Peralta Community College District

February 11, 2010
Neuberger Berman

A private, independent, employee-controlled asset management firm

A Firm of Substance

♦ At $173 billion, we are among the world’s leading private, independent, employee-controlled asset management firms
♦ 70-year investment heritage
♦ More than 1,600 employees in 23 cities worldwide

Structured to Promote Long-term Success

♦ Employee controlled and well capitalized
  – Neuberger Berman employees own 51% of the company
  – Employee owners have the right to appoint 5 of 7 Board of Director seats
  – Debt free and in excess of $200 million in cash
♦ Independent risk management structure

Aligned with Client Interests

♦ Our mission is to partner with our clients to achieve their unique investment objectives
♦ Employee equity is subject to a vesting schedule over 5 years
♦ 18-month non-compete for senior portfolio managers, 12 to 18-month non-solicit for investment professionals and a majority of the professional staff
♦ Up to 25% of compensation is contingent/deferred
♦ On a yearly basis over the next five years, equity ownership allocations will be re-allocated based on performance and other key metrics

All information as of December 31, 2009, except as otherwise noted. Reflects collective data for the various affiliated investment advisers that are subsidiaries of Neuberger Berman Group LLC (the "firm"). Firm history/timeline information dates back to the 1939 founding of Neuberger & Berman (the predecessor to Neuberger Berman LLC), and highlights key business expansions, including those that resulted from acquisitions of the various affiliated investment advisers that now comprise the firm.
ISG conducts investment strategy and manager research, both of which drive our customized portfolio construction process.

- **Investment Strategy**
  - Macroeconomic research
  - Market analysis
  - Long-term portfolio strategy
  - Asset allocation methodology

- **Asset Allocation**
  - Evaluation of client specific investment goals
  - Risk mitigation through diversification
  - Customized strategy recommendations
  - Manager selection and analysis

- **Manager Research**
  - Neuberger Berman portfolio manager analysis
    - Qualitative strategy reviews
    - Performance analysis
    - Risk assessment

**Client**
Strategy in 2010

Bullish on equities:

- **Sustained profits growth**
  - S&P 500 companies returning to prior peak earnings levels
  - Global nature of S&P 500
  - Positive estimate revisions
  - Leading ECRI economic indicators have reached 63-year highs

- **Healthy risk-taking appetite**
  - Lower volatility
  - Improving sentiment

- **Economic backdrop**
  - Labor and housing markets improving
  - Liquidity and policy still supportive

Areas to watch:

- **Economic risks**
  - "Jobless" recovery
  - Bank lending
  - Inflation
  - Fed tightening
  - Fiscal deficits

- **Maturing bull market**
  - Sector performance and flows more balanced
  - Hedge funds have covered shorts and may be net long

- **Strategy – Quality, valuation and low earnings risk**

As of February 1, 2010. ECRI represents the Economic Cycle Research Institute. See Disclosures section at the end of this material, which is an important part of this presentation.
The S&P 500 Has Continued on Its Upward Path

Improving earnings and economic fundamentals have supported the market’s gains.

S&P 500 Since Previous Market Peak (as of 2/4/2010)

High: 1,565.15
(Oct 9, 2007)

Low: 676.53
(Mar 9, 2009)

Current: 1,063.11
(Feb 4, 2010)

Source: Callan. The characteristics, including length and recovery time, of past recessions and bear markets have varied significantly and are no indication of the characteristics of the current or future recessions and bear markets. Indexes are unmanaged and are not available for direct investment. Investing entails risks, including possible loss of principal. Past performance is no guarantee of future results. See Disclosures section at the end of this material, which is an important part of this presentation.
Labor Market Showing Dramatic Improvements

Leading employment indicators are suggesting imminent job growth.

<table>
<thead>
<tr>
<th>Initial Jobless Claims</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousands</td>
<td>Percent (%)</td>
</tr>
<tr>
<td>700</td>
<td>11.0</td>
</tr>
<tr>
<td>650</td>
<td>10.0</td>
</tr>
<tr>
<td>600</td>
<td>9.0</td>
</tr>
<tr>
<td>550</td>
<td>8.0</td>
</tr>
<tr>
<td>500</td>
<td>7.0</td>
</tr>
<tr>
<td>450</td>
<td>6.0</td>
</tr>
<tr>
<td>400</td>
<td>5.0</td>
</tr>
<tr>
<td>350</td>
<td>4.0</td>
</tr>
<tr>
<td>300</td>
<td>3.0</td>
</tr>
<tr>
<td>250</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: St. Louis Federal Reserve. Unemployment rate and change in non-farm payrolls provided by the Department of Labor. Initial jobless claims represent the number of jobless claims filed by individuals seeking to receive state jobless benefits. See Disclosures section at the end of this material, which is an important part of this presentation.
Inflation Tends to Fall During Recessions Due to Massive Excess Capacity

If we do see inflation in 2010, sector positioning will depend on the source of the inflation.

