NEUBERGER BERMAN INC
Form S-3
July 02, 2002

As filed with the Securities and Exchange Commission on July 1, 2002
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

Neuberger Berman Inc.
(Exact name of registrant as specified in its charter)

Delaware	06-1523639
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

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605 Third Avenue
New York, N.Y. 10158
(212) 476-9000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Kevin Handwerker, Esq.
General Counsel
605 Third Avenue
New York, N.Y. 10158
(212) 476-9000
(Name, address, including zip code, and telephone number, including area code, of agent for service)
with copies to:

David K. Boston, Esq.	Raymond B. Check, Esq.
Willkie Farr & Gallagher	Cleary, Gottlieb, Steen & Hamilton
787 Seventh Avenue	One Liberty Plaza
New York, New York 10019	New York, New York 10006
(212) 728-8000	(212) 225-2000
(Counsel for Registrant)	(Counsel for Underwriters)

Approximate date of commencement of proposed sale of the securities to the public:

As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [_]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

CALCULATION OF REGISTRATION FEE

TITLE OF SHARES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE PRICE PER SHARE (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
Common Stock, $0.01 par value (2)	1,700,000 Shares (3)	$35.97	$ 61,149,000	$ 5,625.71
Common Stock, $0.01 par value (4)	3,300,000 Shares (5)	$35.97	$118,701,000	$10,920.49

(1) Estimated pursuant to Rule 457(c) solely for the purpose of computing the registration fee. Based upon the average high and low prices per share of common stock on the New York Stock as of

(2) Common stock offered by the selling stockholders.

(3) Includes 220,000 additional shares that the underwriters in the stock offering have the option to purchase.

(4) Common stock that may be delivered by the Neuberger Berman Automatic Common Exchange Security Trust.

(5) Includes 430,000 additional shares that may be delivered if the underwriters of the Trust Automatic Common Exchange Securities exercise their option to purchase additional Trust Automatic Common Exchange Securities.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This registration statement contains two forms of prospectus: (1) a prospectus relating to an offer by employees of Neuberger Berman Inc. who hold their stock through the Neuberger Berman Employee Defined Contribution Stock Incentive Plan Trust to sell outstanding shares of Neuberger Berman common stock; and (2) a prospectus relating to the delivery by the Neuberger Berman Automatic Common Exchange Security Trust of shares of Neuberger Berman common stock owned by certain former principals of Neuberger Berman and their affiliates that may be delivered in exchange for the Trust Automatic Common Exchange Securities offered by the Trust. The prospectus to be used in connection with the stock offering is set forth in full following this explanatory note. The prospectus to be used in connection with the Trust offering is identical to the prospectus for the stock offering except that the outside front and back covers and table of contents are replaced with alternative versions, the subsections entitled "Concurrent Offering" and "The

Offering" contained in the section entitled "Prospectus Summary" are replaced with alternative versions, the section entitled "Underwriting" is replaced with an alternative section entitled "Plan of Distribution," and a new section entitled "Trust Prospectus" is added after the section entitled "Plan of Distribution," all of which are included herein following the prospectus for the stock offering.

Subject to Completion
Preliminary Prospectus dated July 1, 2002

PROSPECTUS

[NEUBERGER BERMAN LOGO]

1,480,000 Shares

Neuberger Berman Inc.

Common Stock

All of the shares of the common stock in this offering are being sold by selling stockholders, who are employees of Neuberger Berman holding their stock through the Neuberger Berman Employee Defined Contribution Stock Incentive Plan Trust. In addition, certain former principals of Neuberger Berman and their affiliates have granted the underwriters an option to purchase up to an additional 220,000 shares of common stock as described below. Neuberger Berman will not receive any of the proceeds from the sale of the shares.

The shares trade on the New York Stock Exchange under the symbol "NEU." The last sale price of the shares as reported on the New York Stock Exchange on June 28, 2002 was $36.60 per share.

Concurrently with this offering, certain former principals of Neuberger Berman and their affiliates are offering 2,870,000 shares of common stock (or up to 3,300,000 shares if the underwriters' option to purchase additional Trust Automatic Common Exchange Securities is exercised in full) that may be delivered by the Neuberger Berman Automatic Common Exchange Security Trust upon exchange of the Trust Securities on the exchange date as defined in the Trust prospectus. The Trust Securities are being sold by the Trust in an offering described in the Trust prospectus. Neuberger Berman is not affiliated with the Trust. Neuberger Berman will not receive any proceeds from the delivery of the shares of common stock by such former principals and their affiliates or the sale of the Trust Securities offered in the Trust prospectus.

Investing in the common stock involves risks that are described in the "Risk Factors" section beginning on page 11 of this prospectus.

	Per Share	Total

Public offering price................................	$	$
Underwriting discount................................	$	$
Proceeds, before expenses, to the selling stockholders	$	$

The underwriters may also purchase up to an additional 220,000 shares from certain former principals of Neuberger Berman and their affiliates at the initial price to public less the underwriting discount.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2002.

Merrill Lynch & Co. Goldman, Sachs & Co.

Bear, Stearns & Co. Inc.
JPMorgan
Salomon Smith Barney

The date of this prospectus is , 2002.

PROSPECTUS SUMMARY

This following summary is qualified in its entirety by the more detailed information included elsewhere or incorporated by reference in this prospectus. This summary does not contain all of the information that may be important to you. You should read the entire prospectus, as well as the information incorporated by reference, before making an investment decision. See "Forward-Looking Statements" for information relating to statements contained in this prospectus that are not historical facts.

When we use the terms "Neuberger Berman," the "firm," "we," "us" and "our," we mean, for the period prior to our October 1999 initial public offering, Neuberger Berman, LLC, a Delaware limited liability company, and its consolidated subsidiaries, and Neuberger Berman Management Inc., a New York corporation, and their predecessors. When we use these terms for the period after our initial public offering, we mean Neuberger Berman Inc., a Delaware corporation, and its consolidated subsidiaries.

When we use the term "Trust Companies," we mean Neuberger Berman Trust Company, N.A. (formerly Neuberger Berman National Trust Company), which holds a national bank charter, and Neuberger Berman Trust Company of Delaware, a non-depository limited purpose trust company chartered under the Delaware Banking Code. However, in certain circumstances, as the context may require, the term "Trust Companies" includes Neuberger Berman Trust Company of Florida and Neuberger Berman Trust Company, which, as the result of the consolidation of our trust business under the framework of our national trust company, were liquidated with a related transfer of certain assets to, and merged with and into, Neuberger Berman Trust Company, N.A., respectively, during the third and fourth quarters of 2001.

Our Business

Neuberger Berman Inc., through its subsidiaries, is an investment advisory firm with approximately $61.9 billion in assets under management as of March 31, 2002. For over 60 years, the firm and its predecessor companies have provided clients with a wide array of investment products, services and strategies. Our business is conducted primarily through our subsidiaries, Neuberger Berman, LLC and Neuberger Berman Management Inc., both of which are registered investment advisers and broker-dealers, and Neuberger Berman Trust Company, N.A. Neuberger Berman, LLC is also a member of the New York Stock Exchange, Inc. As of March 31, 2002, we conducted our business from 18 offices in 16 cities.

We were founded in 1939 to be a premier provider of investment products and services to high net worth individuals. We have built upon the qualities that have made us successful in the high net worth market to establish a strong presence in the mutual fund and institutional marketplaces, and to provide estate planning and trust services through our national and Delaware trust companies. Our clients include individuals, institutions, corporations, pension funds, foundations and endowments.

We believe that one of our chief competitive advantages is our dedication to asset management, and in particular, our focus on asset management for high net worth individuals. To continue to build on this competitive advantage, we are actively pursuing new hires and acquisitions, including the addition of money management teams with existing client relationships, as well as expanding our national sales force.

In October 1999, we completed an initial public offering of our common stock. As of June 14, 2002, our employees and our former principals and their affiliates held approximately 74% of our outstanding common stock. After giving effect to the concurrent offerings of common stock by certain of our employees and certain of our former principals and their affiliates (but without giving effect to the contemplated delivery of the shares of common stock on the exchange date as defined in the Trust prospectus), our employees and our former principals and their affiliates would have held approximately % of our outstanding common stock as of that date (% assuming the exercise in full of the option to purchase additional shares of common stock granted to the underwriters of the stock offering). After giving effect to those offerings and the delivery of the maximum number of shares of common stock deliverable by the Trust upon exchange of the Trust Securities on the exchange date as defined in the Trust prospectus, they would have held approximately % of our outstanding common stock as of that date (% assuming the exercise in full of the option to purchase additional securities granted to the underwriters of the Trust Securities). After giving effect to those offerings and that delivery of the maximum number of shares deliverable by the Trust, no former principal who is an active employee will own less than 65% of the shares the principal owned prior to our IPO.

Our Principal Business Segments

Our principal business segments include Private Asset Management, Mutual Fund and Institutional and Professional Securities Services. A fourth segment, "Corporate," reflects certain corporate results that are not directly related to the day-to-day operations of our principal business.

Private Asset Management

Our Private Asset Management segment includes money management, advisory services and trust services. This segment provides customized discretionary investment management services for high net worth individuals, families and smaller institutions. It represented 48% of net revenues after interest expense in 2001 and 51% of net revenues after interest expense in the first quarter of 2002.

Assets under management in this segment were approximately $25.7 billion as of March 31, 2002, including assets managed for clients of the Trust Companies. In this segment, we managed approximately 16,600 accounts, through approximately 6,500 relationships, with an average relationship size of approximately $3.9 million, as of March 31, 2002. Net revenues after interest expense for 2001 were $295.7 million. This included $88.2 million in commission revenue, derived principally from listed equity trades executed as broker, on behalf of clients. Net revenues after interest expense for the first quarter of 2002 were $81.5 million, including $26.0 million in commission revenue.

