therein.

The Company also will be subject to a 30 per cent. U.S. withholding tax on the gross amount of (i) any U.S. source interest income that falls outside the portfolio interest exception or other available exception to withholding tax, (ii) any U.S. source dividend income or dividend equivalent payments, and (iii) any other U.S. source fixed or determinable annual or periodical gains, profits, or income, in each case to the extent such amounts are not effectively connected with a U.S. trade or business. For these purposes, interest will generally qualify for the portfolio interest exception if it is paid on an obligation issued after 18 July 1984 that (i) is in registered form, provided that the Company provides certain required certifications or (ii) was issued on or before 18 March 2012 and meets certain requirements as a foreign-targeted obligation for U.S. federal income tax purposes. In addition, interest on an obligation will not qualify for the portfolio interest exception if (i) the Company is considered a 10 per cent. shareholder of the issuer of the obligation, (ii) the Company is a controlled foreign corporation and is considered to be a related person with respect to the issuer of the obligation or (iii) such interest is determined by reference to certain financial information of the issuer of the

obligation (e.g., the issuer's receipts, sales, income or profits) or is otherwise considered to be contingent interest.

Gain from the disposition of stock or securities that are treated as United States real property interests under the "FIRPTA" rules may be subject to direct U.S. federal income taxation. In such event, the gross proceeds of any sale of such stock or securities may also be subject to withholding at a 10 per cent. rate. Withholding of part of the proceeds of the sale of a United States real property interest is not an additional tax; any amounts so withheld may be credited against the Company's U.S. federal income tax liability or refunded if such amounts exceed the Company's tax liability.

(ii) Non-U.S. Shareholders

Shareholders that are non-resident alien individuals or foreign corporations (each a "Non-U.S. Shareholder") generally should not be subject to U.S. federal income taxation on gain realized from the sale, exchange, or redemption of Shares held as a capital asset unless such gain is otherwise effectively connected with a U.S. trade or business or, in the case of a non-resident alien individual, such individual is present in the United States for 183 days or more during a taxable year and certain other conditions are met.

(iii) U.S. Tax-Exempt Shareholders

Income or gain realized on an investment in the Company by a U.S. tax-exempt Shareholder should not be taxable as unrelated business taxable income, provided that such Shareholder does not incur acquisition indebtedness in connection with its purchase of Shares.

(iv) Passive Foreign Investment Company Rules

Based on projected income, assets and activities, the Company expects to be treated as a PFIC for U.S. federal income tax purposes for the current taxable year and taxable years thereafter. In addition, the Company may invest, indirectly, in equity securities of other Subsidiary PFICs. The U.S. federal income tax rules applicable to investments in PFICs are very complex and a U.S. taxable Shareholder may suffer adverse U.S. federal income tax consequences as a result of these rules. Generally, if the Company is both a PFIC and a controlled foreign corporation (a "CFC") under the rules discussed below, each U.S. investor that is a U.S. Shareholder (as defined below) will be subject to the CFC rules described below and will not be subject to the PFIC rules. Each prospective investor should consult its tax advisor about the possible application of the PFIC and CFC rules to its particular situation.

Assuming that a U.S. taxable Shareholder is subject to the PFIC rules, the U.S. taxable Shareholder may be able to mitigate the adverse tax consequences of the PFIC rules by making QEF elections to be taxed currently on its proportionate share of the Company's ordinary earnings and net capital gain (and the ordinary earnings and net capital gain of any Subsidiary PFIC). However, even if a U.S. taxable Shareholder makes QEF elections in respect of its investment in the Company, losses, if any, that the Company realises will not be available to offset the investor's share of ordinary income and net capital gain attributable to any other such entity. The Company may not be able to provide information to enable U.S. taxable Shareholders to make QEF elections in respect of each Subsidiary PFIC in which the Company invests.

A U.S. taxable Shareholder may also be able to mitigate the adverse tax consequences of the PFIC rules by making a "mark-to-market election" in respect of its investment in the Company (provided such investment consists of "marketable stock" for U.S. federal income tax purposes). If a U.S. taxable Shareholder does not make a QEF election or, alternatively, a "mark-to-market election," in respect of its investment in the Company or any Subsidiary PFIC, such Shareholder will be subject to certain adverse tax rules with respect to any "excess distribution" made by the Company or any Subsidiary PFIC (for these purposes, any gain realised by a U.S. taxable Shareholder upon disposition of its investment in the Company will generally be characterised as an "excess distribution"). The tax payable by a U.S. taxable Shareholder on an excess distribution will be determined by allocating such excess distribution ratably to each day of the U.S. taxable Shareholder's holding period for its Shares.

The amount of excess distribution allocated to the taxable year of such distribution will be included as ordinary income for that taxable year. The amount of excess distribution allocated to any other period included in the Shareholder's holding period cannot be offset by any net operating losses of the Shareholder and will be taxed at the highest marginal rates applicable to ordinary income for each such period and, in addition, an interest charge will be imposed on the amount of tax for each such period.

The Company intends to provide each U.S. Shareholder that make a QEF election with respect to its investment in the Company with a PFIC Annual Information Statement prior to the due date for a calendar year U.S. Shareholder's U.S. federal income tax return, determined taking into account extensions. Since the Company does not expect to provide a PFIC Annual Information Statement on or before the due date for a calendar year U.S. Shareholder's federal income tax return, determined without taking into account extensions, U.S. Shareholders generally will be required to request an extension of time to file such tax returns in order to make and maintain timely QEF elections with respect to their investments in the Company.

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

(v) Controlled Foreign Corporation Rules

The Company may be classified as a CFC for U.S. federal income tax purposes. In general, a foreign corporation will be a CFC if more than 50 per cent. of the shares of the corporation, measured by reference to combined voting power or value, is held, directly or indirectly, by U.S. Shareholders. A "U.S. Shareholder" for this purpose is any U.S. person that owns, actually or constructively, 10 per cent. or more of the combined voting power of all classes of shares of a corporation. If more than 50 per cent. of the Shares (determined with respect to aggregate value or aggregate voting power) are held (actually or constructively) by U.S. Shareholders, the Company will be treated as a CFC. In such circumstances, any U.S. investor that is a U.S. Shareholder will be required to include income in respect of the Shares under the CFC rules rather than the PFIC rules described above.

If the Company were a CFC, a U.S. Shareholder of the Company would be required, subject to certain exceptions, to include in gross income, as ordinary income, at the end of the taxable year of the Company an amount equal to that person's *pro rata* share of the subpart F income and certain U.S. source income of the Company. Among other items, and subject to certain exceptions, subpart F income includes interest, gains from the sale of securities, and income from certain transactions with related parties. It is likely that, if the Company were to constitute a CFC, all or substantially all of its income will be subpart F income. Under the CFC rules, a U.S. Shareholder will not be entitled to take into account losses of the Company.

As a result of the uncertainties regarding the U.S. federal income tax consequences to U.S. investors owning Shares and the complexity of the foregoing rules, each U.S. investor is urged to consult its own tax advisor regarding the U.S. federal income tax consequences of the U.S. investor's investment in the Company.

(vi) Reporting Requirements for U.S. Shareholders.

Form 8938. Under recently enacted legislation, individuals that own "specified foreign financial assets" with an aggregate value in excess of US$50,000 in taxable years beginning after 18 March 2010 will generally be required to file Form 8938 (Statement of Specified Foreign Financial Assets)

with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by certain foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by U.S. financial institutions: (i) stocks and securities issued by non-US persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. U.S. Shareholders that are individuals are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Shares.

Form 926. A U.S. Shareholder that transfers cash to the Company in exchange for Shares may be required to file Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) with the IRS if (1) immediately after the transfer, such Shareholder holds, directly or indirectly, at least 10 per cent. of the total voting power or the total value of the Company, or (2) the amount of cash transferred by such Shareholder (or its affiliates) during the 12-month period ending on the date of the transfer exceeds US$100,000. Failure to properly file Form 926 under the circumstances described above will result in a penalty equal to 10 per cent. of the cash transferred (not to exceed US$100,000 unless such failure is intentional).

Form 5471. Any U.S. Shareholder that acquires Shares such that the U.S. Shareholder then owns 10 per cent. or more of the total voting power or the total value of the Shares will be required to file Form 5471 (Information Return of U.S. Persons with Respect to Certain Foreign Corporations) with the IRS. This information return requires certain disclosures concerning the filing Shareholder, other 10 per cent. U.S. Shareholders, and the Company. Failure to file such information with the IRS may subject such U.S. Shareholder to a penalty (generally not to exceed $60,000).

