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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

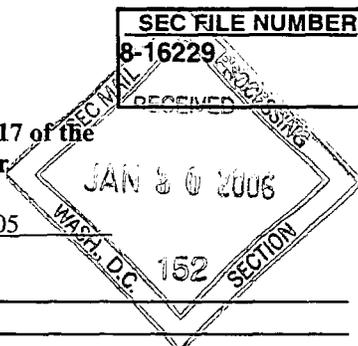
OMB APPROVAL  
OMB Number: 3235-0123  
Expires:  
Estimated average burden  
hours per response . . . 12.00

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER  
8-16229

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder



REPORT FOR THE PERIOD BEGINNING 12/01/04 AND ENDING 11/30/05  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Neuberger Berman Management Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

605 Third Avenue

New York

(No. and Street)  
New York

10158-3698

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Edward Grieb

(212) 526-0588

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ernst & Young LLP

(Name - of individual, state last, first, middle name)

5 Times Square

New York

NY

10036

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED  
MAR 13 2006

FOR OFFICIAL USE ONLY  
THOMSON FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

10/1  
3/18/06

**Neuberger Berman Management Inc.**  
**(A Wholly-Owned Subsidiary of Neuberger Berman Inc.)**

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This report \*\* contains (check all applicable boxes):

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<u>      </u>	(s) Supplemental Report of Independent Auditors on Internal Control Required by Securities and Exchange Commission Rule 17a-5	
<u>      </u>	(t) Supplemental Report of Independent Auditors on Internal Control Required by Commodity Futures Trading Commission Regulation 1.16	

\*\* For conditions or confidential treatment of certain portions of this filing, see Section 240.17a-5(e) (3).

**Neuberger Berman Management Inc.**  
**(A Wholly-Owned Subsidiary of Neuberger Berman Inc.)**

**OATH OR AFFIRMATION**

I, Edward Grieb, swear that, to the best of my knowledge and belief the accompanying statement of financial condition and supplemental information pertaining to the firm of Neuberger Berman Management Inc., as of November 30, 2005 are true and correct. I further swear that neither the Company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.



Signature

Chief Financial Officer

Title

Subscribed and sworn to before me this 26 day of January 2006

NOTARY PUBLIC  
New York, New York

In and for the State of New York  
Residing in New York

Joan Livingstone Calderon  
Notary Public, State of New York  
#01CA4896362  
Qualified in New York County  
Commission Expires 7/6/07



Neuberger Berman Management Inc.  
(A Wholly-Owned Subsidiary of Neuberger Berman Inc.)

Statement of Financial Condition

November 30, 2005

With Report of Independent Registered Public Accounting Firm

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder of  
Neuberger Berman Management Inc.

We have audited the accompanying statement of financial condition of Neuberger Berman Management Inc. (the "Company") as of November 30, 2005. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of Neuberger Berman Management Inc. at November 30, 2005, in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

January 27, 2006

**Neuberger Berman Management Inc.**  
**(A Wholly-Owned Subsidiary of Neuberger Berman Inc.)**  
**Statement of Financial Condition**

**In thousands**  
**November 30, 2005**

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<b>Assets</b>	
Cash and cash equivalents	\$120,596
Securities and other inventory positions owned, at market value	199
Fees receivable	24,276
Furniture, equipment and leasehold improvements (net of accumulated depreciation and amortization of \$8,168)	679
Identifiable intangible assets and goodwill (net of accumulated amortization of \$205)	16,385
Other assets	4,936
<b>Total assets</b>	<b>\$167,071</b>

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**Liabilities and Stockholder's Equity**

<b>Liabilities</b>	
Payable to Parent	\$ 24,905
Payable to affiliates	8,043
Other liabilities and accrued expenses	27,206
<b>Total liabilities</b>	<b>60,154</b>
<b>Total stockholder's equity</b>	<b>106,917</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$167,071</b>

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See Notes to Statement of Financial Condition.