Mutual Fund and Institutional

Our Mutual Fund and Institutional segment includes our family of mutual funds, institutional separate account products and wrap products sponsored by third party brokerage firms and banks, which we offer to a wide array of clients, from the smallest individual investors to the largest institutions. The mutual funds and separate accounts in this segment cover a broad spectrum of asset types, investment styles and market capitalization ranges. Our equity products include large-cap, mid-cap and small-cap equity offerings, generally incorporating value, growth and blend investment styles as well as international and socially responsive products. Our fixed income products include domestic taxable and tax-exempt offerings of various duration, as well as global portfolios. We also offer balanced portfolios and money market products. We make our funds available directly to investors, without a sales load, and through third parties and sub-advisory relationships. We are actively seeking opportunities to expand into new distribution channels. For example, we recently added a team of experienced professionals to initiate an institutional real estate securities effort. The Mutual Fund and Institutional segment generated net revenues after interest expense of $223.7 million, which represented 36% of our net revenues after interest expense in 2001, and net revenues after interest expense of $56.7 million, which represented 35% of our net revenues after interest expense in the first quarter of 2002.

For the year ended December 31, 2001, assets under management in this segment increased by $1.1 billion to approximately $34.0 billion. Our Mutual Fund and Sub-Advised Account business and our Consultant Services Group business each contributed $1.1 billion in positive net cash inflows, which, in each case, represented markedly stronger net cash flow activity compared to the previous year. These positive net cash inflows were partially offset by net cash outflows of $0.4 billion in our Institutional Separate Accounts business. For the quarter ended March 31, 2002, assets under management in this segment increased by $2.1 billion to approximately $36.1 billion. We continued to experience net cash inflows in our Mutual Fund and Sub-Advised Account business and our Consultant Services Group business, contributing $0.9 billion and $0.5 billion during the first quarter of 2002, respectively. Our Institutional Separate Accounts business contributed an additional $65 million in positive net cash inflows during the first quarter of 2002.

Professional Securities Services

Our Professional Securities Services segment includes professional investor clearing services, research sales and other activities. We leverage our asset management infrastructure to provide services to the professional investment community and ultra affluent individuals and families. Our Professional Securities Services clients call upon us for trade execution, clearing, custody, margin financing, portfolio reporting and trust services. We act as a market maker for approximately 170 securities traded primarily on the Nasdaq National Market System. We also provide our research to about 200 outside investment managers. Because these services are based upon the capabilities and resources developed for our asset management businesses, we generally can provide these services at a modest incremental cost. Our Professional Securities Services segment represented 16% of net revenues after interest expense in 2001 and 14% of net revenues after interest expense in the first quarter of 2002.

Investment Process and Research

Our portfolio managers generally base their decisions on fundamental research, attempting to make knowledgeable judgments about the investment merits of industry groups and specific companies. Our centralized research department supports all of our investment professionals. Organized primarily by industry, our securities analysts are responsible for understanding developments within the companies and industries they follow. To do this, they meet with senior management of companies they follow and interview customers and competitors of those companies. In some cases, they employ specialized consultants and develop earnings and cash flow estimates. As of March 31, 2002, we employed 14 analysts in the research department, supported by 19 associate analysts, who followed approximately 500 companies.

Our Strategy

Capitalize on Opportunities in the Growing High Net Worth Market. Managing wealth is one of the fastest growing segments of the financial services industry. According to the Merrill Lynch/Gemini Consulting World Wealth Report 2002, the high net worth market in North America, defined as individuals with more than $1 million in liquid financial assets, totaled $7.6 trillion in 2001 and is expected to increase to $11.2 trillion by year end 2006, which implies an annual compound rate of 8.1%. With our brand name, the broad spectrum of our investment styles and our commitment to personalized service, we believe that we are well positioned to take advantage of growth in this market. Our principal initiatives to generate growth are:

- Grow Assets Under Management Through Expanded National Sales Force. Having expanded our national sales force to 40 professionals and increased the number of our regional offices to 13, we seek to continue to grow assets under management through this experienced and larger sales force. In 2000 and 2001, our national sales force generated $807 million and approximately $1.7 billion, respectively, of new assets under management. For the first quarter of 2002, our sales force added $473 million in new assets under management.

- Selectively Continue to Add Experienced Money Management Teams Through Direct Hiring and Acquisitions. To expand our investment capabilities and continue to increase our assets under management, we continually seek opportunities to add experienced money managers with long-standing client relationships, time-tested investment performance and business styles well suited to the Neuberger Berman culture. Over the past two years, we have capitalized on such opportunities by hiring six money management teams and experienced individual managers, with the most recent two hires occurring in the first half of 2002. In addition, during the past two years, two acquisitions resulted in the hiring of private asset

management teams and the successful conversion of a total of $1.3 billion of client assets at closing. We have also recently announced the hiring of a real estate investment management team through which we expect to develop new investment products attractive to high net worth investors.

. Build Our Wealth Management Business. We seek to promote asset retention from generation to generation through our national trust capabilities and to provide related products and services in the highly specialized market of upper echelon wealth. In addition, wealth management is a relationship focused business that increasingly relies on providing clients with access to non-affiliated money managers and financial products. We are endeavoring to extend our money manager database and sophisticated multi-manager reporting, which we believe are differentiating factors in delivering valued services to this market. Executive Monetary Management, Inc., acquired in February 2001, specializes in wealth management by serving as an independent counselor to upper echelon high net worth clients to assist them in preserving and enhancing their financial position. As of March 31, 2002, clients for whom Executive Monetary Management performs various services had approximately $1.8 billion of investable assets.

Expand Mutual Fund and Institutional Distribution Capabilities. We believe that sustained growth in the mutual fund and institutional arenas is dependent on providing strong relative investment performance, expanding distribution capabilities and delivering a variety of investment products. To this end our initiatives include:

. Establish New Relationships with Defined Contribution Plan Administrators. We seek to establish new relationships with defined contribution plan administrators. With Congress' passage of the 2001 tax bill, which allows for increased contributions to retirement accounts, we expect growth from our existing relationships. As of March 31, 2002, we had strategic alliances with 96 third-party administrators of defined contribution plans.

. Expand Relationships with Providers of Variable Insurance Products. We also seek to expand our relationships with insurance companies that offer variable annuity and variable life insurance products that invest in our mutual funds. As of March 31, 2002, we had relationships with 45 insurance companies offering these variable products.

. Build Wrap Fee Program Participation. We seek to continue to broaden our participation in wrap programs sponsored by third-party banks and brokerages, as well as to increase the variety of our investment styles available through this distribution channel. We manage assets for 13 sponsors of wrap fee programs, including three of the four largest programs. We believe that wrap fee programs represent significant asset growth opportunities.

. Further Diversify Product and Service Offerings. We continue to enhance our existing product offerings through the internal development or acquisition of new investment capabilities. In the past, we have relied primarily on our domestic equity products. Currently, we offer equity, international equity, balanced, domestic and international fixed income and money market products. Historically, we have primarily followed the value style of investing, but we now have portfolio managers who follow growth or blended styles of investing. In May 2002, we launched the Neuberger Berman Real Estate Fund, which is managed by a team of REIT specialists who joined the firm in January 2002. Additionally, we have entered into an agreement that is expected to result in a team of high yield fixed income professionals joining Neuberger Berman during the third quarter of 2002, which we anticipate will enhance our current high yield fixed income offerings. We believe a broader array of products will increase our ability to grow assets under management by attracting new clients and providing existing clients with a greater variety of investment options.

Continue to Grow Professional Securities Services. Using our infrastructure, net revenues after interest expense of our Professional Securities Services segment have grown by 23% from 1999 through 2001. We seek to continue to leverage our asset management infrastructure to provide additional fee-earning services to the professional investment community without a commensurate increase in expenses.

. Increase the Number of Correspondent Clearing and Prime Brokerage Clients. We view the Correspondent Clearing and Prime Brokerage Client business as an incremental revenue opportunity, and will continue using our systems to provide correspondent clearing and prime brokerage services to the professional investment community. Our dedicated marketing group continues to target high quality, established, registered investment advisers and hedge funds, as well as broker-dealers with clientele similar to ours.

. Increase Research Sales. Our dedicated research group provides its independent research reports to our Private Asset Management and Mutual Fund and Institutional businesses and makes these reports available to third-party investment managers, who generally place trades through us if they decide to buy or sell securities based upon our research. We believe that our long-standing dedication to unbiased, fundamental research distinguishes us from many of our competitors.

Pursue Strategic Acquisition and Joint Venture Opportunities. In addition to seeking to add investment teams, we will continue to evaluate strategic acquisitions of, or joint ventures with, companies that would add new products and services, investment capabilities or broaden our current distribution channels. It is our intent that any transaction that we consummate be both strategic and accretive to earnings.

Our Headquarters

Our headquarters are located at 605 Third Avenue, New York, New York 10158, telephone (212) 476-9000. Our website address is www.nb.com. We do not intend the information on our website to be incorporated in this prospectus.

The Offering

Common Stock offered by the selling stockholders........................ 1,480,000 shares
Common Stock outstanding before this offering and the concurrent offering 70,204,546 shares

Common Stock outstanding after this offering and the concurrent offering. 70,204,546 shares

Use of Proceeds.............	We will not receive any of the proceeds from the sale of shares by the selling stockholders.
Risk Factors................	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of common stock.
New York Stock Exchange Symbol....................	NEU

All of the shares of common stock in this offering are being sold by selling stockholders, who are employees of ours holding their stock through the Neuberger Berman Employee Defined Contribution Stock Incentive Plan Trust. In addition, certain of our former principals and their affiliates have granted the underwriters an option to purchase up to an additional 220,000 shares of common stock.

Unless otherwise indicated, all information in this prospectus is provided assuming no exercise of the underwriters' option to purchase up to 220,000 additional shares. Information on the number of shares of common stock outstanding is as of June 14, 2002.