PFIC Reporting. Each United States person that is a Shareholder of a PFIC is required to file an annual information return containing such information as the U.S. Treasury Department may require. U.S. Shareholders will be required to file this annual information return with respect to the Company and should consult their tax advisors regarding the time and method for filing this return. In addition, a U.S. Shareholder will be required to file IRS Form 8621 regarding any gain realized on the disposition of Shares.

(vii) Compliance with U.S. Withholding Requirements

The HIRE Act provides that a 30 per cent. withholding tax will be imposed on certain payments of U.S. source income and certain payments of proceeds from the sale of property that could give rise to U.S. source interest or dividends unless the Company enters into an agreement with the IRS to disclose the name, address and taxpayer identification number of certain U.S. persons that own, directly or indirectly, an interest in the Company, as well as certain other information relating to such interest. The IRS has released regulations that provide for the phased implementation of the foregoing withholding and reporting requirements. The Company will attempt to satisfy any obligations imposed on it to avoid the imposition of this withholding tax.

The Company's ability to satisfy its obligations under an agreement with the IRS will depend on each Shareholder providing the Company with any information, including information concerning the direct or indirect owners of such Shareholder, that the Company determines is necessary to satisfy such obligations. If the Company fails to satisfy such obligations or if a Shareholder fails to provide the Company with the necessary information, payments of U.S. source income and payments of proceeds from the sale of property described in the previous paragraph will generally be subject to a 30 per cent. withholding tax. Shareholders are encouraged to consult with their own tax advisors concerning the foregoing matters.

THE TAX AND OTHER MATTERS DESCRIBED IN THIS MEMORANDUM DO NOT CONSTITUTE, AND SHOULD NOT BE CONSIDERED AS, LEGAL OR TAX ADVICE TO PROSPECTIVE INVESTORS. PROSPECTIVE INVESTORS SHOULD CONSULT LEGAL AND TAX ADVISORS IN THE COUNTRIES OF THEIR CITIZENSHIP, RESIDENCE AND DOMICILE TO DETERMINE THE POSSIBLE TAX OR OTHER CONSEQUENCES OF

PURCHASING, HOLDING AND REDEEMING SHARES UNDER THE LAWS OF THEIR RESPECTIVE JURISDICTIONS.

5. Memorandum and Articles

Conditional upon the Resolution at the Class Meeting being passed, the Articles adopted on 4 March 2013 contain the provisions below.

5.1 Objects

The Memorandum does not restrict the objects of Company and is available for inspection at the registered office of the Company and as stated in paragraph 9.1 below.

5.2 Class Fund

The Directors shall establish a class fund (a "**Class Fund**") for each class of Shares (unless they determine it appropriate to group one or more classes of Shares together for such purpose) and designate each such Class Fund created in such manner as they think fit and shall maintain all the assets, income, earnings, liabilities, expenses and costs of each such Class Fund segregated and separate from all other assets, income, earnings, liabilities, expenses and costs of the Company and any other Class Fund.

5.3 Rights as to Income

5.3.1 The Ordinary Shares shall carry the right to receive all income from the Company's portfolio attributable to the Ordinary Shares (as determined by the Directors in accordance with paragraph 5.2).

5.3.2 The Extended Life Shares shall carry the right to receive all income from the Company's portfolio attributable to the Extended Life Shares (as determined by the Directors in accordance with paragraph 5.2).

5.2.3 The Class A Shares and the Capital Distribution Shares carry no rights to receive income from the Company, whether by dividend or otherwise.

5.4 Return of Capital and Winding-Up

5.4.1 As to a return of capital or a winding-up of the Company (other than by way of a repurchase or redemption of Shares in accordance with the provisions of the Articles and the Companies Law or a capital distribution as described in paragraph 5.4.3(A)):

(A) first, there shall be paid to the Class A Shareholders the nominal amount paid up on their Class A Shares;

(B) second, there shall be paid to the holder of Capital Distribution Shares an amount equal to the amount paid up on their Capital Distribution Shares; and

(C) third, there shall be paid to: (i) the Ordinary Shareholders the surplus assets of the Company attributable to the Ordinary Shares available for distribution (as determined by the Directors in accordance with paragraph 5.2); and (ii) the Extended Life Shareholders the surplus assets of the Company attributable to the Extended Life Shares available for distribution (as determined by the Directors in accordance with paragraph 5.2).

5.4.2 The manner in which distributions of Capital Proceeds and/or capital profits (in respect of Extended Life Shares) shall be effected shall, subject to compliance with the Companies Law, be determined by the Directors in their absolute discretion and, once determined, shall be

notified to Ordinary Shareholders and Extended Life Shareholders (as appropriate) by way of a RIS announcement.

5.4.3 Without restricting the discretion of the Directors described in paragraph 5.4.2, the Directors may effect distributions of Capital Proceeds by:

(A) issuing Capital Distribution Shares to Ordinary Shareholders *pro rata* to their holdings of Ordinary Shares or to Extended Life Shareholders *pro rata* to their holdings of Extended Life Shares (as appropriate) (such Capital Distribution Shares to be fully paid-up out of a reserve created by the Directors to which Capital Proceeds are credited), which shall be compulsorily redeemed, and the redemption proceeds (being equal to the amount paid-up on such shares) paid to the holders of such Capital Distribution Shares, on such terms and in such manner as the Directors may determine; or

(B) by compulsorily redeeming a proportion of each Ordinary Shareholder's holding of Ordinary Shares or each Extended Life Shareholder's holding of Extended Life Shares (as appropriate) and paying the redemption proceeds to Ordinary Shareholders or to Extended Life Shareholders (as relevant) on such terms and in such manner as the Directors may determine; or

(C) in such other manner as may be lawful.

5.5 Voting

General

5.5.1 Except in the circumstances set out in paragraphs 5.5.4, 5.5.5, 5.5.7 and 5.5.8 below, Ordinary Shareholders and Extended Life Shareholders (as relevant) shall not have the right to attend or vote at any general meeting of the Company but they shall have the right to receive notice of general meetings.

5.5.2 The Class A Shareholders shall have the right to receive notice of general meetings of the Company and shall have the right to attend and vote at all general meetings of the Company.

5.5.3 The holders of Capital Distribution Shares shall not have the right to receive notice of or to attend or vote at any general meeting of the Company.

Class rights of the Ordinary Shareholders

5.5.4 The Company shall not, without the prior approval of the Ordinary Shareholders by ordinary resolution passed at a separate general meeting of Ordinary Shareholders, take any action to:

(A) pass a resolution for the voluntary liquidation or winding-up of the Company; or

(B) change the rights conferred upon any shares in the Company in a manner adverse to the Ordinary Shareholders;

(C) amend the Articles in a manner adverse to the Ordinary Shareholders; or

(D) make any material amendment to the investment policy of the Company as set out in the Prospectus.

Other matters requiring approval of the Ordinary Shareholders

5.5.5 In addition to the rights described in paragraph 5.5.4 above, the Company shall not, without the approval of an ordinary resolution of the Ordinary Shareholders passed at a separate general meeting of the Ordinary Shareholders and, in the case of (C) below, the approval of a majority of the Independent Directors:

(A) merge, consolidate, or sell substantially all of its assets;

(B) change the domicile of the Company;

(C) terminate the Investment Management Agreement;

(D) materially adversely (to the Company) amend, restate, supplement or otherwise modify the terms of the Investment Management Agreement;

(E) enter into any transaction or transactions involving the Investment Manager or any Affiliate of the Investment Manager (other than the making of a co-investment alongside the Investment Manager or an Investment Manager-managed fund or a funding or a contribution of capital pursuant to a transaction that has previously received approval pursuant to this paragraph 5.5.5), including giving any consents required under the U.S. Investment Advisers Act of 1940, as amended (including revoking consents to any "agency cross transactions" thereunder), having an aggregate value exceeding 5 per cent. of the Company's most recently reported NAV; or

(F) issue Shares of any class other than Ordinary Shares, Extended Life Shares or Capital Distribution Shares.

5.5.6 In addition to the rights described in paragraphs 5.5.4 and 5.5.5 above, the Directors shall not allot and issue (with or without conferring rights of renunciation), grant options over, offer or otherwise dispose of any Ordinary Shares at a consideration per Ordinary Share which is less than the NAV per Ordinary Share unless:

(A) approved by the Ordinary Shareholders by ordinary resolution; or

(B) the Independent Directors (or a duly appointed committee of them) determine that the relevant action is in the best interests of the Company and for the purposes of:

(i) raising additional capital to fund any capital commitment of the Company;

(ii) repaying any outstanding indebtedness of the Company; or

(iii) any other comparable purpose.