**Neuberger Berman Management Inc.**  
**(A Wholly-Owned Subsidiary of Neuberger Berman Inc.)**  
**Notes to Statement of Financial Condition**  
**November 30, 2005**

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**Neuberger Berman Management Inc.**  
**(A Wholly-Owned Subsidiary of Neuberger Berman Inc.)**  
**Notes to Statement of Financial Condition**  
**November 30, 2005**

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**Note 1 Summary of Significant Accounting Policies**

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**Organization and Description of Business**

Neuberger Berman Management Inc. (the "Company," "we," "us," or "our"), a New York corporation, is a wholly owned subsidiary of Neuberger Berman Inc., a Delaware corporation (the "Parent") which is a wholly owned subsidiary of Lehman Brothers Holdings Inc., also a Delaware corporation ("Lehman Brothers"). We conduct operations as a registered investment adviser to, and distributor of, registered mutual funds (the "Funds") and is a registered broker-dealer. We do not carry customer accounts and is exempt from the Securities and Exchange Commission's ("SEC") Rule 15c3-3 pursuant to provision (k)(2)(i) of such rule.

**Basis of Presentation**

The Statement of Financial Condition is prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the Statement of Financial Condition requires management to make estimates and assumptions that affect the reported amounts in the Statement of Financial Condition, including the realizability of deferred tax assets, the outcome of litigation, and determining the allocation of the cost of acquired businesses to identifiable intangible assets and goodwill. Management believes the estimates used in preparing the Statement of Financial Condition are reasonable and prudent. Actual results could differ from these estimates.

**Securities and Securities Transactions**

Securities owned, primarily investments in registered and unregistered investment funds, are carried at market value. Principal transactions in securities are recorded on a trade-date basis.

**Long-Lived Assets**

Furniture, equipment and leasehold improvements are recorded at historical cost, net of accumulated depreciation and amortization. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of their useful lives or the terms of the underlying leases, which extend through 2010. Furniture and equipment are depreciated over periods of up to 10 years. Internal use software that qualifies for capitalization under American Institute of Certified Public Accountants Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," is capitalized and subsequently amortized over the estimated useful life of the software, generally five years. We review long-lived assets for impairment periodically and whenever events or changes in circumstances indicate the carrying amounts of the assets may be impaired. If the expected future undiscounted cash flows are less than the carrying amount of the asset, an impairment loss would be recognized to the extent the carrying value of such asset exceeded its fair value.

**Identifiable Intangible Assets and Goodwill**

Identifiable intangible assets with finite lives are amortized over their expected useful lives. Identifiable intangible assets with indefinite lives and goodwill are not amortized. Instead, these assets are evaluated at least annually for impairment.

**Equity-Based Compensation**

Our employees participate in Lehman Brothers' stock-based incentive plans. Beginning in 2004, Lehman Brothers adopted the fair-value method of accounting for equity-based employee awards using the prospective transition method permitted by SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." Under this method of transition, compensation expense is recognized based on the fair value of stock options and restricted stock units granted for 2004 and future years over the relevant service period.

In 2004, Lehman Brothers adopted the fair value recognition provisions of SFAS No. 123, "*Accounting for Stock-Based Compensation*," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123," using the prospective adoption method. Lehman Brothers' adoption of SFAS 123 on a prospective basis in 2004 resulted in a change in measurement for employee stock awards. Beginning in 2004, RSU and option awards granted are accounted for at fair value in accordance with SFAS No. 123. The measurement of fair value for RSU awards includes a discount from the market value of unrestricted common stock

**Neuberger Berman Management Inc.**  
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**Notes to Statement of Financial Condition**  
**November 30, 2005**

on the RSU grant date for selling restrictions subsequent to the vesting date. Equity awards granted prior to 2004 continue to be accounted for in accordance with APB Opinion No. 25, "Accounting for Stock issued to employees," ("APB 25") utilizing the intrinsic value method of recognizing compensation expense. Accordingly, no compensation expense was recognized for stock option awards granted prior to 2004, because the option exercise price equaled or exceeded the market value of Lehman Brothers' common stock on the grant date. RSUs granted prior to 2004 continue to be accounted for in accordance with APB 25 utilizing the intrinsic value method of recognizing compensation, such that a discount is not recognized for selling restrictions subsequent to the vesting date. Under both APB 25 and SFAS No. 123 compensation expense for restricted stock units with future service requirements were recognized over the relevant service periods.