As of June 14, 2002, our employees and our former principals and their affiliates held approximately 74% of our outstanding common stock. After giving effect to the concurrent offerings of common stock by certain of our employees and certain of our former principals and their affiliates (but without giving effect to the contemplated delivery of the shares of common stock on the exchange date as defined in the Trust prospectus), our employees and our former principals and their affiliates would have held approximately % of our outstanding common stock as of that date (% assuming the exercise in full of the option to purchase additional shares of common stock granted to the underwriters of the stock offering). After giving effect to those offerings and the delivery of the maximum number of shares of common stock deliverable by the Trust upon exchange of the Trust Securities on the exchange date as defined in the Trust prospectus, they would have held approximately % of our outstanding common stock as of that date (% assuming the exercise in full of the option to purchase additional securities granted to the underwriters of the Trust Securities). After giving effect to those offerings and that delivery of the maximum number of shares deliverable by the Trust, no former principal who is an active employee will own less than 65% of the shares the principal owned prior to our IPO.

Why We Are Registering the Shares

We are undertaking this offering to address three important objectives:

- increased public float;
- broader ownership of our common stock; and
- the orderly entry of shares into the market.

Concurrent Offering

Concurrently with this offering, certain former principals of Neuberger Berman and their affiliates are offering 2,870,000 shares of common stock (or up to 3,300,000 shares if the option to purchase additional securities granted to the underwriters of the Trust Securities is exercised in full) that may be delivered by the Trust upon the exchange of the Trust Securities on the exchange date as defined in the Trust prospectus. The Trust Securities are being sold by the Trust in an offering described in the Trust prospectus. We will not receive any proceeds from the delivery of the shares of common stock by such former principals and their affiliates or the sale of the Trust Securities offered in the Trust prospectus.

Summary Historical Financial Data

The summary consolidated financial data presented below is derived from our financial statements and accompanying notes. Our financial statements as of December 31, 2000 and 2001 and for the years ended December 31, 1999, 2000 and 2001 have been audited by Arthur Andersen LLP, independent public accountants. These financial statements are included elsewhere in this prospectus. The summary income statement presented below for the years ended December 31, 1997 and 1998 have been derived from audited financial statements that are not included in this prospectus. The summary income statement for the three-month periods ended March 31, 2001 and 2002 have been taken from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus and, in the opinion of management, have been prepared on the same basis as our audited consolidated financial statements included herein and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of such data. The results of operations for an interim period are not necessarily indicative of the results for the full year or any other interim period. The data presented below should be read in conjunction with "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes included elsewhere in this prospectus.

	As of and for the Years Ended December 31,					As of and for the Three Months Ended March 31,	
	Pre-IPO			Post-IPO			
	1997(1)	1998(1)	1999(1)(2)	2000(3)	2001	2001	2002
Income Statement Data (in thousands):							
Net revenues after interest expense	$502,525	$582,134	$572,912	$616,347	$613,282	$154,832	$160,195
Employee compensation and benefits	148,301	173,379	325,310	245,445	253,365	65,572	68,439
Other operating expenses	80,385	114,298	124,230	123,981	130,858	30,204	33,935
Total operating expenses	228,686	287,677	449,540	369,426	384,223	95,776	102,374
Net income before taxes	273,839	294,457	123,372	246,921	229,059	59,056	57,821
Tax (benefit) expense	8,857	9,506	(12,195)	96,565	96,391	24,822	24,574
Net income	$264,982	$284,951	$135,567	$150,356	$132,668	$ 34,234	$ 33,247
Per Share Data(4):							
Net income per share--Basic	$4.05	$4.45	$2.04	$2.04	$1.85	$0.47	$0.48

Net income per share--Diluted	$4.05	$4.45	$2.04	$2.02	$1.82	$0.46	$0.47
Assets Under Management							
(in millions)...............	$53,511	$55,587	$54,399	$55,486	$59,048	$54,802	$61,873

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(1) On October 7, 1999, the principals of Neuberger Berman, LLC and the shareholders of Neuberger Berman Management Inc. exchanged their ownership interests for 64.1 million shares of our common stock. Prior to this exchange, we operated as a partnership and, as a result, the principals were compensated through the receipt of distributions of capital. In addition, Neuberger Berman, LLC did not pay United States federal and state taxes as it was treated as a partnership for tax purposes. Neuberger Berman Management Inc., as an S-Corporation, also did not pay United States federal taxes.

(2) In connection with our IPO on October 8, 1999, we incurred pre-tax reorganization and IPO charges totaling $150.1 million. These charges were principally comprised of an initial, irrevocable non-cash contribution of common stock to our employee defined contribution stock incentive plan trust of $134.3 million (included in employee compensation and benefits), a cash contribution to the Neuberger Berman Foundation of $10.0 million (included in other operating expenses) and severance and other charges of $5.8 million ($5.6 million of which is included in employee compensation and benefits and the remainder in other operating expenses).

(3) Tax expense for the year ended December 31, 2000 reflects a financial statement tax benefit of $9.8 million related to the change in the price of our common stock held in our stock incentive plan trust. For purposes of comparability, exclusive of the financial statement tax benefit, tax expense would have been $106.3 million and net income would have been $140.6 million.

(4) Per share data has been retroactively adjusted to reflect a three-for-two stock split of our common stock effective August 16, 2001.

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RISK FACTORS

An investment in our common stock involves a number of risks, some of which, including market, operational, legal and regulatory risks, could be substantial and are inherent in our businesses. You should carefully consider the following information about these risks, together with the other information in this prospectus, before buying shares of common stock.

A decline in the prices of securities generally could lead to a decline in our assets under management, revenues and earnings.

A large portion of our revenues are derived from investment advisory contracts with our clients. Under these contracts, the investment advisory fees we receive are typically based on the market value of assets under management. Accordingly, a decline in the prices of securities generally may cause our revenues and income to decline by:

- causing the value of our assets under management to decrease, which would result in lower investment advisory fees; or

- causing our clients to withdraw funds in favor of investments they perceive offer greater opportunity or lower risk, which would also result in lower investment advisory fees.

If our revenues decline without a commensurate reduction in our expenses, our net income will be reduced.

We could lose clients and suffer a decline in our revenues and earnings if the investments we choose perform poorly, regardless of the trend in the prices of securities.

We believe that investment performance is one of the most important factors for the growth of our assets under management. Poor investment performance could impair our revenues and growth because:

- existing clients might withdraw funds in favor of better performing products, which would result in lower investment advisory fees;

- our ability to attract funds from existing and new clients might diminish; or

- firms with which we have strategic alliances may terminate their relationships with us, and future strategic alliances may be unavailable.

If our revenues decline without a commensurate reduction in our expenses, our net income will be reduced.

Even when securities prices are rising, performance can be affected by investment style. In certain recent years, growth stocks outperformed value stocks as measured by the S&P/BARRA growth and value indices. However, because of our historical emphasis on the value style of investing, our clients' portfolios were less invested in growth stocks. As a result, we experienced some loss of institutional accounts and increased repurchases of shares of the Neuberger Berman mutual funds in those years.

Our clients can remove the assets we manage on short notice.

Our investment advisory and administrative contracts are generally terminable at will or upon 30 to 60 days' notice, and mutual fund investors may redeem their investments in the funds at any time without prior notice. Institutional and individual clients, and firms with which we have strategic alliances,

can terminate their relationship with us, reduce the aggregate amount of assets under management, or shift their funds to other types of accounts with different rate structures for any of a number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. In a declining stock market the pace of mutual fund repurchases could accelerate. Poor performance relative to other investment management firms tends to result in decreased purchases of fund shares, increased redemptions of fund shares, and the loss of institutional or individual accounts or strategic alliances. The decrease in revenues that could result from any such event could have a material adverse effect on our business.

The investment management business is intensely competitive.

We face substantial competition in every aspect of our business. Factors affecting our business include brand recognition, business reputation, investment performance, quality of service and the continuity of both client relationships and assets under management. Fee competition also affects the business, as do expenses, commissions, compensation, administration and/or other expenses paid to intermediaries.

We compete with a large number of investment management firms. These include global and domestic investment management companies, commercial banks, brokerage firms and broker-dealers, insurance companies and other financial institutions. Many competing firms are parts of larger financial services companies and attract business through numerous avenues including retail bank offices, investment banking and underwriting contacts, insurance agencies and broker-dealers. A number of our competitors have greater capital and other resources, and offer more comprehensive lines of products and services, than we do.

The affiliation of U.S. banks and insurance companies with securities firms has accelerated consolidation within the money management and financial services industries. It has also increased the variety of competition for traditional money management firms, which businesses are limited to investing assets on behalf of institutional and individual clients. Foreign banks and investment firms have entered the U.S. money management industry, either directly or through partnerships or acquisitions.

Our competitors seek to expand their market share in many of the same areas that we serve. Financial intermediaries that provide our products to their clients may also provide competing products from competing firms, many of which employ such advisers. Many current and potential competitors have greater brand name recognition and more extensive client bases, which could be used to our disadvantage.

We face significant competition from other registered open-end investment companies. They vary both in size and investment philosophy. Their shares are offered to the public on a load and no-load basis. Advertising, sales promotions, the type and quality of services offered, and investment performance influence competition for mutual fund sales.

Our business may be adversely affected by an inability to recruit, retain and motivate key employees.

Our ability to attract and retain clients and mutual fund shareholders and compete effectively in our businesses is dependent on our ability to attract and retain highly skilled investment management, research, client service, legal, fiduciary and sales professionals.

The market for such professionals is very competitive and has grown more so in recent periods as the investment management industry has experienced substantial growth. Our policy has been to

provide our professionals with compensation and benefits that we believe to be competitive with other leading investment management firms. The inability to continue to provide competitive compensation and benefits could affect our ability to attract or retain skilled professionals.

While we have historically experienced little turnover among our professionals, we cannot be sure that we will continue to be successful in retaining our key personnel or in attracting highly qualified professionals. We do not maintain "key person" insurance on any of our personnel.