Class rights of the Extended Life Shareholders

5.5.7 The Company shall not, without the prior approval of the Extended Life Shareholders by ordinary resolution passed at a separate general meeting of the Extended Life Shareholders, take any action to:

(A) pass a resolution for the voluntary liquidation or winding-up of the Company;

(B) change the rights conferred upon any shares in the Company in a manner adverse to the Extended Life Shareholders;

(C) amend the Articles in a manner adverse to the Extended Life Shareholders; or

(D) make any material amendment to the investment policy of the Company as set out in this document.

Other matters requiring approval of the Extended Life Shareholders

5.5.8 In addition to the rights described in paragraph 5.5.7 above, the Company shall not, without the approval of an ordinary resolution of the Extended Life Shareholders passed at a separate general meeting of the Extended Life Shareholders and, in the case of (C) below, the approval of a majority of the Independent Directors:

(A) merge, consolidate, or sell substantially all of its assets;

(B) change the domicile of the Company;

(C) terminate the Investment Management Agreement;

(D) materially adversely (to the Company) amend, restate, supplement or otherwise modify the terms of the Investment Management Agreement;

(E) enter into any transaction or transactions involving the Investment Manager or any Affiliate of the Investment Manager (other than the making of a co-investment alongside the Investment Manager or an Investment Manager-managed fund or a funding or a contribution of capital pursuant to a transaction that has previously received approval pursuant to this paragraph 5.5.8), including giving any consents required under the U.S. Investment Advisers Act of 1940, as amended (including revoking consents to any "agency cross transactions" thereunder), having an aggregate value exceeding 5 per cent. of the Company's most recently reported NAV; or

(F) issue Shares of any class other than Ordinary Shares, Extended Life Shares or Capital Distribution Shares.

5.5.9 In addition to the rights described in paragraphs 5.5.7 and 5.5.8 above, the Directors shall not allot and issue (with or without conferring rights of renunciation), grant options over, offer or otherwise dispose of any Extended Life Shares at a consideration per Extended Life Share which is less than the NAV per Extended Life Share unless:

(A) otherwise approved by the Extended Life Shareholders by ordinary resolution; or

(B) the Independent Directors (or a duly appointed committee of them) determine that the relevant action is in the best interests of the Company and for the purposes of:

(i) raising additional capital to fund any capital commitment of the Company;

(ii) repaying any outstanding indebtedness of the Company; or

(iii) any other comparable purpose.

5.5.10 Where, by virtue of the provisions of paragraphs 5.5.4, 5.5.5, 5.5.6, 5.5.7, 5.5.8, 5.5.9 or other provisions of the Articles, Ordinary Shareholders and/or Extended Life Shareholders (as relevant) are entitled to vote, every Ordinary Shareholder and every Extended Life Shareholder (as relevant) present in person, by proxy or by a duly authorised representative (if a corporation) at a meeting shall, in relation to such business, upon a show of hands have one vote and upon a poll every such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall, in relation to such business, have one vote in respect of every Ordinary Share or Extended Life Share (as relevant) held by him.

5.6 General meetings

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

5.6.2 All general meetings other than annual general meetings shall be called extraordinary general meetings. The Directors may whenever they think fit convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on the requisition in writing of one or more of the members holding more than one-tenth of either the Class A Shares or, in the event that the Ordinary Shares or the Extended Life Shares have voting rights in respect of actions proposed to be taken at the meeting, the Ordinary Shares or the Extended Life Shares, as the case may be, or, if the Directors shall fail upon such requisition to convene the meeting so requisitioned within 10 days (counting the day on which the request is made) then such meeting may be convened by such requisitionists in such manner as provided by the statutes.

5.6.3 All general meetings shall be called by 10 clear days' notice to all members entitled to attend in writing at the least. The notice shall specify the place, the day and the hour of the meeting, and in the case of special business, the general nature of that business and shall be given in the manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company by Ordinary Resolution of the members who are Class A Shareholders, to such persons as are, by the Articles, entitled to receive such notices from the Company, provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this paragraph 5.6.3, be deemed to have been duly called if it is so agreed by all the members entitled to both attend and vote thereat.

5.7 Borrowing

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

5.8 Transfer of Shares

Transfer of uncertificated Shares

5.8.1 Subject to any restrictions on transfers described under this paragraph 5.8 and as set out in the Articles, any Shareholder may transfer all or any of his uncertificated Shares by means of a relevant transfer, settlement and clearing system *("Uncertificated System")* authorised by the Board in such manner provided for, and subject as provided, in any regulations issued for this purpose under the laws of Guernsey or such as may otherwise from time to time be adopted by the Board on behalf of the Company and the rules of any Uncertificated System and accordingly no provision of the Articles shall apply in respect of an uncertificated Share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the Shares to be transferred.

Transfer of certificated Shares

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

Registration of transfer

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

(A) it is in respect of only one class of Shares;

(B) it is in favour of a single transferee or not more than four joint transferees; and

(C) it is delivered for registration to the registered office of the Company or such other place as the Board may decide, accompanied by the certificate for the Shares to which it relates and such other evidence of title as the Board may reasonably require.

5.8.4 The Directors may, in their absolute discretion, decline to transfer, convert or register any transfer of Shares to any person: (i) whose ownership of Shares may cause the Company's assets to be deemed "plan assets" for the purposes of ERISA or the U.S. Tax Code; (ii) whose ownership of Shares may cause the Company to be required to register as an "investment company" under the U.S. Investment Company Act (including because the holder of the shares is not a "qualified purchaser" as defined in the US Investment Company Act); (iii) whose ownership of Shares may cause the Company to register under the U.S. Exchange Act or any similar legislation; (iv) whose ownership of Shares may cause the Company not being

considered a "Foreign Private issuer" as such term is defined in rule 3b-4(c) under the U.S. Exchange Act; (v) whose ownership may result in a person holding Shares in violation of the transfer restrictions put forth in any prospectus published by the Company, from time to time; (vi) whose ownership of Shares may cause the Company to be a "controlled foreign corporation" for the purposes of the U.S. Tax Code, or may cause the Company to suffer any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the U.S. Tax Code); and (vii) whose ownership of Shares may cause the Company to be required to comply with any registration or filing requirements in any jurisdiction with which the Company would not otherwise be required to comply (each person described in (i) through (vii) above, a *"Non-Qualified Person"),* and in each of the cases described in (i) through (vii) above, only to the extent permitted under the CREST Guernsey Requirement (as defined in the Articles).

5.8.5 If it shall come to the notice of the Directors that any Shares are owned directly or indirectly, or beneficially by a Non-Qualified Person, the Directors may give notice to such person requiring him either:

(A) to provide the Directors within thirty days of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the Directors that such person is a Qualified Person; or

(B) to sell or transfer his Shares to a Qualified Person within thirty days and within such thirty days to provide the Directors with satisfactory evidence of such sale or transfer. Pending such transfer, the Directors may suspend the exercise of any voting or consent rights and rights to receive notice of, or attend a, meeting and any rights to receive dividends or other distributions with respect to such Shares.

5.8.6 If any person upon whom such a notice is served pursuant to paragraph 5.8.5 does not within thirty days after such notice transfer his shares to a Qualified Person or establish to the satisfaction of the Directors (whose judgment shall be final and binding) that he is a Qualified Person, he shall be deemed upon the expiration of such thirty days to have forfeited his Shares and the Directors shall be empowered at their discretion to follow the procedure provided for in the Articles with respect to forfeited Shares. If, notwithstanding the foregoing, a purported acquisition or holding of Shares is not treated as void and of no force and effect for any reason such Shares will automatically be sold by the Directors in the open market and the net proceeds remitted to the record holder or, if so determined by the Directors in their sole discretion that such sale is for any reason impracticable, transferred to a charitable trust for the benefit of a charitable beneficiary, and the purported holder will acquire no rights under the Articles or the Memorandum in such securities. A person who becomes aware that he is a Non-Qualified Person, shall forthwith notify the Company in writing.

5.8.7 To give effect to any sale of Shares pursuant to paragraph 5.8.6, the Member in question shall execute such powers of attorney or other documents or authorisations as are required so that the transfer will be effective as if it has been executed by the holder of or person entitled by transmission to, the Shares.