In December 2004, the FASB issued SFAS No. 123(R), "*Share-Based Payment*," ("SFAS 123(R)") which Lehman Brothers will adopt on December 1, 2005. SFAS 123(R) requires public companies to recognize expense in the income statement for the grant-date fair value of awards of equity instruments granted to employees. Expense is to be recognized over the period during which employees are required to provide service. SFAS 123(R) generally requires the immediate expensing of equity-based awards granted to retirement-eligible employees, and those with no substantive future service requirements. SFAS 123(R) also clarifies and expands the guidance in SFAS 123 in several areas, including measuring fair value and attributing compensation cost to reporting periods. Under the modified prospective transition method Lehman Brothers applied, compensation cost is recognized for the portion of outstanding awards granted prior to the adoption of SFAS 123 for which service has not yet been rendered. Upon adoption of SFAS 123(R) on December 1, 2005, Lehman Brothers will recognize an after-tax gain as a cumulative effect of a change in accounting principle attributable to the requirement to estimate forfeitures at the date of grant instead of recognizing them as incurred. We do not expect Lehman Brothers' adoption of SFAS 123(R) otherwise will have a material effect on our financial statements.

#### **Cash Equivalents**

Cash equivalents include highly liquid investments not held for resale with maturities of three months or less when we acquire them.

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#### **Note 2 Capital Requirements**

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As a registered broker-dealer and member of the National Association of Securities Dealers, we are subject to the Securities and Exchange Commission ("SEC") Uniform Net Capital Rule 15c3-1, which requires us to maintain minimum net capital, as defined under the alternative method, of the greater of \$250,000 or 2% of aggregate debit items arising from customer transactions, as defined. At November 30, 2005, we had net capital of approximately \$76,645,000, which exceeded requirements by approximately \$76,395,000. The net capital charge for the deductible on our fidelity bond has been borne by Neuberger Berman, LLC ("NB, LLC), an affiliate. Based on applicable regulatory requirements, we may not withdraw equity capital if our net capital falls below certain specified levels.

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#### **Note 3 Commitments and Contingencies**

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We lease office space and equipment under lease agreements expiring on various dates through 2011. Office space leases are subject to escalation based on increases in costs incurred by the lessor. At November 30, 2005, minimum rentals, excluding office space escalation, under these lease agreements, are as follows:

##### **In thousands**

Fiscal 2006	\$ 524
Fiscal 2007	537
Fiscal 2008	523
Fiscal 2009	539
Fiscal 2010	555
December 1, 2010 and thereafter	93
Total minimum lease payments	\$2,771

**Neuberger Berman Management Inc.**  
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**Notes to Statement of Financial Condition**  
**November 30, 2005**

We are involved in legal proceedings concerning matters arising in connection with the conduct of our business. Such proceedings generally include actions arising out of our activities as an investment adviser. Although there can be no assurances as to the ultimate outcome, we generally have denied, or believe we have a meritorious defense and will deny, liability in cases pending against us and we intend to defend vigorously each such case. Based on information currently available, advice of counsel, and established reserves, we believe the eventual outcome of the actions against us will not, in the aggregate, have a material adverse effect on our financial condition, results of operations or liquidity.

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**Note 4 Lehman Brothers' Benefit and Incentive Plans**

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Our employees participate in Lehman Brothers' various benefit and incentive plans. We record our allocated share of Lehman Brothers' benefit and equity-based compensation cost. The following is a description of these benefit and incentive plans.