We may be unable to continue successfully our strategic initiative of acquiring companies or adding experienced investment management teams.

As one of our strategic initiatives to generate growth, we intend to continue to acquire companies and add experienced investment management teams where such additions would be both strategic and accretive to earnings. However, we may not be able to identify suitable acquisition targets or investment teams to add to our firm. In addition, if we do identify suitable candidates, we may not be able to complete any such acquisition or addition of teams in a timely manner or on terms that are commercially acceptable to us. Our management may need to devote significant time and effort to pursuing these acquisitions or the addition of teams. If we are unable to identify or complete successfully these acquisitions or additions, we may fail to maintain or increase assets under management.

We depend on accessing clients through intermediaries.

Our ability to market our mutual funds and subadvisory services is highly dependent on access to the client base of national and regional securities firms, banks, insurance companies, defined contribution plan administrators and other intermediaries which generally offer competing investment products. To a lesser extent, our Private Asset Management business depends on referrals from accountants, lawyers, financial planners and other professional advisors. Although we have historically been successful in gaining access to these channels, we cannot be sure that we will continue to be able to do so. The inability to have this access could have a material adverse effect on our ability to maintain or increase assets under management.

We are subject to extensive regulation; violations of regulatory requirements could impair our ability to operate or result in fines or damage to our reputation.

As with all investment management companies and broker-dealers, we and our mutual fund business are heavily regulated. Noncompliance with applicable statutes or regulations could result in sanctions including:

- the revocation of licenses to operate certain businesses;
- the suspension or expulsion from a particular jurisdiction or market of our business organizations or key personnel;
- the imposition of fines and censures; and
- reputational loss.

Any of these events could have a material adverse effect on our business.

Our business and the securities industry in general are subject to extensive regulation in the United States at both the federal and state level, as well as by self-regulatory organizations. The financial services industry is one of the nation's most extensively regulated industries. The Securities and Exchange Commission is responsible for enforcing the federal securities laws and serves as a

supervisory body for all investment advisers to mutual funds, as well as for national securities exchanges and associations. Our subsidiaries, Neuberger Berman, LLC and Neuberger Berman Management Inc., are registered broker-dealers. The regulation of broker-dealers has, to a large extent, been delegated by the federal securities laws to self-regulatory organizations, including the national securities and commodities exchanges and NASD Inc., or the NASD. In addition, these subsidiaries are subject to regulation under the laws of the fifty states, the District of Columbia and certain foreign countries in which they are registered to conduct securities, investment advisory or commodities businesses.

Broker-dealers are subject to regulations which cover all aspects of the securities business, including sales practices, market making and trading among broker-dealers, use and safekeeping of clients' funds and securities, capital structure, recordkeeping and the conduct of directors, officers and employees. Violation of applicable regulations can result in the revocation of broker-dealer licenses, the imposition of censures or fines and the suspension or expulsion of a firm, its officers or employees. Neuberger Berman, LLC and Neuberger Berman Management Inc. are also subject to "Risk Assessment Rules" imposed by the SEC which require, among other things, that certain broker-dealers maintain and preserve certain information, describe risk management policies and procedures and report on the financial condition of certain affiliates whose financial and securities activities are reasonably likely to have a material impact on the financial and operational condition of broker-dealers.

Our trust company subsidiaries are supervised by federal or relevant state banking authorities, which regulate such matters as policies and procedures relating to conflicts of interest, account administration and overall governance and supervisory procedures.

Additional legislation and regulations, including those relating to the activities of investment advisers and broker-dealers, changes in rules imposed by the SEC or other U.S. or foreign regulatory authorities and self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules may adversely affect our business and profitability. Our businesses may be materially affected not only by regulations applicable to it as an investment adviser or broker-dealer, but also by regulations of general application. For example, the volume of our principal investment advisory business in a given time period could be affected by, among other things, existing and proposed tax legislation and other governmental regulations and policies (including the interest rate policies of the Federal Reserve Board) and changes in the interpretation or enforcement of existing laws and rules that affect the business and financial communities.

We are subject to net capital rules that could limit our ability to repay debt or pay dividends on our common stock.

As registered broker-dealers and members of the NYSE and NASD, Neuberger Berman, LLC and Neuberger Berman Management Inc. are subject to the SEC's Uniform Net Capital Rule 15c3-1 which could limit our ability to repay debt or pay dividends on our common stock. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that part of its assets be kept in relatively liquid form. Neuberger Berman, LLC is also subject to the net capital requirements of various securities and other self-regulatory organizations.

The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, dictate the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, Rule 15c3-1 imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital. Since our principal assets are our ownership of our broker-dealer subsidiaries, the rules governing net capital and restrictions on capital withdrawals could limit our ability to repay debt or pay dividends on our common stock.

As of March 31, 2002, Neuberger Berman, LLC was required to maintain minimum net capital of approximately $21.0 million and had total excess net capital of approximately $195.1 million. As of March 31, 2002, Neuberger Berman Management Inc. was required to maintain minimum net capital of $250,000 and had total excess net capital of approximately $5.2 million.

Our business is heavily dependent upon computer-based systems to process transactions; systems failures may disrupt our business and limit our growth.

Our business is highly dependent on communications and information systems and those of our key service vendors. Any failure or interruption of such systems could have a material adverse effect on our operating results. Operational risk arises from mistakes made in the confirmation or settlement of transactions or from the improper recording or accounting of transactions. We are highly dependent on our ability to process a large number of transactions on a daily basis, and rely heavily on financial, accounting and other data processing systems. If any of these do not function properly, we could suffer financial loss, business disruption, liability to clients, regulatory intervention or damage to our reputation. If systems are unable to accommodate an increasing volume of transactions, our ability to expand could be affected. Although we have back-up systems in place, we cannot be sure that any such systems failure or interruption, whether caused by a fire, other natural disaster, power or telecommunications failure, act of war or otherwise will not occur, or that back-up procedures and capabilities in the event of any such failure or interruption will be adequate.

The securities brokerage business has inherent risks.

The securities brokerage business is, by its nature, subject to numerous and substantial risks, particularly in volatile or illiquid markets, and in markets influenced by sustained periods of low or negative economic growth, including the risk of losses resulting from the ownership of securities, trading, principal activities, counterparty failure to meet commitments, client fraud, employee errors, misconduct and fraud (including unauthorized transactions by traders), failures in connection with the processing of securities transactions and litigation. Our trading activities for our own account are limited. Therefore, the principal risks of trading are those relating to counterparty failure and unauthorized trading. We have risk management procedures and internal controls to address these risks but we cannot be certain that these procedures and controls will prevent losses from occurring.

Our former principals are parties to a stockholders agreement that gives them significant influence over us, and they may have interests that differ from those of other stockholders.

As of June 14, 2002, the former Neuberger Berman principals who are currently employed by us and their affiliates held approximately 47% of our outstanding common stock. After giving effect to the delivery of the maximum number of shares of common stock deliverable by the Trust upon the exchange of the Trust Securities on the exchange date as described above, they would have held approximately % of our outstanding common stock as of June 14, 2002 (% assuming the exercise in full of the option to purchase additional securities granted to the underwriters of the Trust Securities). Neuberger Berman is a party to a Stockholders Agreement with the former Neuberger Berman principals and certain family limited partnerships and trusts formed by them providing that:

- before every stockholders' meeting, the former Neuberger Berman principals who are currently employed by us and their affiliates will take a separate preliminary vote on all the issues that will be presented at the stockholders' meeting; and

- all shares held by them must be voted as a block in accordance with the majority of shares voted in such preliminary vote.

As a result, the former Neuberger Berman principals who are currently employed by us and their affiliates have significant influence on our board of directors, and, therefore, our business, policies and

affairs including certain corporate transactions that require stockholder approval, such as mergers and sales of our assets. The influence exerted by these former Neuberger Berman principals and their affiliates and the transfer restrictions in the Stockholders Agreement could preclude any unsolicited acquisition of Neuberger Berman and, consequently, adversely affect the market price of the common stock or prevent our stockholders from realizing a premium on their shares. See "Description of Capital Stock--Stockholders Agreement."

Provisions of our organizational documents and Delaware law may discourage an acquisition of Neuberger Berman and prevent our stockholders from realizing a premium on their shares.

Our organizational documents contain provisions that may discourage a third party from making a proposal to acquire us. For example, the Board of Directors may, without the consent of our stockholders, issue preferred stock with greater voting rights than those associated with our common stock. In addition, the Delaware corporation law imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our voting stock. See "Description of Capital Stock" for a more detailed description of our capital stock and relevant Delaware corporation law. These provisions could preclude any unsolicited acquisition of Neuberger Berman and, consequently, adversely affect the market price of the common stock or prevent our stockholders from realizing a premium on their shares.

The offering of Trust Securities by the Trust could cause our share price to decline.

The market price of our common stock could become more volatile and could be depressed by investors in anticipation of the potential distribution into the market of additional shares of common stock as a result of the possible delivery of shares of common stock by the Trust, by possible sales of shares of common stock by investors who view the Trust Securities as a more attractive means of equity participation in us and by hedging or arbitage trading activity that may develop involving the Trust Securities and our common stock.

Our share price may decline due to the large number of shares eligible for future sale.