5.9 Board Structure, Practices and Committees

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

Size, Independence and Composition of the Board

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

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

Election and Removal of Directors

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

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

Transactions in which a Director has an interest

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

5.9.7 Provided that the Board authorises the transaction in good faith after the Director's interest has been disclosed or the transaction is fair to the Company at the time it is approved, a Director or intending Director shall not be disqualified by his office from entering into a contract or arrangement with the Company, either as vendor, purchaser, lessor, lessee, mortgagor, mortgagee, manager, agent, broker or otherwise, and no such contract or arrangement or any contract or arrangement entered into by or on behalf of the Company, with any person, firm or company of or in which any Director shall be in any way interested shall be avoided, nor shall any person so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding the office of Director, or of the fiduciary relationship thereby established. Any Director, so

contracting or being so interested as aforesaid, shall disclose at the Board meeting at which the contract or arrangement is determined upon the nature of his interest, if his interest then exists, or in any other case at the first Board meeting after the acquisition of his interest. A Director shall be counted in the quorum at the Board Meeting but he may not vote in respect of any contract or arrangement in which he is so interested as aforesaid. A Director may occupy any other office or place of profit in the Company (except that of auditor) or act in any professional capacity to the Company in conjunction with his office of Director, and on such terms as to remuneration and otherwise as the Directors shall approve.

5.9.8 The remuneration of the Directors shall from time to time be determined by the Company by Ordinary Resolution.

5.10 Dividends

5.10.1 The declaration of the Directors as to the amount available for distribution to the members shall be final and conclusive.

5.10.2 The Company may from time to time by ordinary resolution declare dividends to be paid to the members according to their right and interest and the amount of such dividends or distributions paid in respect of one class of Shares may be different from that of another class. No dividend shall be declared in excess of the amount recommended by the Directors. The declaration of the Directors as to the amount available for dividends shall be final and conclusive.

5.10.3 The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified. The Directors will declare and pay dividends, half-yearly or at such other frequency as the Directors consider appropriate, such that, for the purposes of Section 357(7) of the Taxation (International and Other Provisions) Act 2010 (formerly Section 40E(6) of the Finance Act 2008) of the United Kingdom:

(A) all of the Company's cash income attributable to the Ordinary Shares (as determined by the Directors) received, less (at the discretion of the Directors) reasonable expenses, is paid out to Ordinary Shareholders; and

(B) all of the Company's cash income attributable to the Extended Life Shares (as determined by the Directors) received, less (at the discretion of the Directors) reasonable expenses, is paid out to Extended Life Shareholders.

5.10.4 No dividend may be authorised by the Directors unless they are satisfied, on reasonable grounds, and in accordance with the Companies Law, that the Company will, immediately after the dividend is paid, satisfy the solvency test (as defined in the Companies Law).

5.10.5 The Directors may from time to time authorise the payment of dividends and other distributions to be paid to the members in accordance with the procedure set out in the Companies Law.

5.10.6 No dividend or other amount payable on or in respect of a Share shall bear interest against the Company. All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of 12 years from the date of declaration thereof shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company and shall thenceforth belong to the Company absolutely.

5.11 Untraceable Members

5.11.1 The Company shall be entitled to sell at the best price reasonably obtainable the shares of a Shareholder or any shares to which a person is entitled by transmission on death or bankruptcy if and provided that:

(A) for a period of twelve years no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the Member or to the person so entitled to the share at his address in the Company's register or otherwise the last known address given by the Member or the person entitled by transmission to which cheques and warrants are to be sent has been cashed and no communication has been received by the Company from the Shareholder or the person so entitled;

(B) the Company has at the expiration of the said period of twelve years by advertisement in a newspaper circulating in the area in which the address referred to in paragraph 5.11.1(A) above is located given notice of its intention to sell such shares;

(C) the Company has not during the period of three months after the date of the advertisement and prior to the exercise of the power of sale received any communication from the Shareholder or person so entitled; and

(D) if the shares are quoted on any stock exchange, the Company has given notice in writing to the quotations department of such stock exchange of its intention to sell such shares.

5.11.2 The Company shall also be entitled to sell at the best price reasonably obtainable at the time of sale any additional Certificated shares in the Company issued either in Certificated or Uncertificated form during the period of 12 years immediately preceding the date of publication of the advertisements referred to in paragraph 5.11.1(B) above in right of any share to which paragraph 5.11.1 applies (or in right of any share so issued), if the criteria in paragraph 5.11.1(A) to (D) are otherwise satisfied in relation to the additional shares.

5.11.3 To give effect to any such sale the Board may appoint any person to execute as transferor an instrument of transfer of the said shares and such instrument of transfer of the said shares shall be as effective as if it had been executed by the registered holder of, or person entitled by transmission to, such shares and the title of the purchaser or other transferee shall not be affected by any irregularity or invalidity in the proceedings relating thereto. The net proceeds of sale shall belong to the Company, which shall be obliged to account to the former Shareholder or other person previously entitled as aforesaid for an amount equal to such proceeds and shall enter the name of such former member or other person in the books of the Company as a creditor for such amount unless and until forfeited under this paragraph. No trust shall be created in respect of the debt, no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments (other than shares of the Company) as the Board may from time to time think fit. For the purpose of enforcing its powers under this paragraph and to the extent permissible under the CREST Guernsey Requirements, the Board may require any relevant shares held in Uncertificated form to be changed into Certificated form. If no valid claim for the money has been received by the Company during a period of six years from the date on which the relevant shares were sold by the Company under this paragraph, the money will be forfeited and will belong to the Company.

6. Material Contracts

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

Investment Management Agreement

6.1 The Company and the Investment Manager have entered into an investment management agreement, dated 5 May 2010 (as amended and restated on 17 June 2010 and 6 March 2013) (the "*Investment*

Management Agreement"), pursuant to which the Investment Manager has been given overall responsibility for the discretionary management of the Company's assets (including uninvested cash) in accordance with the Company's investment objectives and policy. In order to implement the Proposals (as described in Part I ("*Chairman's Letter*") of this document), conditional upon the Resolution being passed at the Class Meeting, the Investment Management Agreement will be amended and this paragraph, therefore, describes the Investment Management Agreement as it would be amended following the implementation of the Proposals.

Fees

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

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

6.1.4 In addition, the Investment Manager will be entitled to be paid a performance fee by the Company.

Ordinary Share Performance Fee

6.1.5 The Ordinary Share Performance Fee will only become payable once the Company has made aggregate cash distributions with respect to the Ordinary Shares (which shall include: (i) such proportion of the aggregate price of all Ordinary Shares repurchased or redeemed by the Company at any time prior to the Conversion as would be equal to the ratio of the Ordinary Shares to total Shares immediately following the Conversion; and (ii) the aggregate price of all Ordinary Shares repurchased or redeemed by the Company at any time following the Conversion) equal to (a) such proportion of the aggregate gross proceeds of issuing Ordinary Shares (whether pursuant to the IPO, Secondary Placing, the exercise of Subscription Rights or otherwise) immediately prior to the Conversion as would be equal to the ratio of Ordinary Shares to total Shares immediately following the Conversion plus (b) the aggregate gross proceeds of issuing Ordinary Shares following the Conversion ((a) and (b) together, the "**Ordinary Share Contributed Capital**") plus (c) such amount as will result in the Company having distributed a realised (cash-paid) IRR in respect of the Ordinary Share Contributed Capital equal to 6 per cent. (the "**Ordinary Share Initial Return**"). Following distribution by the Company of an amount with respect to the Ordinary Shares equal to the Ordinary Share Initial Return, there will be a 100 per cent. catch up to the Investment Manager until the Investment Manager has received 20 per cent. of all amounts in excess of Ordinary Share Contributed Capital distributed with respect to Ordinary Shares and paid to the Investment Manager as a performance fee. Thereafter, all amounts attributable to the Ordinary Shares which are distributed by the Company shall be split 20/80 per cent. between the Investment Manager's performance fee and the cash distributions to the Ordinary Shareholders respectively.