**1999 Long Term Incentive Plan**

The 1999 Neuberger Berman Inc. Long-Term Incentive Plan (the "LTIP") provided for the grant of restricted stock, restricted units, incentive stock, incentive units, deferred shares, supplemental units and stock options. The total number of shares of Common Stock that may be issued under the LTIP may not exceed 7.7 million. At November 30, 2005, awards with respect to approximately 6.7 million shares of Common Stock have been made under the LTIP, of which approximately 3.7 million restricted shares, RSUs and stock options are outstanding and 3.0 million have been converted to freely transferable Common Stock.

**Wealth Accumulation Plan**

The Neuberger Berman Inc. Wealth Accumulation Plan (the "WAP") provides that on an annual basis, employees who receive commissions and other direct pay and those eligible for a bonus may elect to defer a portion of their compensation. In each case, up to 20% of total compensation may be deferred with a maximum deferral of up to \$500,000, provided that employees who receive an annual bonus may, in any event, defer no more than the full amount of the bonus. Amounts deferred by employees are used to acquire, on a pretax basis, the Common Stock at a 25% discount from market value. Any stock so acquired is restricted with respect to transfer or sale and vests three years after the grant date. Certain benefits of ownership, including the payment of any dividends declared during the restricted period, belong to the employees. At November 30, 2005, awards with respect to approximately 150,000 shares of Common Stock have been made under the WAP of which approximately 30,000 shares are outstanding and approximately 120,000 have been converted to freely transferable Common Stock. We no longer permit deferrals under the WAP and the WAP will terminate on the last day on which any restricted stock outstanding under the WAP becomes vested.

**Employee Incentive Plan**

The Employee Incentive Plan ("EIP") provides for the issuance of RSUs, performance stock units ("PSUs"), stock options and other equity awards for a period of up to ten years to eligible employees, and has authorization from Lehman Brothers' Board of Directors to issue up to 246.0 million shares of Common Stock. At November 30, 2005 awards with respect to 231.9 million shares of Common Stock have been made under the EIP of which 93.0 million are outstanding, and 138.9 million have been converted to freely transferable Lehman Brothers Common Stock.

**Defined Benefit Plans**

Lehman Brothers provides both funded and unfunded noncontributory defined benefit pension plans for the majority of its employees worldwide. In addition, Lehman Brothers provides certain other postretirement benefits, primarily health care and life insurance, to eligible employees. Lehman Brothers uses a November 30 measurement date for the majority of its plans. Our employees participate in Lehman Brothers' domestic pension plans. We record as compensation and benefits our allocated share of the cost of these plans. The following tables summarize Lehman Brothers' domestic employee benefit plans in which our employees participate:

**Neuberger Berman Management Inc.**  
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**Notes to Statement of Financial Condition**  
**November 30, 2005**

In millions November 30, 2005	Pension Benefits	Postretirement Benefits
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$947	\$ 69
Service cost	40	2
Interest cost	56	3
Plan amendment	5	—
Actuarial loss (gain)	(2)	(9)
Benefits paid	(29)	(5)
Foreign currency exchange rate changes	—	—
Benefit obligation at end of year	1,017	60
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	887	—
Actual return on plan assets, net of expenses	72	—
Employer contribution	100	5
Benefits paid	(29)	(5)
Foreign currency exchange rate changes	—	—
Fair value of plan assets at end of year	1,030	—
Funded (underfunded) status	13	(60)
Unrecognized net actuarial loss (gain)	438	(11)
Unrecognized prior service cost (benefit)	31	(2)
Prepaid (accrued) benefit cost	\$482	\$(73)
Accumulated benefit obligation—funded plans	\$899	
Accumulated benefit obligation—unfunded plan	63 <sup>(1)</sup>	

(1) A liability is recognized in the Consolidated Statement of Financial Condition for unfunded plans.