As of June 14, 2002, 70,204,546 shares of our common stock were issued and outstanding. Sales, or the possibility of sales, of substantial amounts of common stock by the former Neuberger Berman principals and their affiliates may materially adversely affect the market price of the common stock prevailing from time to time. The Stockholders Agreement limits the number of shares the former principals and their affiliates may sell in any calendar year. The restrictions on the disposition of shares contained in the Stockholders Agreement can be waived by our Board of Directors or its designee without notice to or consent of our stockholders. Our Board of Directors has waived these restrictions with respect to the number of shares that are subject to the option to purchase additional shares granted to the underwriters by these former principals and their affiliates in the stock offering and the maximum number of shares of common stock that are deliverable by the Trust upon the exchange of the Trust Securities on the exchange date. Any shares of common stock that are subject to the option granted to the underwriters by the former principals and their affiliates in the stock offering or that may be delivered by the Trust on the exchange date will reduce the number of shares that a participating former principal and his or her affiliates would otherwise be able to sell under the Stockholders Agreement beginning on January 1, 2003. After giving effect to the exercise of this option by the underwriters in the stock offering and the delivery of the maximum number of shares of common stock deliverable by the Trust and without giving effect to any further waivers to permit additional transfers before January 1, 2003, the former principals will be able to sell an aggregate of shares of common stock under the Stockholders Agreement or an aggregate of shares if the option to purchase additional securities granted to the underwriters of the Trust securities is exercised in full beginning on January 1, 2003. However, we currently anticipate that we will permit our former

principals to make charitable contributions in December 2002 of shares that would otherwise not be eligible for transfer under the Stockholders Agreement until January 1, 2003.

The Neuberger Berman Employee Defined Contribution Stock Incentive Plan Trust holds an aggregate of 4,502,051 shares of common stock on behalf of participants in our Employee Defined Contribution Stock Incentive Plan. The right of a participant to receive shares allocated to his or her account generally becomes vested, and the shares become distributable to the participant, in three equal installments on the second, third and fourth anniversaries of the allocation to the participant, subject to the satisfaction of certain conditions. Accordingly, in July 2001, 1,856,274 shares of common stock became vested under the plan and 1,866,308 shares of common stock held by the Employee Trust are scheduled to vest in October 2002. Neuberger Berman will accelerate the vesting of these 1,866,308 shares to the date on which the offering of common stock by Neuberger Berman employees is completed. Of these 1,866,308 shares, the Employee Trust is selling shares in such offering on behalf of plan participants, with the remaining shares being eligible for sale by plan participants immediately following the completion of the offering. However, we have provided that plan participants may not transfer those shares during the 90-day period from the date of this prospectus. See "Description of Capital Stock--Stockholders Agreement--Transfer Restrictions."

You may have no effective remedy against Arthur Andersen LLP in connection with a material misstatement or omission in our 1999, 2000 and 2001 financial statements included in this prospectus.

On June 15, 2002, Arthur Andersen LLP, which audited our financial statements included in this prospectus for the years ended December 31, 1999, 2000 and 2001, was convicted by a jury in Houston, Texas, of obstruction of justice in connection with the government's investigation of Enron Corp. Arthur Andersen LLP has consented to the inclusion of their report relating to those financial statements in the registration statement containing this prospectus as filed with the SEC. You may have no effective remedy against Arthur Andersen LLP in connection with any material misstatement or omission in these financial statements, particularly in the event that Arthur Andersen LLP ceases to exist or becomes insolvent as a result of the indictment or other proceedings against Arthur Andersen LLP.

FORWARD LOOKING STATEMENTS

Our disclosure and analysis in this prospectus or in documents that are incorporated in this prospectus by reference contain some forward looking statements. Forward looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance of our products, expenses, the outcome of any legal proceedings, and financial results. Although we believe that our expectations and beliefs are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that our actual results will not differ materially from our expectations or beliefs. Some of the factors that could cause our actual results to differ from our expectations or beliefs include, without limitation, the adverse effect from a decline in the securities markets or if our products' performance declines, a general downturn in the economy, changes in government policy or regulation, our inability to attract or retain key employees and unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations, as well as the factors discussed under the heading "Risk Factors." These statements are provided as permitted by the Private Litigation Reform Act of 1995. We undertake no obligation to update publicly any forward looking statements, whether as a result of new information, future events or otherwise.

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USE OF PROCEEDS

We will not receive any proceeds from the sale of common stock by the selling stockholders in this offering.

PRICE RANGE OF OUR COMMON STOCK AND DIVIDENDS

The following table sets forth, for the calendar quarters indicated, the high and low closing prices per share of our common stock as reported by the NYSE. The table gives effect to the three-for-two stock split in our common stock in the form of a 50% dividend on August 16, 2001.

Period	Price Range of Common Stock		Dividends Declared Per Share	Dividends Paid Per Share
	High	Low		
2000				
First Quarter.	$19.250	$15.917	$ --	$0.067
Second Quarter	31.667	18.333	0.067	0.067
Third Quarter.	42.250	29.959	0.067	0.067
Fourth Quarter	56.000	38.583	0.067	0.067
2001				
First Quarter.	$55.207	$40.247	$0.067	$0.067

Second Quarter	55.347	38.027	0.067	0.067
Third Quarter.	46.667	31.850	0.075	0.075
Fourth Quarter	44.720	33.350	0.075	0.075
2002				
First Quarter.	$47.670	$40.740	$0.075	$0.075
Second Quarter	48.410	36.400	0.075	0.075

On June 28, 2002, the closing sales price per share for our common stock on the NYSE was $36.60. There were approximately 99 stockholders of record of our common stock as of February 15, 2002. As of February 15, 2002, there were approximately 2,500 beneficial stockholders whose shares are held in street name.

The declaration of dividends by Neuberger Berman is subject to the discretion of our Board of Directors. Our Board of Directors will take into account such matters as general business conditions, our financial results, capital requirements, contractual, legal and regulatory restrictions on the payment of dividends by us to our stockholders or by our subsidiaries to us, and such other factors as our Board of Directors may deem relevant.

To the extent that assets are used to meet minimum net capital requirements of Neuberger Berman, LLC and Neuberger Berman Management Inc. under Rule 15c3-1, they are not available for distribution to stockholders as dividends. See "Risk Factors--We are subject to net capital rules that could limit our ability to repay debt or pay dividends on our common stock" for a discussion of certain limitations on our receipt of funds from our regulated subsidiaries. In addition, the debt covenants related to Neuberger Berman, LLC's outstanding $35 million subordinated note and $100 million committed line of credit include certain covenants that may further restrict our ability to pay dividends to stockholders.

Our Board of Directors has authorized the repurchase of our common stock in the open market and/or private purchases. The acquired shares may be used for corporate purposes, including shares issued to employees under our employee stock purchase plans. Since the inception of our common stock repurchase program, we have repurchased 5,946,595 shares of common stock for $220.1 million, including 2,400,900 shares which were repurchased from a limited number of former principals in a transaction that followed the secondary offering in July 2001. We used cash flows from operations and the proceeds from our convertible notes offering to fund the purchases of these shares. As of March 31, 2002, authorizations for the repurchase of up to $29.9 million of our common stock remained in effect. On April 22, 2002, our Board of Directors approved a $75 million increase to the existing authorization.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of March 31, 2002.

This table should be read in conjunction with our consolidated financial statements and notes therein included in this prospectus.

March 31, 2002

	(Amounts in thousa except share dat
Subordinated Liability	$ 35,000
Convertible Senior Notes(1) (net of $23,296 discount)	151,704
Total long term debt	186,704
Stockholders' Equity:	
Preferred Stock, par value $.01 per share; 5,000,000 shares authorized; no shares issued and outstanding	--
Common Stock, par value $.01 per share; 250,000,000 shares authorized; 75,680,379 shares issued; 70,442,722 shares outstanding(2)	757
Paid-in capital	349,660
Retained earnings	201,210
Less: Treasury stock, at cost, 5,237,657 shares	(196,906)
Unearned compensation(3)	(14,932)
Total stockholders' equity	339,789
Total capitalization	$ 526,493

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(1) On May 6, 2002, we repurchased $8.7 million principal amount at maturity of our convertible notes at their accreted value of $867.42 per $1,000 principal amount at maturity.

(2) Does not include 2,430,382 shares of common stock reserved for issuance upon conversion of our convertible notes and 5,989,280 shares of common stock reserved for issuance upon the exercise of options outstanding under the 1999 Neuberger Berman Inc. Long-Term Incentive Plan and the 1999 Neuberger Berman Inc. Directors Stock Incentive Plan. Also, does not give effect to any repurchases by us of our common stock under our share repurchase program after March 31, 2002.

(3) Relates to 408,451 shares of common stock reserved for issuance in connection with our Wealth Accumulation Plan, Long-Term Incentive Plan and the Directors Stock Incentive Plan.

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SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below is derived from our financial statements and accompanying notes. Our financial statements as of December 31, 2000 and 2001 and for the years ended December 31, 1999, 2000 and 2001 have been audited by Arthur Andersen LLP, independent public accountants. These financial statements are included elsewhere in this prospectus. The selected income statement and balance sheet data presented below as of December 31, 1997, 1998 and 1999 and for the years ended December 31, 1997 and 1998 have been derived from audited financial statements that are not included in this prospectus. The selected income statement and balance sheet data as of March 31, 2002 and for the three-month periods ended March 31, 2001 and 2002 have been taken from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. The March 31, 2001 selected balance sheet data has been taken from our unaudited interim condensed consolidated financial statements included in our Form 10-Q for the quarter ended March 31, 2001. In the opinion of management, this information has been prepared on the same basis as our audited consolidated financial statements included herein and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of such data. The results of operations for an interim period are not necessarily indicative of the results for the full year or any other interim period. The data presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and accompanying notes included elsewhere in this prospectus.

