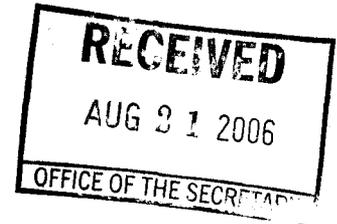


NEUBERGER BERMAN FUNDS
605 Third Avenue, 2nd Floor
New York, NY 10158-0180



August 18, 2006

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

RE: File No. S7-03-04

Dear Ms. Morris:

We write to express the views of the Independent Trustees/Directors ("Independent Trustees") of the Neuberger Berman Funds on the Commission's proposals to require (1) that 75% of each fund's board be independent and (2) that each fund's board appoint an independent chair.¹ As discussed in more detail below, the Independent Trustees of the NB Funds strongly support the 75% independent trustee requirement but believe that the independent chair requirement is unnecessary and could actually harm fund operations and shareholder protection in some fund groups.

I. The Independent Trustees of the NB Funds strongly support the 75% independent trustee requirement.

The Independent Trustees strongly support the proposed 75% independent trustee requirement. We believe the independent trustees of all funds should be a force whose presence is clearly felt in the boardroom and in all other aspects of board operations. A 75% supermajority of independent trustees would lend substantial weight to their views while still leaving room for management representatives to serve on the Board. It also ensures that, on issues where the independent trustees have a cohesive view, they can control the nature and extent of the board's deliberations and their views can determine the outcome.

Our Board has complied with the 75% standard for many years, and in 2003 adopted an internal requirement that 75% of the Board members be independent. Based on our experience, we believe the costs associated with requiring all fund boards to meet such a standard are fully justified by the potential benefits to shareholders.

¹ As of July 31, 2006, the Neuberger Berman Fund complex ("NB Funds") included 41 registered open-end fund series and nine registered closed-end funds, with aggregate net assets totaling approximately \$42 billion. Although this letter refers to the "Board" of the NB Funds, there are actually 16 trusts and corporations in the complex, all with the same 13 Board members.

II. The NB Fund Independent Trustees do not support the independent chair requirement.

A. The benefits of an independent chair are elusive, and appointing an independent chair could have harmful effects for fund shareholders.

The Independent Trustees of the NB Funds do not support the independent chair requirement. In our unanimous view, the benefits of having an independent chair are elusive and largely symbolic.

We do not believe that the independent chair requirement will lessen the potential for scandals of the sort that have come to light over the past three years. Indeed, it did not surprise us to learn that several prominent fund groups implicated in the market timing and late trading scandals already had independent chairs. Those scandals took place primarily in the operational realm, about which a part-time independent chair typically would have little knowledge unless informed by management representatives. In fact, by creating a gap between the fund's board chair and those with operational responsibility, the independent chair rule could well increase the propensity for future misconduct in some fund groups.

We believe there are additional costs associated with appointing an independent chair, which would not be appropriate for fund shareholders to bear absent a truly demonstrable benefit. First, among the recently adopted fund governance rules, the independent chair rule is the only one with the potential to be truly disruptive of board operations. It would force boards to begin experimenting with new leadership and new channels of communication. Some fund boards may discover – the hard way – that their newly selected independent chair, while very talented in business, law or academe, does not have the specific talent required to lead a board, and especially a board going through an awkward transition. All of this would take place at the expense of the board's attention to the shareholders' business.

It is also possible that funds would be forced to bear additional legal expenses associated with an independent chair who seeks separate legal advice. We foresee that there could be a range of situations where the independent chair might find it necessary to seek legal advice to avoid personal exposure or to avoid exposing the fund or the collective board. Certainly the inside chair of a board seeks advice of counsel, and the independent trustees, including the lead independent trustee, seek the advice of their counsel where they have one. But placing an independent trustee in charge of the Board can open a host of new issues, and bring new legal expenses, without any obvious benefit to shareholders.

In addition, given the additional responsibilities and time commitment, it is likely that an independent chair would expect increased compensation, beyond that usually paid to a lead independent trustee.

B. One size does not fit all.

The goal of the proposed governance rules is a strong board able to function effectively in the interests of the fund and its shareholders. To achieve this goal, it is not necessary or even paramount that every fund board have an independent chair. It is important that the independent board members have the appropriate skill set, a skeptical attitude, a cohesive structure and effective leadership. Those elements, combined with the requirement for 75% independent membership, will allow the independent trustees to represent effectively the interests of shareholders.