Extended Life Share Performance Fee

6.1.6 The Extended Life Share Performance Fee will only become payable once the Company has made aggregate cash distributions with respect to the Extended Life Shares (which shall include: (i) such proportion of the aggregate price of all Ordinary Shares repurchased or redeemed by the Company at any time prior to the Conversion as would be equal to the ratio of Extended Life Shares to total Shares immediately following the Conversion; and (ii) the aggregate price of all Extended Life Shares repurchased or redeemed by the Company) equal to (a) such proportion of the aggregate gross proceeds of issuing all Ordinary Shares immediately prior to the Conversion (whether pursuant to the IPO, Secondary Placing, the exercise of Subscription Rights or otherwise) as would be equal to the ratio of Extended Life

Shares to total Shares immediately following the Conversion; plus (b) the aggregate gross proceeds of issuing Extended Life Shares following the Conversion ((a) and (b) together, the "**Extended Life Share Contributed Capital**") plus (c) such amount as will result in the Company having distributed a realised (cash-paid) IRR in respect of the Extended Life Share Contributed Capital equal to 6 per cent. for the period from the IPO to Admission and 8 per cent. thereafter (the "**Extended Life Share Initial Return**"). Following distribution by the Company of an amount with respect to the Extended Life Shares equal to the Extended Life Share Initial Return, there will be a 100 per cent. catch up to the Investment Manager until the Investment Manager has received 20 per cent. of all amounts in excess of Extended Life Share Contributed Capital distributed with respect to Extended Life Shares and paid to the Investment Manager as a performance fee. Thereafter, all amounts attributable to the Extended Life Shares which are distributed by the Company shall be split 20/80 per cent. between the Investment Manager's performance fee and the cash distributions to the Extended Life Shareholders respectively.

Termination

6.1.7 The Investment Management Agreement is terminable by either the Investment Manager or the Company giving to the other not less than six months' written notice.

6.1.8 The Investment Management Agreement may be terminated earlier by the Company with immediate effect if:

(i) an order has been made or an effective resolution passed for the liquidation of the Investment Manager;

(ii) the Investment Manager ceases or threatens to cease to carry on its business;

(iii) the Investment Manager has, subject to paragraph (iv) below, committed a material breach of the Investment Management Agreement and fails to remedy such breach within 30 days of receiving notice requiring it to do so;

(iv) the Investment Manager has committed a breach of its obligation to ensure that its obligations under the Investment Management Agreement are carried out by a team of appropriately qualified, trained and experienced professionals reasonably acceptable to the Board who have experience of managing a portfolio of comparable size, nature and complexity to the Company Portfolio and such breach is not remedied within 90 days of receipt of notice requiring it to do so;

(v) the Investment Manager ceases to hold any required authorisation to carry out its services under the Investment Management Agreement;

(vi) the Investment Manager breaches any provision of the Investment Management Agreement and such breach results in trading of the Ordinary Shares and/or the Extended Life Shares on the SFM or listing and trading of the Ordinary Shares and/or the Extended Life Shares on the CISX being suspended or terminated; and

(vii) the Company is required to do so by a relevant regulatory authority.

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

Fees and expenses on termination

6.1.10 Subject to paragraphs 6.1.11 and 6.1.12, if the Investment Management Agreement is terminated pursuant to the provisions described at paragraphs 6.1.7 to 6.1.9 above the Company shall (a) pay the accrued Management Fees on a *pro rata* basis to the date of termination; and (b) promptly reimburse to the Investment Manager all of its out of pocket expenses incurred in respect of the performances of its services up to the date of termination insofar as payable by the Company in accordance to the Investment Management Agreement. No additional payment will be required to be made to the Investment Manager by the Company.

6.1.11 Notwithstanding paragraph 6.1.10, if the Investment Management Agreement is terminated by the Company pursuant to paragraph 6.1.8 (iv) or by the Investment Manager pursuant to paragraph 6.1.7, the Company shall (a) pay the accrued Base Fee on a *pro rata* basis to the date of termination; and (b) promptly reimburse to the Investment Manager all of its out of pocket expenses incurred in respect of the performances of its services up to the date of termination insofar as payable by the Company in accordance with the Agreement. No additional payment will be required to be made to the Investment Manager by the Company.

6.1.12 For the purposes of paragraph 6.1.10, the Company shall be deemed to have made on the date of termination of the Investment Management Agreement: (i) aggregate distributions to Ordinary Shareholders and payments to the Investment Manager in an amount equal to the NAV attributable to the Ordinary Shares as at the date of termination; and (ii) aggregate distributions to Extended Life Shareholders and payments to the Investment Manager in an amount equal to the NAV attributable to the Extended Life Shares as at the date of termination.

Indemnities

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

General

6.1.14 The Investment Manager will delegate certain of its responsibilities under the Investment Management Agreement to the Sub-Investment Manager.

6.1.15 The Investment Management Agreement is governed by the laws of England and Wales.

Administration and Custody Agreement

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

Under the terms of the Administration Agreement, the Administrator is entitled to the following fees, including an annual administration fee of 0.10 per cent. subject to a minimum of £100,000, an annual secretarial fee of £36,000, a custodian fee of 0.02 per cent. subject to a minimum of £20,000, and an annual loan administration fee of 0.08 per cent. subject to a minimum of £75,000.

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

The Administration and Custody Agreement may be terminated by either party on not less than six months' written notice following this period (or such shorter notice as the parties may agree). The Administration and Custody Agreement may be terminated immediately by either party: (i) in the event of the winding up of or the appointment of an administrator, liquidator, examiner or receiver to

the other or upon the happening of a like event at the direction of an appropriate regulatory agency or court of competent jurisdiction (except if such event occurs for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the parties, such approval not to be unreasonably withheld or delayed) or if the other party is declared 'en desastre'; or (ii) if the other shall commit any material breach or is in persistent breach of the provisions of the Administration and Custody Agreement and shall if capable of remedy not have remedied the same within 30 days after the service of notice requiring it to be remedied; or (iii) if the continued performance of the Administration and Custody Agreement for any reason ceases to be lawful.

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

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

Registrar Agreement

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

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

7. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period of previous 12 months immediately prior to the publication of this document which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

8. Related Party Transactions

Other than the: (i) fees and expenses paid to Directors in the ordinary course, as set out in paragraphs 3.7 (Directors remuneration); and (ii) fees and expenses paid to the Investment Manager in the ordinary course of business, as set out in paragraph 6.1 (Investment Management Agreement) of this Part VII of the Prospectus, the Group has not entered into any related party transaction since incorporation.

9. General

9.1 The principal place of business and registered office of the Company is at BNP Paribas House, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 1WA. The Company is a registered closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Registered Collective Investment Scheme Rules 2008 issued by the GFSC. Other than by the GFSC, the Company is not regulated by the Financial Services Authority or any other regulator.

9.2 The Investment Manager may be a promoter of the Company. Save as disclosed in paragraph 6 above no amount or benefit has been paid, or given, to the promoter or any of their subsidiaries since the incorporation of the Company and none is intended to be paid, or given.

9.3 The address of the Investment Manager is 4th Floor, Lansdowne House, 57 Berkeley Square, London, W1J 6ER, UK and its telephone number is +44 (0) 203 214 9000.

9.4 CREST is a paperless settlement procedure enabling securities to be evidenced other than by certificates and transferred other than by written instrument. The Articles permit the holding of the Extended Life Shares under the CREST system. The Directors intend to apply for the Extended Life Shares to be admitted to CREST with effect from Admission. Accordingly it is intended that settlement of transactions in the Extended Life Shares following Admission may take place within the CREST system if the relevant Extended Life Shareholders (other than U.S. Persons) so wish. CREST is a voluntary system and Extended Life Shareholders who wish to receive and retain share certificates will be able to do so upon request from the Registrars.

9.5 Applications will be made to the London Stock Exchange and CISX for Extended Life Shares to be admitted to listing and trading on the SFM of the London Stock Exchange and the Official List of the CISX respectively. It is expected that admission will become effective, and that dealings in the Extended Life Shares will commence at 0800 hours on 9 April 2013. No application is being made for the Extended Life Shares to be dealt with in or on any stock exchanges or investment exchanges other than the London Stock Exchange and CISX.

9.6 The Company does not own any premises and does not lease any premises.

9.7 The Company will not:

(a) invest more than 15 per cent., in aggregate, of the value of its total assets, at the time of investment, in other listed closed-ended investment funds; or

(b) invest more than 10 per cent., in aggregate, of the value of its total assets, at the time of investment, in Collective Investment Schemes.

10. Third party sources

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

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

11. Working capital

The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, that is for at least the next 12 months from the date of this document.

12. Capitalisation and indebtedness

The following table shows the Group's gross indebtedness as at 31 January 2013.

