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

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

SEC FILE NUMBER
8-16229

SECURITIES AND EXCHANGE COMMISSION  
**RECEIVED**  
MAR 01 2013  
REGISTRATIONS BRANCH  
REPORT FOR THE PERIOD BEGINNING

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

1-1-12

AND ENDING

12-31-12

MM/DD/YY

MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Neuberger Berman Management LLC

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

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

KPMG

345

Park Avenue

New York, NY

10154

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**FOR OFFICIAL USE ONLY**

\*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)

SEC 1410 (06-02)

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**NEUBERGER BERMAN MANAGEMENT LLC**

Statement of Financial Condition

December 31, 2012

(With Report of Independent Registered  
Public Accounting Firm Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Report of Independent Registered Public Accounting Firm

The Members

Neuberger Berman Management LLC:

We have audited the accompanying statement of financial condition of Neuberger Berman Management LLC as of December 31, 2012, that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the statement of financial condition (the financial statement).

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statement referred to above presents fairly in all material respects, the financial position of Neuberger Berman Management LLC as of December 31, 2012, in accordance with U.S. generally accepted accounting principles.

**KPMG LLP**

February 28, 2013

**NEUBERGER BERMAN MANAGEMENT LLC**

Statement of Financial Condition

December 31, 2012

(In thousands)

<b>Assets</b>	
Cash and cash equivalents	\$ 62,436
Receivables:	
Receivables from affiliated funds	24,304
Advisory and administrative fees receivable	1,934
Commission advances	1,881
Due from affiliates	428
Furniture, equipment and leasehold improvements (net of accumulated depreciation and amortization of \$312)	195
Other assets	413
Total assets	\$ <u>91,591</u>
<b>Liabilities and Members' Capital</b>	
Liabilities:	
Accrued compensation	\$ 20,699
Due to affiliates	17,988
Distribution fees payable	9,075
Due to affiliated funds	1,194
Income taxes payable	2,904
Other liabilities and accrued expenses	4,635
Total liabilities	56,495
Members' capital	35,096
Total liabilities and members' capital	\$ <u>91,591</u>

See accompanying notes to the statement of financial condition.

# NEUBERGER BERMAN MANAGEMENT LLC

## Notes to Statement of Financial Condition

December 31, 2012

(Dollars in thousands, except where noted)

### (1) Organization and Description of Business

Neuberger Berman Management LLC, a Delaware limited liability company (NB Management or the Company), is an indirect wholly owned subsidiary of Neuberger Berman Group LLC, a Delaware limited liability company (NB Group), which is a majority owned subsidiary of NBSH Acquisition, LLC a Delaware limited liability company (NBSH). NB Management is a registered limited purpose broker-dealer, registered investment adviser and commodity pool operator engaged principally in providing distribution and investment advisory services to registered mutual funds which are part of the Neuberger Berman mutual funds complex (Mutual Funds). NB Management has retained three affiliates, Neuberger Berman LLC, Neuberger Berman Fixed Income LLC and Neuberger Berman Alternative Investment Management LLC, to act as sub-advisers with respect to certain Funds.

### (2) Summary of Significant Accounting Policies

#### (a) *Basis of Presentation*

The statement of financial condition has been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of the statement of financial condition requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the statement of financial condition. Although these estimates and assumptions are based on the best available information, actual results could be materially different from those estimates.

#### (b) *Cash and Cash Equivalents*

Cash and cash equivalents consist primarily of investments in money market funds of approximately \$62.4 million, which funds are highly liquid and payable on demand.

#### (c) *Commission Advances*

Commission advances represent commissions paid to third party financial intermediaries in connection with sales of certain classes of Mutual Funds that are capitalized as advanced commissions.

This asset is amortized over a 12 month period which represents the period during which the Company earns 12b-1 fees and can earn a contingent deferred sales charge from the Mutual Funds.

#### (d) *Securities Transactions*

Securities transactions are recorded on a trade date basis. Securities owned and securities sold, not yet purchased are valued at market value or fair value as determined by management. For the year ended December 31, 2012, investments in money market funds are valued using the year end quoted net asset value per share.

## NEUBERGER BERMAN MANAGEMENT LLC

### Notes to Statement of Financial Condition

December 31, 2012

(Dollars in thousands, except where noted)

#### (e) *Income Taxes*

NB Management is a limited liability company, and is subject to the New York City unincorporated business tax (NYC UBT).

NB Management complies with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic, *Accounting for Uncertainty in Income Taxes*, which sets out a framework for management to use to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation uses a two-step approach so that a tax benefit is only recognized if a position is more likely than not to be sustained, and the amount of benefit is then measured on a probabilistic approach, as defined in the ASC Topic. The ASC Topic also sets out disclosure requirements to enhance transparency of an entity's tax reserves.

#### (3) **Fair Value of Firm Investments**

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the transparency of the market and complexity of the instrument.