There is more than one way to achieve these elements, and the best way for any given board to achieve them depends on the relationships and abilities of its members. As discussed in more detail below, the Independent Trustees of the NB Funds have implemented over time a variety of measures that have enhanced their independence and effectiveness and achieved most, if not all, of the benefits claimed for the proposed independent chair rule.

C. There are other ways for independent trustees to ensure their independence and effectiveness than by appointing an independent chair.

In our view, there are other ways to ensure board independence and effectiveness than by appointing an independent chair. Below we discuss three measures that the Independent Trustees of the NB Fund Board have used to strengthen their effectiveness.

1. Separate Meetings of Independent Trustees.

The Independent Trustees of the NB Funds and their counsel have been meeting separately from management in advance of each regular Board meeting, and special Board meetings as they deemed necessary, for more than 10 years. These meetings have strengthened relationships among the Independent Trustees and made them a cohesive force. The meetings also allow the Independent Trustees to explore among themselves issues about which they may have had questions or doubts. During their separate meetings, the Independent Trustees formulate opinions on management proposals and focus their questions for management, which are then communicated for discussion at the full Board meeting or later follow-up. They are also free to add to their agenda any issue of concern to them, whether or not related to a current initiative of management and whether or not the matter was already on the full Board's agenda.

2. Lead Independent Trustee.

The Independent Trustees have also appointed a Lead Independent Trustee. This appointment has proven extremely effective for the functioning of the NB Funds' Board. The Lead Independent Trustee works with counsel and the other Independent Trustees prior to Board meetings to develop the agenda for the Independent Trustees' meeting. He also is responsible for making sure that the Independent Trustees' meetings run effectively and efficiently. During the full Board meetings, he frequently communicates to management the collective positions or concerns of the Independent

Trustees and speaks on their behalf when necessary. He also helps to set the tone and tempo at Board meetings and ensures that all issues important to the Independent Trustees are adequately addressed.

3. Robust Committee Structure.

The NB Funds' Board has a robust committee structure, which serves to enhance the independence and effectiveness of the Independent Trustees. Committee roles encourage the Trustees to deepen their knowledge on issues important to fund operations and allow them to explore issues in greater depth and breadth than might be appropriate or possible at full board meetings.

Each Committee has a majority of Independent Trustees, and several, including Governance and Nominating, Contract Review, Ethics and Compliance, and Audit, are composed entirely of Independent Trustees. In addition, the committee chairs, each of whom (except the Executive Committee Chair) is an Independent Trustee, in many respects already serve the intended function of the independent chair to collect and communicate to management any concerns of the Independent Trustees that fall within their committee's purview. The committee chairs also may serve as the primary contacts for management and others wishing to bring to the Independent Trustees matters within the purview of a particular committee. The committee chairs and the Independent Trustees' counsel take an active role in preparing the agendas for committee meetings and add agenda items where they see fit.

D. Conclusion and Other Options.

In conclusion, we feel strongly that each fund board should have the freedom to weigh the benefits of having an independent chair against the costs to fund shareholders, in light of the board's unique situation. We believe that allowing fund boards the latitude to determine what is best for their individual circumstances and for the shareholders whose interests they represent will most effectively "promote efficiency, competition and capital formation."

This does not mean that the Commission should take no further action on fund governance. Indeed, we suggest two steps that the Commission might consider:

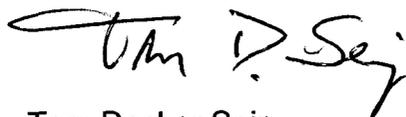
1. The Commission might require fund boards to appoint a lead independent trustee as an alternative to the independent chair.
2. The Commission might require that fund trustees consider during the annual board self-evaluation the appropriateness of appointing an independent chair.² That would

² We note that rule 17 CFR 270.0-1(a)(7)(v) already requires that fund boards' annual self-evaluation include two specific questions, one on the effectiveness of the committee structure and one on the number of funds on whose boards each director serves.

insure that the question of whether the board should have an independent chair remains a live issue into the future for each fund board.

We would be happy to discuss any questions raised by our comments and appreciate the opportunity to comment on these proposals.

Sincerely,



Tom Decker Seip
Lead Independent Trustee/Director
Neuberger Berman Funds



C. Anne Harvey
Independent Trustee/Director
Chair of Governance and Nominating Committee
Neuberger Berman Funds

cc: Neuberger Berman Funds Trustees/Directors
Arthur C. Delibert
Lori L. Schneider
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