**Weighted-Average Assumptions Used to Determine Benefit Obligations at November 30, 2005**

Discount rate	5.98%	5.83%
Rate of compensation increase	5.00%	—

**Plan Assets**

Pension plan assets are invested with the objective of meeting current and future benefit payment needs, while minimizing future contributions.

Plan assets are invested with several investment managers. Assets are diversified among U.S. and international equity securities, U.S. fixed income securities, real estate and cash. The plan employs a mix of active and passive investment management programs. The strategic target of plan asset allocation is approximately 65% equities and 35% U.S. fixed income. The investment sub-committee of Lehman Brothers' pension committee reviews the asset allocation quarterly and, with the approval of the pension committee, determines when and how to rebalance the portfolio. The plan does not have a dedicated allocation to Lehman Brothers' common stock, although the plan may hold a minimal investment in Lehman Brothers' common stock as a result of investment decisions made by various investment managers.

**Neuberger Berman Management Inc.**  
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**Notes to Statement of Financial Condition**  
**November 30, 2005**

Weighted-average plan asset allocations were as follows:

**November 30, 2005**

Equity securities	64%
Fixed income securities	24
Real estate	2
Cash	10
	100%

**Expected Contributions for the Fiscal Year Ending November 30, 2006**

Lehman Brothers does not expect to contribute to its U.S. pension plans in the fiscal year ending November 30, 2006.

**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

In millions	Pension	Postretirement
Fiscal 2006	\$ 32	\$ 5
Fiscal 2007	34	5
Fiscal 2008	37	5
Fiscal 2009	39	5
Fiscal 20010	42	4
Fiscal 2011—2015	261	22

**Post Retirement Benefits**

Assumed health care cost trend rates were as follows:

**November 30, 2005**

Health care cost trend rate assumed for next year	9%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%
Year the rate reaches the ultimate trend rate	2010

Assumed health care cost trend rates affect the amount reported for postretirement benefits. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

In millions	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on postretirement benefit obligation at November 30, 2005	\$ 1	\$(1)

**Note 5 Income Taxes**

Our income is included in the consolidated U.S. federal income tax return of Lehman Brothers. Our tax provision is computed in accordance with the tax sharing agreement between Lehman Brothers and its subsidiaries. In accordance with this agreement, the balance due at November 30, 2005 was \$85.5 million. Our net deferred tax asset of \$1.3 million (\$2.1 million of deferred tax assets and \$0.8 million of deferred tax liabilities) relates primarily to depreciation and amortization of deferred compensation and is included in other assets in our Statement of Financial Condition. We anticipate our net deferred tax asset will be realized; therefore no valuation allowance has been recorded.

**Neuberger Berman Management Inc.**  
**(A Wholly-Owned Subsidiary of Neuberger Berman Inc.)**  
**Notes to Statement of Financial Condition**  
**November 30, 2005**

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**Note 6 Fair Value of Financial Instruments**

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Substantially all of our financial instrument assets and liabilities are carried at contract value, which approximates market or fair value, due to their relatively short-term nature or variable market rates of interest.

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**Note 7 Related Party Transactions**

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Certain employees of the Company are officers and/or trustees and directors of the Funds managed by us.

Cash and cash equivalents and securities and other inventory positions owned, at market value include \$120.6 million and \$90,000, respectively, invested in money market and other funds managed by us at November 30, 2005.

An affiliate earned brokerage commissions for the execution of transactions for the Funds managed by us, which are paid directly by the Funds.

We have sub-advisory agreements with NB, LLC, an affiliated NYSE broker dealer, to provide us with investment and research information.

We pay fees for receiving general and administrative services from NB, LLC. We in turn receive fees from NB, LLC for marketing services rendered by us.

We pay fees for using office space provided to us by various affiliates, and in turn receive fees for office space we provide to various affiliates.

Included in Other assets is \$2.5 million due from various affiliates.