Total current debt ($)	As at 31 January 2013
Guaranteed	Nil
Secured	Nil
Unguaranteed/unsecured	Nil

Total non current debt (excluding current position of non current debt) ($)	As at 31 January 2013
Guaranteed	Nil
Secured	Nil
Unguaranteed/unsecured	Nil

As at 31 January 2013 the Company had no current debt and no non-current debt.

The following table shows the capitalisation of the Group as at 30 June 2012:

Shareholders' equity ($)	As at 30 June 2012
Share capital	436,657,545
Legal reserve	Nil
Other reserves	Nil
Total	**436,657,545**

There has been no material change to the capitalisation of the Group since 30 June 2012.

The following table sets out the net indebtedness of the Group as at 31 January 2013[(1)].

	USD $
Net indebtedness	
Cash	50,486,824
Cash equivalent	Nil
Trading securities[(2)]	9,993,289
Liquidity	**60,480,113**
Current financial receivables	
Current bank debt	Nil
Current portion of non-current debt	Nil
Other current financial debt	Nil
Current financial debt	**Nil**
Net current surplus	**60,480,113**
Non-current financial indebtedness	
Non-current bank loans	Nil
Bonds issued	Nil
Other non-current loans	Nil
Non-current financial indebtedness	**Nil**
Net surplus	**60,480,113**

Note:

(1) The Company has no indirect or contingent indebtedness as at 31 January 2013.

(2) Trading securities are US Government Treasury Bonds.

13. Documents available for inspection

Copies of this document, the Articles, the material contracts summarised in paragraph 6 above, the published annual report and audited accounts of the Company for the financial year ended 31 December 2010, the published annual report and audited accounts of the Company for the financial year ended 31 December 2011, the published unaudited interim report and financial statements for the financial periods from 1 January 2011 to 30 June 2011, and the published unaudited interim report and financial statements for the financial periods from 1 January 2012 to 30 June 2012, will be available for inspection at the registered office of the Company and the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG during normal business hours on any weekday (Saturdays and Public Holidays excepted) until the date of Admission.

Dated 6 March 2013

Part VIII Glossary of Selected Terms

"Administration and Custody Agreement"	means the administration and custody agreement between the Company and the Administrator, a summary of which is set out in paragraph 6 of Part VII of this document
"Administrator"	means BNP Paribas Fund Services (Guernsey) Limited and/or such other person or persons from time to time appointed by the Company for the purposes of the RCIS Rules; the Administrator is the designated manager of the Company
"Admission"	means the admission to trading on the London Stock Exchange's SFM of the Extended Life Shares becoming effective in accordance with the LSE Admission Standards and admission to listing and trading on the Official List of the CISX
"AIC Code"	means the AIC Corporate Governance Guide for investment companies
"Affiliate"	means an affiliate of, or person affiliated with, a specified person; a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified
"AIFM Directive"	means the European Commission's Directive on Alternative Investment Fund Managers
"Articles"	means the articles of incorporation of the Company
"Bankruptcy Investments"	means investments in the securities of bankrupt companies and/or companies that have recently emerged from bankruptcy as well as companies for which the Investment Managers believe that bankruptcy appears imminent
"Base Fee"	means the non-discretionary fee payable to the Investment Manager set out in the Investment Management Agreement and described in Part VII of this document
"Board"	means the board of directors of the Company
"Business Day"	means a day on which the London Stock Exchange, CISX and banks in Guernsey are normally open for business
"Capita Registrars"	means the trading name of Capita Registrars Limited
"Capital Distribution Share"	means a redeemable share of no par value in the capital of the Company which may be issued by the Company (on such terms and carrying such rights as the Directors may determine) for the purposes of returning capital realised on the exit of the Company's investments to Ordinary Shareholders and/or Extended Life Shares following expiry of the Current Investment Period and the New Investment Period as appropriate in accordance with the Articles
"Capital Proceeds"	net proceeds of exiting the Company's net investments

"certificated" or **"certificated form"**	means not in uncertificated form
"CISX"	means the Channel Islands Stock Exchange
"Class A Shareholder"	means the holder of the Class A Shares
"Class A Shares"	means class A ordinary shares of US$1.00 par value each in the Company
"Class Fund"	has the meaning given to that term in paragraph 5.2 of Part VII
"Class Meeting"	means a separate class meeting of the holders of Ordinary Shares convened for 8 April 2013 at 1030 hours (or any adjournment thereof) notice for which is set out at the end of this document
"CLO"	means collateralised loan obligation
"Code"	means the GFSC's "Finance Sector Code of Corporate Governance"
"Collective Investment Schemes"	means as defined for the purposes of the Collective Investment Schemes Sourcebook forming part of the Handbook of Rules and Guidance published by the FSA
"Companies Law"	means The Companies (Guernsey) Law, 2008, as amended
"Company"	means NB Distressed Debt Investment Fund Limited, a non-cellular company limited by shares incorporated in Guernsey under the Companies Law on 20 April 2010 with registered number 51774
"Company Portfolio"	means at any time, the investments in which the funds of the Company are invested
"Conflicts Policy"	has the meaning given to it under the section head "Conflicts of Interest" in Part IV of this document
"Conversion Notice"	means a form of notice enclosed with this document for use by Eligible Ordinary Shareholders to elect to convert all or part of their holding of Ordinary Shares into Extended Life Shares
"Conversion Notice Date"	means 1030 hours on 5 April 2013 or such other date as the Directors may determine at their sole discretion
"Conversion"	conversion of Ordinary Shares into Extended Life Shares pursuant to the Proposals
"CREST Manual"	means the compendium of documents entitled CREST Manual issued by Euroclear UK & Ireland from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and the CREST
"CREST Regulations"	means the Uncertificated Securities Regulations 2001 (SI No. 2001/3755)

"CREST"	means the facilities and procedures for the time being of the relevant system of which Euroclear UK and Ireland Limited has been approved as operator pursuant to the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755) of the United Kingdom
"Current Investment Period"	means the Company's investment period due to expire on 10 June 2013, being the third anniversary of the IPO
"Directors" or **"Board"**	means the directors of the Company
"Disclosure and Transparency Rules"	means the disclosure and transparency rules made by the FSA under Part VI FSMA
"Effective Date"	means the date on which the conversion of Ordinary Shares into Extended Life Shares becomes effective being the date of Admission, which is expected to be 9 April 2013
"Eligible Ordinary Shareholders"	means Ordinary Shareholders who, unless the Directors otherwise determine in any particular case, (1) are, in respect of member states of the European Economic Area (except for the United Kingdom), "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive, (2) are not U.S. Persons or in the United States other than (subject to certain exceptions) QIBs who are also Qualified Persons, (3) are not Non-Qualified Persons and (4) are not nationals, residents or citizens of the Australia, Canada, Japan, New Zealand or South Africa or any other jurisdiction in which the extension or availability of the Conversion would breach any applicable law
"ERISA"	means the U.S. Employee Retirement Income Security Act of 1974, as amended from time to time, and the applicable regulations thereunder
"EU"	means the European Union
"Euroclear"	means Euroclear UK & Ireland Limited
"Existing Asset"	means any asset in the Company Portfolio acquired at any time prior to expiry of the Current Investment Period
"Extended Life Class Fund"	means the Class Fund in respect of the Extended Life Shares
"Extended Life Share Contributed Capital"	has the meaning given to it in paragraph 6.1.6 in Part VII of the Prospectus
"Extended Life Share Hurdle Rate"	means 6 per cent. from the IPO to Admission and 8 per cent. thereafter
"Extended Life Share Initial Return"	has the meaning given to it in paragraph 6.1.6 in Part VII of the Prospectus
"Extended Life Share Performance Fee"	means the performance fee payable by the Company in respect of Extended Life Shares as described in paragraph 6 of Part VII of this document
"Extended Life Shareholder"	means a holder of Extended Life Shares