Assets and liabilities recorded at fair value in the statement of financial condition are categorized based upon the level of judgment associated with the inputs used to measure the fair value. GAAP provides for the following three levels to be used to classify fair value measurements:

- Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. In making such estimates, management includes, among other things, assumptions of risk, both the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

**NEUBERGER BERMAN MANAGEMENT LLC**

Notes to Statement of Financial Condition

December 31, 2012

(Dollars in thousands, except where noted)

At December 31, 2012, the Company's investments consisted solely of investments in money market funds which are reported as cash and cash equivalents on the statement of financial condition.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	(In thousands)			
Money market funds	\$ 62,400	—	—	\$ 62,400
Total firm investments	\$ 62,400	—	—	\$ 62,400

**(4) Commitments and Contingencies**

From time-to-time, NB Management is involved in legal proceedings concerning matters arising in connection with the conduct of its business. NB Management recognizes liabilities for contingencies when there is an exposure that, when analyzed, indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. When a range of probable loss can be estimated, NB Management accrues the most likely amount. If the amount is not determinable, NB Management accrues the minimum of the range of probable loss. The Company's management believes, based on currently available information, advice of counsel, and established reserves, that the eventual outcome of any such proceedings, in the aggregate, will not have a material adverse effect on NB Management's financial condition.

**(5) Capital Requirements**

As a limited purpose registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc. (FINRA), NB Management is subject to the Securities and Exchange Commission's (SEC) Uniform Net Capital Rule 15c3-1. NB Management has elected to calculate net capital under such Rule in accordance with the alternative method which requires NB Management to maintain minimum net capital, as defined, in an amount that is the greater of \$250,000 or 2% of aggregate debit items arising from customer transactions, as defined in such Rule. As of December 31, 2012, NB Management had net capital of \$29.8 million, which exceeded the minimum net capital requirement by \$29.6 million. Based on applicable regulatory requirements, the Company may not withdraw equity capital if its net capital falls below certain specified levels, as defined.

**(6) Employee Benefit Plans**

Employees of NB Management, along with employees of certain of its affiliated companies, participate in the NB Group 401(k) Plan (Plan). Matching and profit sharing contributions by NB Group are discretionary. NB Group's Board of Directors makes an annual determination whether NB Group will provide matching contributions. At December 31, 2012 the NB Group Board of Directors agreed to make matching and profit sharing contributions to the Plan for the benefit of certain participants in the Plan, including certain employees of the Company.

Certain employees of NB Management participate in the NB Group Contingent Compensation Plan (Contingent Compensation Plan) which was established in 2008. Other than with respect to death, disability or retirement, allocations under the Contingent Compensation Plan may be forfeited, should an

## NEUBERGER BERMAN MANAGEMENT LLC

### Notes to Statement of Financial Condition

December 31, 2012

(Dollars in thousands, except where noted)

employee no longer be employed by NB Management or an affiliated entity. Initially, NB Group will measure any related compensation expense based on the fair value at the date of award and will allocate the applicable expense to NB Management over the applicable vesting period, as such term is defined in the Contingent Compensation Plan. At each subsequent reporting period until the award is settled, the fair value of the contingent compensation will be re-measured based on the current fair value of the award granted.

#### (7) Income Taxes

The Company is a partnership for U.S. income tax purposes and because its principal place of business is in New York City, is subject to NYC UBT.

As of December 31, 2012, the Company had a net deferred tax asset of \$55.5 thousand included in other assets on the statement of financial condition which consisted of the following:

	<u>2012</u>
Deferred tax asset:	
Reserves not currently deductible	\$ 0.2
Deferred compensation	54.1
Other	<u>1.2</u>
Deferred assets before valuation	55.5
Valuation allowance	-
Deferred tax asset, net of valuation allowance	<u>\$ 55.5</u>

The Company assesses its risk associated with uncertain tax positions and records tax benefits for all years subject to examination based on the best information available at the reporting date. For those positions where it is more likely than not that a tax benefit will be sustained, the Company records the largest amount of the tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority. For those positions where it is more likely than not that a tax benefit will not be sustained, no tax benefit is recognized in the statement of financial condition. During the period, the Company increased the gross amount of unrecognized tax benefits by \$0.7 million, which if recognized would favorably impact the Company's effective tax rate. The unrecognized tax benefits relate to the deductibility of compensation related expenses. At this time the Company does not expect any material change in the unrecognized tax positions over the next twelve months.

A reconciliation of the beginning and ending balance of the unrecognized tax benefit is as follows:

**NEUBERGER BERMAN MANAGEMENT LLC**

Notes to Statement of Financial Condition

December 31, 2012

(Dollars in thousands, except where noted)

Balance as of December 31, 2011	\$	1,672
Additions based on tax positions related to the current period		<u>723</u>
Balance as of December 31, 2012	\$	<u><u>2,395</u></u>

**(8) Related Party Transactions**

Due to affiliates of \$18.0 million at December 31, 2012 represents \$11.2 million due to NB Group, \$6.6 million payable to Neuberger Berman Services LLC and \$0.2 million due to other affiliates.

**(9) Subsequent Events**

The Company's management has evaluated events occurring after the date of the statement of financial condition (subsequent events) through February 28, 2013, the date the statement of financial condition was issued, to determine whether any subsequent events necessitate adjustment to or disclosure in the statement of financial condition.

On February 20, 2013, the members of NB Management authorized the Company to declare and pay a dividend in the amount of \$30 million. Such dividend was paid on February 26, 2013