	Pre-IPO			Post-IPO		
	As of and for the Years Ended December 31,					As of Three M Ma
	1997(1)	1998(1)	1999(1)(2)	2000(3)	2001	2001
Assets Under Management (in millions)	$ 53,511	$ 55,587	$ 54,399	$ 55,486	$ 59,048	$ 54,8
Income Statement Data (in thousands):						
Revenues:						
Investment advisory and administrative fees	$ 327,898	$ 389,238	$ 379,434	$ 399,907	$ 413,601	$ 103,2
Commissions	124,911	145,969	142,082	146,589	144,667	36,6
Interest	154,280	164,782	160,022	223,709	157,768	57,7
Principal transactions in securities	7,838	6,324	10,003	9,623	2,788	5
Clearance fees	8,332	9,146	11,081	13,532	13,450	3,8
Other income	3,796	4,004	4,059	6,428	4,146	5
Gross revenues	627,055	719,463	706,681	799,788	736,420	202,6
Interest expense	124,530	137,329	133,769	183,441	123,138	47,8
Net revenues after interest expense	502,525	582,134	572,912	616,347	613,282	154,8
Operating Expenses:						
Employee compensation and benefits	148,301	173,379	325,310	245,445	253,365	65,5
Information technology	13,642	15,634	19,172	22,925	22,492	5,4
Rent and occupancy	9,882	12,182	15,313	17,796	20,828	4,6
Brokerage, clearing and exchange fees	12,727	10,245	10,164	10,514	12,022	2,7
Advertising and sales promotion	12,659	14,707	9,259	9,251	9,372	2,5
Distribution and fund administration	10,031	22,832	19,437	18,977	19,424	4,3
Professional fees	5,165	11,550	9,276	11,205	10,934	1,9
Depreciation and amortization	6,445	8,716	10,532	10,638	13,063	2,7
Other expenses	9,834	18,432	31,077	22,675	22,723	5,7
Total operating expenses	228,686	287,677	449,540	369,426	384,223	95,7
Net income before taxes	273,839	294,457	123,372	246,921	229,059	59,0
Tax (benefit) expense	8,857	9,506	(12,195)	96,565	96,391	24,8

Net income	$ 264,982	$ 284,951	$ 135,567	$ 150,356	$ 132,668	$ 34,2
Balance Sheet Data (in thousands):						
Total assets	$2,410,213	$3,829,435	$3,847,608	$4,421,763	$4,382,487	$4,431,2
Total liabilities and debt	2,251,182	3,720,236	3,598,806	4,071,624	$4,056,097	4,053,6
Total principals' capital and stockholders' equity	159,031	109,199	248,802	350,139	326,390	377,5

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(1) On October 7, 1999, the principals of Neuberger Berman, LLC and the shareholders of Neuberger Berman Management Inc. exchanged their ownership interests for 64.1 million shares of our common stock. Prior to this exchange, we operated as a partnership and, as a result, the principals were compensated through the receipt of distributions of capital. In addition, Neuberger Berman, LLC did not pay United States federal and state taxes as it was treated as a partnership for tax purposes. Neuberger Berman Management Inc., as an S-Corporation, also did not pay United States federal taxes.

(2) In connection with our IPO on October 8, 1999, we incurred pre-tax reorganization and IPO charges totaling $150.1 million. These charges were principally comprised of an initial, irrevocable non-cash contribution of common stock to our employee defined contribution stock incentive plan trust $134.3 million (included in employee compensation and benefits), a cash contribution to the Neuberger Berman Foundation of $10.0 million (included in other operating expenses) and severance and other charges of $5.8 million ($5.6 million of which is included in employee compensation and benefits and the remainder in other operating expenses).

(3) Tax expense for the year ended December 31, 2000, reflects a financial statement tax benefit of $9.8 million related to the change in the price of our common stock held in our stock incentive plan trust. For purposes of comparability, exclusive of the financial statement tax benefit, tax expense would have been $106.3 million and net income would have been $140.6 million.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of the results of operations for the three months ended March 31, 2001 and 2002 and for the years ended December 31, 1999, 2000 and 2001 should be read in conjunction with our consolidated financial statements together and accompanying notes included elsewhere in this prospectus.

Forward Looking Statements

Our disclosure and analysis in this prospectus or in documents that are incorporated in this prospectus by reference contain some forward looking statements. Forward looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance of our products, expenses, the outcome of any legal proceedings, and financial results. Although we believe that our expectations and beliefs are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that our actual results will not differ materially from our expectations or beliefs. Some of the factors that could cause our actual results to differ from our expectations or beliefs include, without limitation, the adverse effect from a decline in the securities markets or if our products' performance declines, a general downturn in the economy, changes in government policy or regulation, our inability to attract or retain key employees and unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations. These statements are provided as permitted by the Private Litigation Reform Act of 1995. We undertake no obligation to update publicly any forward looking statements, whether as a result of new information, future events or otherwise.

Business Environment

The financial markets were marked by significant turbulence in 2001, in part due to the September 11/th /tragedy. The September 11/th/ tragedy resulted in a sharp drop in consumer and business spending and created additional negative momentum in an already difficult year in the financial markets. The U.S. economy had entered a recession starting in March 2001 and the equity markets remained far below their peak levels reached in March 2000. Due to weakening investor confidence, the Standard & Poor's 500 Index, or S&P 500, fell 13.0% in 2001, its second negative annual return in a row. Almost every major equity index yielded negative returns for the year.

Late in 2001, it appeared an economic recovery began to emerge, due in part to fiscal and monetary stimuli. Throughout 2001, the Federal Reserve Board engaged in an aggressive interest-rate cutting campaign, lowering short-term interest rates to 1.75%, the lowest level in the last 40 years. In Washington, D.C., a new administration also enacted major tax law changes to boost investments and cut taxes for investors. Although the S&P 500 steeply declined after September 11/th/, hitting a low point of 965.80 on September 21/st/, it rallied in December and ended 2001 at 1,148.08. The S&P 500, however, remained well below its record level of 1,527.46, achieved on March 24, 2000.

While equity markets suffered in 2001, fixed income markets rallied, due in part to the Federal Reserve Board's rate-cutting actions as well as significant investors' interest in safe investments. The Lehman Brothers Aggregate Bond Index rose 8.4% during the year. Additionally, the U.S. Treasury Department halted issuance of 30-year bonds, resulting in demand for long-term fixed-income

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securities in other areas of the bond market. The U.S. agency market performed well as buyers sought high-quality issues. Corporate bonds also performed well as a class, despite record supply and rising credit quality concerns. Credit downgrades in 2001 outnumbered upgrades by a ratio of 2.9 to 1, marking the steepest decline in corporate credit since 1991. The bankruptcy filing of Enron Corp. in December of 2001 heightened volatility in the energy sector, while ripple effects spread to other sectors, particularly among conglomerates and companies with complex financing structures.

During 2001, developments in the market were mostly unfavorable for the securities industry. Declining asset values and narrowing interest rate spreads led to reduced profits from client financings. Also, the implementation of decimal-based pricing in the stock market squeezed profit margins in the market making and trading businesses.

U.S. equity markets struggled to gain momentum in the first quarter of

2002. The markets were negatively influenced by the investigation and accounting issues related to Enron Corp. as well as mixed signals on the economy. On a total return basis, the major indices turned in mixed results for the first quarter as the Dow Jones Industrial Average rose 4.3%, the S&P 500 gained 0.3%, and the Nasdaq Composite lost 5.4%.

During the first quarter of 2002, signs of economic recovery began to emerge as manufacturing activity increased, productivity levels improved, and consumer confidence rose to its highest level since August of 2001. In response, investors turned to cyclical sectors of the market, avoiding growth-oriented stocks in the technology and healthcare sectors. Despite positive economic news, the Federal Reserve Board held interest rates steady, but adopted a neutral stance on the economy and inflation. Small-cap stocks continued to outperform larger stocks, and the value style of investing outpaced the growth style. Near the end of the quarter, violence in the Middle East sent oil prices higher, resulting in concern over rising inflation and interest rates.

The increase in our assets under management during the above-mentioned periods supports our belief that difficult market conditions tend to convince more investors--both individual and institutional--of the real value, over the long term, of seeking professional advice and active management of their money. While we offer all styles of investing, we believe our longstanding expertise in value investing will serve us well in a difficult market environment. Our investment performance was strong in a difficult market environment. Assets under management reached an all-time high of $61.9 billion at March 31, 2002 an increase of 12.9% from $54.8 billion at March 31, 2001 and up 4.8% from $59.0 billion at December 31, 2001. Assets under management in our Private Asset Management segment also hit an all-time high of approximately $25.7 billion at March 31, 2002. This represents an increase of 2.9% from $25.0 billion at December 31, 2001 and a rise of 13.0% from $22.8 billion at March 31, 2001. Relative investment performance in this segment continued to be excellent, outperforming the rate of return of the S&P 500 in the same quarter. Assets under management in our Mutual Fund and Institutional segment was approximately $36.1 billion at March 31, 2002, up 12.9% from $32.0 billion at March 31, 2001 and up 6.2% from $34.0 billion at December 31, 2001. Additionally, mutual fund performance was good, with the four largest of our equity funds outperforming the S&P 500.

Recent Developments

On April 22, 2002, we announced that we entered into an agreement which would result in the high yield bond team from Lipper & Company becoming our employees. The team manages in excess of $500 million in assets, including the Lipper High Income Bond Fund, investment partnerships and separate accounts for both institutional and high net worth clients. The transactions contemplated by this agreement are subject to the satisfaction of customary closing conditions and have not yet been consummated.

On April 23, 2002, we announced that our Board of Directors has appointed KPMG LLP as our independent auditors replacing Arthur Andersen LLP. The decision to change auditors was not the

result of any disagreement between Arthur Andersen LLP and us on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

On May 1, 2002, we announced the launch of our Real Estate Fund, a mutual fund that seeks capital growth and current income by investing in real estate securities.

On May 2, 2002, we amended the terms of our senior convertible notes to permit the holders, at their option, to cause us to repurchase the convertible securities on November 4, 2002, at their then accreted value of $870.67 per $1,000 principal amount at maturity. We also announced that each holder electing not to require us to repurchase our convertible securities as of May 4, 2002, would receive a one-time payment of $4.34 for every $1,000 aggregate principal amount at maturity of the convertible securities held. As of the close of business May 3, 2002, holders of approximately 5% or $8.7 million principal amount at maturity of the convertible securities exercised their option to cause us to repurchase their convertible securities. We paid $7.6 million for these repurchases in cash on May 6, 2002. On May 8, 2002, we made a one-time payment of $4.34 for every $1,000 aggregate principal amount at maturity to each holder of our convertible securities as of the close of business on May 7, 2002.