"Extended Life Shares"	means redeemable ordinary shares of no par value each in the capital of the Company issued and designated as "Extended Life Shares" and having such rights as contained in the Articles
"Financial Services Authority" or **"FSA"**	means the Financial Services Authority of the United Kingdom
"Forms of Proxy"	means the forms of proxy for use of the Shareholders in relation to the Class Meeting
"FSMA"	means the Financial Services and Markets Act 2000, as amended
"GFSC"	means the Guernsey Financial Services Commission
"Group"	means the Company and its subsidiaries
"in uncertificated form"	means recorded on the register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
"Independent Directors"	means the directors of the Company determined by the Board to be independent
"Investment Management Agreement"	means the investment management agreement between the Company and the Investment Manager, a summary of which is set out in paragraph 6.1 of Part VII of this document
"Investment Manager"	means Neuberger Berman Europe Limited
"Investment Managers"	means the Investment Manager and Sub-Investment Manager
"IPO"	means the initial public offer of the Company on 10 June 2010 under which 197,186,044 Ordinary Shares and 39,437,205 Subscription Shares were admitted to listing and trading on the Official List of the CISX and to trading on the SFM
"IRR"	means internal rate of return, calculated as the annualised effective compounded return rate earned on the invested capital
"IRS"	means the U.S. Internal Revenue Service
"ISA"	means an individual savings account
"ISIN"	means International Securities Identification Number
"Listing Rules"	means the listing rules made by the CISX
"London Stock Exchange" or **"LSE"**	means the London Stock Exchange plc
"LSE Admission Standards"	means the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the SFM
"LTM"	means last twelve months
"Management Fee"	means the Base Fee and the Performance Fee

"Memorandum"	means the memorandum of incorporation of the Company
"NAV Calculation Date"	means each Business Day
"NAV per Extended Life Share"	means the NAV attributable to the Extended Life Shares divided by the number of Extended Life Shares in issue
"NAV per Ordinary Share"	means the Net Asset Value attributable to the Ordinary Shares divided by the number of Ordinary Shares in issue
"NB Affiliates"	means Affiliates of Neuberger Berman Group LLC
"NB Distressed Credit"	means the Neuberger Berman Distressed Debt Group, part of the business group NB NIGC
"NB Group"	means Neuberger Berman Group LLC
"NB NIGC"	means Neuberger Berman Non-Investment Grade Credit Group, a business group within the Sub-Investment Manager
"Net Asset Value" or **"NAV"**	means the value of the assets of the Group less its liabilities, or, where relevant, the assets attributable to a class of Share less the liabilities attributable to that class of Share (including accrued but unpaid fees), in each case determined (by the Directors in their absolute discretion) in accordance with the accounting principles adopted by the Company from time to time
"New Investment Period"	means the period commencing on the start of the Current Investment Period and ending on 31 March 2015
"Non-Qualified Person"	has the meaning given to it in paragraph 5.8.4 of Part VII of this document
"Official List"	means the Official List of the CISX
"Ordinary Class Fund"	means the Class Fund in respect of the Ordinary Shares
"Ordinary Contributed Capital"	has the meaning given to it in the section headed "Investment Manager's Fees" in paragraph 6 of Part VII of this document
"Ordinary Share Contributed Capital"	has the meaning given to it in paragraph 6.1.5 in Part VII of the Prospectus
"Ordinary Share Hurdle Rate"	means 6 per cent.
"Ordinary Share Initial Return"	has the meaning given to it in paragraph 6.1.5 in Part VII of the Prospectus
"Ordinary Share Performance Fee"	means the performance fee payable by the Company in respect of Ordinary Shares as described in section 6 of Part VII of this document
"Ordinary Shareholder"	means the holder of one or more Ordinary Shares
"Ordinary Shares"	means redeemable ordinary shares of no par value each in the capital of the Company issued and designated as "Ordinary Shares" and having such rights as contained in the Articles
"Oriel"	means Oriel Securities Limited
"Original Issue Equity"	means equity not created as a result of a reorganisation

"Other Accounts"	means other clients, funds and accounts in relation to which the Investment Managers or any other members of the NB Group act as manager, investment manager, trustee, custodian, sub-custodian, registrar, broker, administrator, investment adviser or dealer
"Performance Fee"	Ordinary Share Performance Fee and/or Extended Life Share Performance Fee, as the context requires
"Portfolio Company"	means an issuer in which the Company invests
"Proposals"	means the proposals relating to the creation of Extended Life Shares and Conversion set out in paragraph 3 of Part I of this document
"Prospectus Rules"	means the prospectus rules made by the UK Listing Authority under section 73(A) Financial Services and Markets Act 2000
"QIB"	means a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act
"Qualified Person"	means a person other than a Non-Qualified Person
"Qualified Purchasers"	has the meaning given to it in Section 2(a)(51) of the Investment Company Act
"RCIS Rules"	means the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended (the "POI Law") and the Registered Collective Investment Scheme Rules 2008
"Receiving Agent"	means Capita Registrars
"Registrar Agreement"	means the registrar agreement between the Company and the Registrar, a summary of which is set out in paragraph 6.3 of Part VII of this document
"Registrar"	means Capita Registrars (Guernsey) Limited or such other person or persons from time to time appointed by the Company
"Regulations"	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 200l/3755)
"REIT"	means real estate investment trust
"Relevant Discount"	has the meaning set out in paragraph 3.5 of Part I of this document
"Residential Housing"	means the single-family residential (1 to 4 family) real property
"Resolution"	means the ordinary resolution to be proposed at the Class Meeting
"Restricted Territory"	Australia, Canada, Japan, New Zealand or South Africa or any other jurisdiction in which the extension or availability of the Conversion would breach any applicable law
"RIS"	means a regulatory information service

"Risk Factors"	means the risk factors pertaining to the Company set out on pages 20 to 43 of this document
"SDRT"	means Stamp Duty Reserve Tax
"SEC"	means the U.S. Securities and Exchange Commission
"Secondary Placing"	means the secondary placing of the Ordinary Shares on 20 October 2010 pursuant to which 242,983,252 Ordinary Shares were admitted to listing and trading on the Official List of the CISX and to trading on the SFM
"SEDOL"	means Stock Exchange Daily Official List
"SFM"	means the Specialist Fund Market of the London Stock Exchange
"Shareholder"	means a holder of Shares
"Shares"	means the Class A Shares, Ordinary Shares, Extended Life Shares and/or Capital Distribution Shares, as the context requires
"SIPP"	means a self-invested personal pension
"Sub-Investment Management Agreement"	means the Sub-Investment Management Agreement between the Investment Manager and the Sub-Investment Manager
"Sub-Investment Manager"	means Neuberger Berman Fixed Income LLC
"Subscription Right"	means a right of Subscription Shareholders to convert into Ordinary Shares
"Subscription Shareholder"	a holder of Subscription Shares
"Subscription Shares"	means redeemable subscription shares of no par value each in the capital of the Company issued and designated as "Subscription Shares"
"Target Return"	means the Company's targeted total return (income and capital) of 20 per cent. per annum (gross of fees and expenses)
"Third-Party Operators"	means third-party real estate operators
"Trust Deed"	means the trust instrument governing the Guernsey purpose trust pursuant to which the Trustee holds the Class A Shares
"Trustee"	means Carey Trustees Limited
"TTE Instruction"	means a transfer to escrow instruction (as defined by the CREST Manual issued by Euroclear)
"U.S. Dollars" or **"US$"**	means the lawful currency of the United States
"U.S. Exchange Act"	means the U.S. Securities Exchange Act of 1934, as amended
"U.S. GAAP"	means the accounting principles generally accepted in the United States
"U.S. Investment Company Act"	means the U.S. Investment Company Act of 1940, as amended

"U.S. Persons"	has the meaning given to it in Regulation S under the Securities Act
"U.S. Plan Asset Regulations"	means the regulations promulgated by the U.S. Department of Labor at 29 CFR 2510.3-101, as modified by section 3(42) of ERISA
"U.S. Plan Investor"	means (i) an "employee benefit plan" as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a "plan" as defined in Section 4975 of the U.S. Tax Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Tax Code; or (iii) an entity whose underlying assets are considered to include "plan assets" by reason of investment by an "employee benefit plan" or "plan" described in the preceding clause (i) or (ii) in such entity pursuant to the U.S. Plan Asset Regulations
"U.S. Securities Act"	means the U.S. Securities Act of 1933, as amended
"U.S. Tax Code"	means the U.S. Internal Revenue Code of 1986, as amended
"UK Listing Authority"	means the Financial Services Authority as the competent authority for listing in the United Kingdom
"UK" or **"United Kingdom"**	means the United Kingdom of Great Britain and Northern Ireland
"United States" or **"U.S."**	means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"Written Resolutions"	means the special resolutions and ordinary resolution of the Class A Shareholder dated 4 March 2013, passed as written resolutions in accordance with the Companies Law

NB DISTRESSED DEBT INVESTMENT FUND LIMITED

(*a non-cellular company limited by shares incorporated under the laws of Guernsey with registered number 51774*)

NOTICE OF CLASS MEETING

Notice is hereby given that a separate class meeting of the holders of Ordinary Shares (the "**Class Meeting**") will be held at BNP Paribas House, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 1WA, on 8 April 2013 at 1030 hours to consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution.

ORDINARY RESOLUTION

THAT, the holders of Ordinary Shares hereby sanction and consent to:

(A) the passing and carrying into effect of the special resolution number 2 of the Company contained in the Written Resolutions (an executed copy of which has been laid before the meeting and signed for the purposes of identification by the Chairman of the meeting); and

(B) implementation in all other respects of the Proposals (as defined in the prospectus of the Company dated 6 March 2013 of which this notice forms part).

Terms defined in the prospectus of the Company dated 6 March 2013 shall have the same meanings as in this resolution, save where the context otherwise requires.

By Order of the Board:

BNP Paribas Fund Services (Guernsey) Limited
Company Secretary Guernsey

Registered Office:

BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 1WA

Date: 6 March 2013

Notes:

1. To have the right to attend, speak and vote at the Class Meeting (and also for the purposes of calculating how many votes a holder of Ordinary Shares casts), a holder of Ordinary Shares must first have his or her name entered in the Register of Shareholders not later than 1030 hours on 5 April 2013. Changes to entries on the Register after that time shall be disregarded in determining the right of any holder of Ordinary Shares to attend, speak and vote at the Class Meeting.

2. The approval of a simple majority of the total number of votes cast by holders of Ordinary Shares being entitled to vote is required to pass the ordinary resolution.

3. Any corporation which is a holder of Ordinary Shares may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Class Meeting or to approve any resolution submitted in writing and the person so authorised shall be entitled to exercise on behalf of the corporation which he represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual holder of Ordinary Shares.

4. Where there are joint registered holders of any Ordinary Share, any one of such persons may vote at the Class Meeting, either personally, in respect of such Ordinary Share as if he were solely entitled thereto; and if more than one of such joint holders of Ordinary Shares be present at the Class Meeting personally that one of the said persons so present in person whose name stands first in the Register in respect of such Ordinary Share shall alone be entitled to vote in respect thereof.

5. A Form of Proxy is enclosed with this document for use at the Class Meeting. A holder of Ordinary Shares is entitled to attend and vote at the Class Meeting and may appoint a proxy to attend, speak and vote in his place. A proxy need not be a member of the Company. Holders of Ordinary Shares may direct their proxy as to how to vote on the Resolution by following the instructions on the Form of Proxy that accompanies this notice of Class Meeting. A holder of Ordinary Shares may appoint more than one proxy in relation to the Class Meeting provided that each such proxy is appointed to exercise the rights attached to a different

Ordinary Share or holders of Ordinary Shares. Where multiple proxies have been appointed to exercise rights attached to different Shares, on a show of hands those proxy holders taken together will collectively have the same number of votes as the Shareholder who appointed them would have on a show of hands if he were present at the meeting. On a poll, all or any of the rights of the Shareholder may be exercised by one or more duly appointed proxies.

6. To be valid, the Form of Proxy and any power of attorney or other authority (if any) under which it is executed (or a notarially certified copy of any such power or authority), must be returned by one of the following methods: by post, to Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, in the case of CREST members, by using the CREST electronic proxy appointment service, not less than 48 hours before the time for holding the Class Meeting or any adjournment thereof or (in the case of a poll taken otherwise than at or on the same day as the Class Meeting or adjourned Class Meeting) for the taking of the poll at which it is to be used, but in any event so as to arrive not later than 1030 hours on 5 April 2013.

7. The Directors may in their absolute discretion elect to treat as valid any instrument appointing a proxy which is deposited later than the times specified herein. If the Directors so elect, the person named in such instrument of proxy shall be entitled to vote. The completion and return of a valid Form of Proxy will not prevent holders of Ordinary Shares from attending, speaking and voting in person at the Class Meeting if so desired.

8. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 1030 hours on 5 April 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be properly authenticated, as described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your Form of Proxy must be received by the Company's registrar no later than 1030 hours on 5 April 2013.

9. The quorum for the Class Meeting will be two Ordinary Shareholders present and entitled to vote in person or by proxy. In the event that a quorum is not present for the Class Meeting within 30 minutes of the time appointed for the Class Meeting, the Class Meeting shall stand adjourned to the same day in the next week (or if that day be a public holiday in Guernsey to the next working day thereafter) at the same time and place and no notice of such adjournment need be given. At any such adjourned meeting, those Members who are present in person shall be a quorum.

10. By attending the Class Meeting a holder of Shares expressly agrees they are requesting and willing to receive any communications made at the Class Meeting.

11. If you submit more than one valid Form of Proxy, the Form of Proxy received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which Form of Proxy was last validly received, none of them shall be treated as valid in respect of the same.

Appendix A Offshore Transaction Letter

NB Distressed Debt Investment Fund Limited
BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 1WA

Capita Registrars
Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

BNP Paribas Fund Services (Guernsey) Limited
BNP Paribas House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 1WA

Ladies and Gentlemen:

This letter (an "**Offshore Transaction Letter**") relates to the sale or other transfer by the undersigned of shares in the capital of the Company designated as "Extended Life Shares" (the "**Extended Life Shares**") of NB Distressed Debt Investment Fund Limited (the "**Company**").

The undersigned acknowledges, or if the undersigned is acting for the account or benefit of another person, such person has confirmed that it acknowledges, that the Extended Life Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") and that the Company has not registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the "**U.S. Investment Company Act**") and related rules.

The undersigned represents, warrants, acknowledges and agrees, on its own behalf or on behalf of each account for which it holds such Extended Life Shares, and makes the representations, warranties, acknowledgments and agreements, on its own behalf or on behalf of each account for which it holds such Extended Life Shares, as set forth in paragraphs 1 through 9 of this Offshore Transaction Letter:

1. The sale or transfer is:

   (a) outside the United States in an offshore transaction complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person (as defined in Regulation S under the U.S. Securities Act), by pre-arrangement or otherwise; or

   (b) to the Company or a subsidiary thereof.

2. The undersigned has no reason to believe that any portion of the assets used by the person to whom the undersigned is transferring the Extended Life Shares to purchase, and no portion of the assets used by such purchaser to hold, the Extended Life Shares or any beneficial interest therein constitutes or will constitute the assets of (i) an "employee benefit plan" that is subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), (ii) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, Appendix B Offshore Transaction Letter as amended (the "**U.S. Tax Code**"),

(iii) entities whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan, church plan, non-U.S. plan or other investor whose purchase or holding of Extended Life Shares would be subject to any state, local, non-U.S. or other laws or regulations similar to Title I of ERISA or Section 4975 of the U.S. Tax Code or that would have the effect of the regulations issued by the U.S. Department of Labor set forth at 29 CFR Section 2510.3-101, as modified by Section 3(42) of ERISA.

3. Neither the undersigned, nor any of the undersigned's affiliates, nor any person acting on the undersigned's or their behalf, has made any "directed selling efforts" (as defined in Regulation S of the U.S. Securities Act) in the United States with respect to the Extended Life Shares.

4. The proposed transfer of the Extended Life Shares is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act or the U.S. Investment Company Act.

5. Neither the Company nor any of its agents participated in the sale of the Extended Life Shares.

6. The undersigned acknowledges that each of the Company, its affiliates and their respective directors, officers, agents, employees and advisers, and others will rely on the representations, warranties, acknowledgments and agreements contained in this Offshore Transaction Letter as a basis for exemption of the sale or other transfer of the Extended Life Shares under the U.S. Securities Act, the U.S. Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA and the U.S. Tax Code and for other purposes. If any of the representations, warranties, acknowledgments or agreements made by the undersigned are no longer accurate or have not been complied with, the party signing this Offshore Transaction Letter will immediately notify the Company and, if it is selling or otherwise transferring any Extended Life Shares as a fiduciary or agent for one or more accounts, the party signing this Offshore Transaction Letter has sole investment discretion with respect to each such account and it has full power to make such foregoing representations, warranties, acknowledgments and agreements on behalf of each such account.

7. The Company and its affiliates are irrevocably authorised to produce this Offshore Transaction Letter or a copy hereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters covered hereby.

8. This Offshore Transaction Letter shall be governed by and construed in accordance with the laws of the State of New York.

9. Where there are joint transferors, each must sign this Offshore Transaction Letter. An Offshore Transaction Letter of a corporation must be signed by an authorized officer or be completed otherwise in accordance with such corporation's constitution (evidence of such authority may be required).

Name of Custodian:	
Signature:	Date:
Name:	
Title:	