General

Our revenues are recorded in the business segments in which they are earned. We derive our revenues primarily from fees for investment advisory and administrative services provided to our private asset management, mutual fund, institutional and wrap fee clients. Investment advisory and administrative fees that we earn are generally based on the total market value and composition of assets under management. As a result, fluctuations in financial markets and client asset additions and withdrawals have a direct effect on our net revenues and net income. Our fees vary with the type of assets managed, with higher fees earned on actively managed equity accounts and lower fees earned on fixed-income and cash management accounts.

Through our broker-dealer, Neuberger Berman, LLC, we earn commissions by executing equity securities transactions for private asset management, mutual fund and institutional clients as well as for third parties in professional investor clearing services and research sales transactions. The majority of our commissions are earned from transactions for private asset management clients. Our commissions, derived from all business segments, may fluctuate based on general market conditions. Also, through Neuberger Berman, LLC, we earn clearance fees for the settlement of securities transactions for various introducing brokers.

We generate additional income by managing cash balances available as a result of our broker-dealer activities. The three principal areas from which we generate net interest income are treasury management (managing overnight cash balances), global securities lending activities and client cash and margin balances. We evaluate these activities by focusing on net interest income. Net interest income fluctuates based on general market conditions, prevailing interest rates and the amount of client cash and margin balances.

Our operating expenses include direct expenses, such as employee compensation and benefits, information technology and rent and occupancy, and indirect expenses, such as general and administrative, research, execution and clearance expenses. Direct expenses are charged to the business segment in which they are incurred while indirect expenses are allocated to each business segment based upon various methodologies determined by management.

Our largest operating expense is employee compensation and benefits, the most significant component being variable compensation for portfolio managers and sales personnel, which is based largely on commissions and advisory fees. Historically, because we had operated as a partnership, substantially all payments to our principals were accounted for as distributions from principals' capital and not recorded as compensation expense.

On October 7, 1999, the members of Neuberger Berman, LLC and the shareholders of Neuberger Berman Management Inc. exchanged their ownership interests for 64.1 million shares of our common stock (the "Exchange"). On October 13, 1999, we completed our initial public offering (the "IPO"). In that offering, we sold 4.5 million shares of common stock and received net proceeds after expenses of approximately $88 million. In addition, certain of our stockholders who received our common stock in the Exchange sold 6,329,545 shares of that stock in the IPO. We did not receive the proceeds from the sale of that stock. In connection with our IPO, we incurred pre-tax reorganization and IPO charges totaling approximately $150.1 million (the "Reorganization and IPO Charges"). The Reorganization and IPO Charges were principally comprised of an initial, irrevocable non-cash contribution of common stock to our employee defined contribution stock incentive plan trust (the "Stock Incentive Plan") of $134.3 million, a cash contribution to the Neuberger Berman Foundation of $10.0 million and severance and other charges of $5.8 million. To allow for a more consistent analysis of expenses, these Reorganization and IPO Charges have not been directly considered in the discussion of results of operations.

Prior to the Exchange, Neuberger Berman, LLC did not pay United States federal and state taxes because, as a limited liability company, it was treated as a partnership for tax purposes, and its members were taxed on their proportionate share of Neuberger Berman, LLC's taxable income or loss. Neuberger Berman Management Inc., as an S-Corporation, also did not pay United States federal taxes prior to the Exchange, but was subject to certain state and local taxes, and its shareholders were responsible for their own federal income taxes. Effective with the Exchange, we became subject to federal, state and local income taxes and we file a consolidated federal income tax return.

Results of Operations

Our business is divided functionally into three major business segments: Private Asset Management, Mutual Fund and Institutional and Professional Securities Services. Our Private Asset Management segment provides customized investment management services for high net worth individuals, families and smaller institutions through money management, advisory services and trust services. The investment advisory and administrative services that we provide through our Mutual Fund and Institutional segment include: the management of the Neuberger Berman family of mutual funds, investment management of institutional separate account products and wrap products sponsored by third party brokerage firms and banks. Our Professional Securities Services segment provides trade execution, clearing, custody, margin financing, portfolio reporting and trust services through professional investor clearing services, wealth management services, research sales and other activities, including market making, global securities lending, custody and recordkeeping services and treasury management. The Corporate segment reflects certain corporate results that are not directly related to the day-to-day operations of our principal business. These include results from investments in our mutual funds, corporate marketing expense, interest on long-term debt and goodwill amortization. Prior periods have been revised to conform with the presentation for the year ended December 31, 2001 and the three months ended March 31, 2002. Each of our business segments represents a grouping of financial activities and products with similar characteristics. The following tables of selected financial data present our business segments in a manner consistent with the way that we manage our businesses.

RESULTS OF OPERATIONS
(in thousands)

For the Three Months Ended March 31, 2002	Private Asset Management	Mutual Fund and Institutional	Professional Securities Services	Corporate	Total
Net revenues (loss) after interest expense	$ 81,493	$ 56,737	$ 22,674	$ (709)	$160,19
Operating expenses	43,120	35,088	19,055	5,111	102,37
Net income (loss) before taxes	$ 38,373	$ 21,649	$ 3,619	$ (5,820)	$ 57,82

For the Three Months Ended March 31, 2001	Private Asset Management	Mutual Fund and Institutional	Professional Securities Services	Corporate	Total
Net revenues (loss) after interest expense	$ 75,850	$ 55,165	$ 25,681	$ (1,864)	$154,83
Operating expenses	38,945	35,404	17,170	4,257	95,77
Net income (loss) before taxes	$ 36,905	$ 19,761	$ 8,511	$ (6,121)	$ 59,05

For the Year Ended December 31, 2001	Private Asset Management	Mutual Fund and Institutional	Professional Securities Services	Corporate	Total
Net revenues (loss) after interest expense	$295,738	$223,700	$ 98,925	$ (5,081)	$613,28
Operating expenses	154,069	140,641	71,833	17,680	384,22
Net income (loss) before taxes	$141,669	$ 83,059	$ 27,092	$(22,761)	$229,05

For the Year Ended December 31, 2000	Private Asset Management	Mutual Fund and Institutional	Professional Securities Services	Corporate	Total
Net revenues (loss) after interest expense	$290,746	$224,064	$104,981	$ (3,444)	$616,34
Operating expenses	144,034	147,455	63,523	14,414	369,42
Net income (loss) before taxes	$146,712	$ 76,609	$ 41,458	$(17,858)	$246,92

For the Year Ended December 31, 1999	Private Asset Management	Mutual Fund and Institutional	Professional Securities Services	Corporate	Total
Net revenues (loss) after interest expense	$260,114	$233,609	$ 80,709	$ (1,520)	$572,91
Operating expenses(1)	86,847	150,362	51,494	10,783	299,48

Net income (loss) before Reorganization and IPO charges and taxes..........................	$173,267	$ 83,247	$ 29,215	$(12,303)	$273,42
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(1) Total operating expenses on a pro forma basis, which assumes the Exchange had taken place at the beginning of the year, would have been higher by $44,157 for the year ended December 31, 1999. The pro forma adjustment is made to recognize as compensation expense distributions of capital made prior to the Exchange.

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ASSETS UNDER MANAGEMENT
(in millions)

	As Of and For The Three Months Ended	
	March 31, 2002	March 31, 2001
PRIVATE ASSET MANAGEMENT		
Assets under management, beginning of period................	$25,004	$22,510
Net additions..	32	1,412
Market appreciation (depreciation)......................	695	(1,145)
Total increase...	727	267
Assets under management, end of period (1).................	$25,731	$22,777
	=======	=======
MUTUAL FUND & INSTITUTIONAL		
Equity Separate Accounts		
Assets under management, beginning of period................	$ 6,290	$ 6,402
Net additions (withdrawals).............................	(28)	356
Market appreciation (depreciation)......................	280	(343)
Total increase...	252	13
Assets under management, end of period.....................	$ 6,542	$ 6,415
	=======	=======
Fixed Income Separate Accounts		
Assets under management, beginning of period................	$ 5,229	$ 5,298
Net additions (withdrawals).............................	93	(81)
Market appreciation (depreciation)......................	(60)	93
Total increase...	33	12
Assets under management, end of period.....................	$ 5,262	$ 5,310
	=======	=======
Consultant Services Group		
Assets under management, beginning of period................	$ 3,037	$ 1,796

Net additions	452	205
Market appreciation	55	1
Total increase	507	206
Assets under management, end of period	$ 3,544	$ 2,002
Mutual Fund and Sub-Advised Accounts		
Assets under management, beginning of period	$19,488	$19,480
Net additions	896	425
Market appreciation (depreciation)	410	(1,607)
Total increase (decrease)	1,306	(1,182)
Assets under management, end of period (2)	$20,794	$18,298
Sub-Total Mutual Fund & Institutional		
Assets under management, beginning of period	$34,044	$32,976
Net additions	1,413	905
Market appreciation (depreciation)	685	(1,856)
Total increase (decrease)	2,098	(951)
Assets under management, end of period	$36,142	$32,025
TOTAL		
Assets under management, beginning of period	$59,048	$55,486
Net additions	1,445	2,317
Market appreciation (depreciation)	1,380	(3,001)
Total increase (decrease)	2,825	(684)
Assets under management, end of period	$61,873	$54,802
Equity component of assets under management	71%	72%

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(1) As of March 31, 2002 and 2001, Private Asset Management included $51 and $49 of assets invested in EMM's hedge fund products, respectively.

(2) As of March 31, 2002 and 2001, Mutual Fund and Sub-Advised Accounts included $144 and $79 of client assets invested in the Fund Advisory Service wrap mutual fund program with third party funds, respectively.

ASSETS UNDER MANAGEMENT
(in millions)

	As Of and For The Years Ended		
	December 31, 2001	December 31, 2000	December 3 1999
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PRIVATE ASSET MANAGEMENT			
Assets under management, beginning of year	$22,510	$21,539	$18,267
Net additions	2,734	1,154	324
Market appreciation (depreciation)	(240)	(183)	2,948
Total increase	2,494	971	3,272
Assets under management, end of year (1)	$25,004	$22,510	$21,539
MUTUAL FUND & INSTITUTIONAL			
Equity Separate Accounts			
Assets under management, beginning of year	$ 6,402	$ 6,458	$ 7,800
Net withdrawals	(45)	(494)	(2,592)
Market appreciation (depreciation)	(67)	438	1,250
Total decrease	(112)	(56)	(1,342)
Assets under management, end of year	$ 6,290	$ 6,402	$ 6,458
Fixed Income Separate Accounts			
Assets under management, beginning of year	$ 5,298	$ 5,924	$ 6,949
Net withdrawals	(382)	(1,084)	(932)
Market appreciation (depreciation)	313	458	(93)
Total decrease	(69)	(626)	(1,025)
Assets under management, end of year	$ 5,229	$ 5,298	$ 5,924
Consultant Services Group			
Assets under management, beginning of year	$ 1,796	$ 1,839	$ 1,671
Net additions (withdrawals)	1,147	(158)	133
Market appreciation	94	115	35
Total increase (decrease)	1,241	(43)	168
Assets under management, end of year	$ 3,037	$ 1,796	$ 1,839
Mutual Fund and Sub-Advised Accounts			
Assets under management, beginning of year	$19,480	$18,639	$20,900
Net additions (withdrawals)	1,094	546	(4,257)
Market appreciation (depreciation)	(1,086)	295	1,996
Total increase (decrease)	8	841	(2,261)
Assets under management, end of year (2)	$19,488	$19,480	$18,639
Sub-Total Mutual Fund & Institutional			
Assets under management, beginning of year	$32,976	$32,860	$37,320
Net additions (withdrawals)	1,814	(1,190)	(7,648)
Market appreciation (depreciation)	(746)	1,306	3,188
Total increase (decrease)	1,068	116	(4,460)
Assets under management, end of year	$34,044	$32,976	$32,860

TOTAL			
Assets under management, beginning of year	$55,486	$54,399	$55,587
Net additions (withdrawals)	4,548	(36)	(7,324)
Market appreciation (depreciation)	(986)	1,123	6,136
Total increase (decrease)	3,562	1,087	(1,188)
Assets under management, end of year	$59,048	$55,486	$54,399
Equity component of assets under management	71%	73%	71%

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(1) As of December 31, 2001, Private Asset Management included $49 of assets invested in EMM's hedge fund products.

(2) As of December 31, 2001 and 2000, Mutual Fund and Institutional included $121 and $88 of client assets invested in the Fund Advisory Service wrap mutual fund program with third party funds, respectively.

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Three Months Ended March 31, 2002 Compared with Three Months Ended March 31, 2001

We reported net income before taxes of $57.8 million for the first quarter ended March 31, 2002, representing a decrease of $1.2 million or 2.1%, compared to $59.1 million for the first quarter ended March 31, 2001. Our net revenues after interest expense were $160.2 million for the first quarter of 2002, an increase of $5.4 million or 3.5% compared to the same period in 2001. Our first quarter results for 2002 reflect increases in net revenues after interest expense in Private Asset Management and Mutual Fund and Institutional, partially offset by a decrease in net revenues after interest expense in Professional Securities Services, and a smaller net loss after interest expense in our Corporate segment. Assets under management increased to $61.9 billion at March 31, 2002, up $7.1 billion or 12.9% when compared to $54.8 billion at March 31, 2001. The increase in assets under management of $3.0 billion in Private Asset Management is due to net asset additions of $1.4 billion coupled with market appreciation of $1.6 billion. The increase in assets under management of $4.1 billion in Mutual Fund and Institutional is due to net asset additions of $2.3 billion coupled with market appreciation of $1.8 billion.

Private Asset Management. Our net revenues after interest expense increased 7.4% to $81.5 million for the first quarter of 2002, from $75.9 million for the first quarter of 2001. Our investment advisory fees increased 6.5% to $54.5 million for the first quarter of 2002, from $51.1 million for the same period in 2001, due to an increase in assets under management to $25.0 billion at December 31, 2001 (the billable base for the first quarter of 2002) from $22.5 billion at December 31, 2000 (the billable base for the first quarter of 2001). Because investment advisory fees from Private Asset Management are based on the previous quarter's asset levels, we expect an increase in advisory fees for the second quarter of 2002 commensurate with the increased asset levels at March 31, 2002. Our commissions increased 11.5% to $26.0 million in the first quarter of 2002, from $23.3 million in the first quarter of 2001, resulting from an increase in commission generating share transactions. Our net interest income decreased 34.2% to $0.9 million in the first quarter of 2002, from $1.3 million in the first quarter of 2001, due to a combination of lower average balances related to client financing and narrowing interest spreads.

Mutual Fund and Institutional. Our net revenues after interest expense increased 2.8% to $56.7 million for the first quarter of 2002, from $55.2 million for the first quarter of 2001. Our investment advisory and administrative fees increased 1.7% to $52.4 million for the first quarter of 2002, from $51.5 million for the same period in 2001, due primarily to increases in fees in our wrap and mutual fund businesses as a result of higher asset levels and an increase in average daily assets under management, respectively, partially offset by a decrease in fees from our institutional separate account business. Our commissions increased 16.2% to $4.3 million in the first quarter of 2002, from $3.7 million in the first quarter of 2001, as a result of an increase in commission generating share transactions.

Professional Securities Services. Our net revenues after interest expense decreased 11.7% to $22.7 million in the first quarter of 2002, from $25.7 million in the first quarter of 2001. Our investment advisory fees increased to $2.0 million in the first quarter of 2002, from $0.6 million for the same period in 2001, due primarily to an increase in fees from our wealth management services resulting from the acquisition of Executive Monetary Management, Inc. Our commissions decreased 3.8% to $9.4 million in the first quarter of 2002, from $9.7 million in the first quarter of 2001, as a result of an increase in overall commission generating shares in our prime brokerage business which was more than offset by lower commission activity in certain accounts. Our net gain resulting from principal transactions decreased 58.9% to $0.7 million in the first quarter of 2002, from $1.6 million in the same period of 2001, primarily due to a decline in market making activity related to a combination of the drop in the Nasdaq market and narrowing of transaction spreads as a result of the decimalization program. Our net interest income decreased 43.0% to $5.4 million in the first quarter of 2002, from $9.5 million in

the first quarter of 2001, primarily due to lower average balances related to client financing and narrowing interest spreads resulting from the decrease in absolute interest rates. This was partially offset by a reduction in bank loan interest expense due to the increased cash generation from our business. Our clearance fees decreased 23.2% to $2.9 million in the first quarter of 2002, from $3.8 million for the same period in 2001. Our other income increased to $2.3 million in the first quarter of 2002, from $0.4 million in the first quarter of 2001, primarily as a result of an increase in syndicate activity.

Corporate. Our net loss after interest expense decreased to $0.7 million in the first quarter of 2002, from $1.9 million in the first quarter of 2001, primarily as a result of an increase in value of our investment in our mutual funds.

Operating Expenses. Our total operating expenses were $102.4 million in the first quarter of 2002, an increase of $6.6 million or 6.9% when compared to $95.8 million in the first quarter of 2001. Employee compensation and benefits increased to $68.4 million in the first quarter of 2002, from $65.6 million in the first quarter of 2001. This was primarily due to increases in salaries attributable to employees related to our recent acquisitions and an increase in the amortization of unearned compensation. Our rent and occupancy costs increased to $5.5 million in the first quarter of 2002, up $0.9 million or 19.0% from $4.6 million in the same period of 2001, primarily due to additional costs associated with expansion in our principal place of business and escalations. Our brokerage, clearing and exchange fees increased to $3.0 million in the first quarter of 2002, up $0.3 million or 12.5% from $2.7 million in the same period of 2001, primarily due to increased exchange fees commensurate with higher transaction volume. Our advertising and sales promotion expenses decreased to $2.2 million in the first quarter of 2002, down

$0.4 million or 13.9% from $2.5 million in the same period of 2001, primarily due to reduced expenditures on media advertising and print campaigns, partially offset by an increase in promotional activities in Private Asset Management. Our distribution and fund administration expenses increased to $5.8 million in the first quarter of 2002, up $1.4 million or 33.2% from $4.4 million in the same period of 2001, primarily due to an increase in average mutual fund assets, which directly affects payments to third parties. Our professional fees increased to $2.5 million for the first quarter of 2002, up $0.6 million or 29.4% from $2.0 million in the first quarter of 2001, primarily due to an increase in legal fees. Depreciation and amortization increased to $3.7 million in the first quarter of 2002, up $0.9 million or 33.4% from $2.8 million for the same period in 2001, primarily due to amortization of new leasehold improvements, as well as depreciation resulting from expenditures on technology related equipment.

Taxes. Our taxes decreased to $24.6 million in the first quarter of 2002, down $0.2 million or 1.0% from $24.8 million for the same period in 2001, due to lower net income before taxes, partially offset by a slightly higher effective tax rate.

2001 Compared with 2000

We reported net income before taxes of $229.1 million for the year ended December 31, 2001, representing a decrease of $17.9 million or 7.2%, compared to $246.9 million for the year ended December 31, 2000. Our net revenues after interest expense were $613.3 million for the year ended December 31, 2001, a decrease of $3.1 million or 0.5%, compared to $616.3 million for the same period in 2000. Our results for 2001 reflect an increase in net revenues after interest expense in Private Asset Management, which was more than offset by decreases in net revenues after interest expense in Mutual Fund and Institutional and Professional Securities Services and by a larger net loss after interest expense in our Corporate segment. Assets under management increased to $59.0 billion at December 31, 2001, up $3.6 b