<table>
<thead>
<tr>
<th>Source</th>
<th>Timing</th>
<th>Cause</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>Late-stage growth</td>
<td>Firms compete for labor, wages are bid up</td>
</tr>
<tr>
<td>End Demand (Finished Goods less Food &amp; Energy)</td>
<td>Mid to late-stage growth</td>
<td>Consumers are buying faster than companies are producing, product prices are bid up</td>
</tr>
<tr>
<td>Core Crude PPI (Production Inputs ex. Food &amp; Energy)</td>
<td>Varies - high global demand and/or FX may affect inputs</td>
<td>When input prices increase, companies raise end-product prices to maintain profit margins</td>
</tr>
<tr>
<td>Commodities</td>
<td>Varies - high global demand and/or FX may affect inputs</td>
<td>Higher input prices (see above) and higher end-product prices (gasoline, food)</td>
</tr>
<tr>
<td>Excess liquidity</td>
<td>Poorly-timed central bank policy</td>
<td>&quot;Too many dollars chasing too few goods&quot;</td>
</tr>
<tr>
<td>Central banks print money to pay debt obligations rather than balancing budget</td>
<td>No set rule - but common threads include near-default on government debt, corrupt government and a treasury / central bank that are not separate from each other</td>
<td>When the bond issuers (Treasury) also have control over money printers (central bank), they can act in own interest rather than performing central bank duties</td>
</tr>
</tbody>
</table>

**CPI Core %y-o-y**

![CPI Core %y-o-y chart](chart)

**S&P 500 Sector Responses to Inflation: 1973 - present**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Wages</th>
<th>CPI</th>
<th>Core Crude PPI</th>
<th>Commodities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discretionary</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Staples</td>
<td>-</td>
<td>-</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Energy</td>
<td></td>
<td>+</td>
<td></td>
<td>na</td>
</tr>
<tr>
<td>Financials</td>
<td>-</td>
<td>-</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Health Care</td>
<td>+</td>
<td>+</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Industrials</td>
<td>na</td>
<td>+</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Technology</td>
<td>-</td>
<td>-</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Materials</td>
<td>-</td>
<td>+</td>
<td></td>
<td>na</td>
</tr>
<tr>
<td>Telco Services</td>
<td>+</td>
<td>-</td>
<td></td>
<td>na</td>
</tr>
<tr>
<td>Utilities</td>
<td>-</td>
<td>-</td>
<td>na</td>
<td>na</td>
</tr>
</tbody>
</table>

Source: Barclays Capital, Merrill Lynch. See Disclosures section at the end of this material, which is an important part of this presentation.
Fed Tightening Likely Remains Months Away

Watch for more positive language from the Fed, but we anticipate that interest rates will stay at historic lows until the Fed sees a meaningful drop in the unemployment rate.

Unemployment Rate and Fed Rate Hikes

Percent (%)

Peak in Fed balance sheet (Winter 2009)

Final rate cut (Sept 1992)

First rate hike (Feb 1994)

Final rate cut (June 2003)

First rate hike (June 2004)

Source: Bureau of Labor Statistics. See Disclosure section at the end of this material, which is an important part of this presentation.
Positive Feedback Loops and Sentiment Could Further Market Gains

Key question: The willingness of banks to lend and companies to hire.

Negative Feedback Loop Last February
- Consumer Refrenchment
- Business Cutbacks
- Decreased Lending Ability
- Foreclosures/Credit Losses for banks
- Rising Unemployment

Positive Feedback Loop in 2010?
- Trough in Foreclosures/Credit Losses for Banks
- Stabilizing Consumer
- Job Growth
- Corporate Investment
- Increased Lending Ability

See Disclosures section at the end of this material which is an important part of this presentation.
2010: A Year For Stock-pickers

We think there is the potential for greater active manager outperformance in 2010.

Source: International Strategy & Investment. See Disclosures section at the end of this material, which is an important part of this presentation.
Strongest Economic Growth is Expected to Come From the Developing World

Exposure to higher growth international markets may be important going forward.

IMF 2010 Global Real GDP Forecasts

IMF Data Mapper
Real GDP growth 2010

Source: IMF. See Disclosures section at the end of this material, which is an important part of this presentation.
Peralta Community College

Neuberger Berman Account Asset Allocation as of 12/31/09

Asset Allocation

- Large Cap Value, 15.25%
- Large Cap Growth, 17.04%
- Small Cap Growth, 9.10%
- REIT, 5.28%
- International, 17.03%
- Fixed Income, 36.30%

Asset Allocation Target Strategy

- S&P 500, 15.00%
- BarCap Agg, 35.00%
- R2000, 10.00%
- MSCI EAFE, 20.00%
- NA REIT, 5.00%

See Disclosures section at the end of this material, which is an important part of this presentation.
## Asset Allocation Summary

### Summary

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Strategic Target</th>
<th>Tactical Range</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>35%</td>
<td>30% - 40%</td>
<td>BarCap US Aggregate Bond Index</td>
</tr>
<tr>
<td>Large Cap Equity</td>
<td>30%</td>
<td>25% - 35%</td>
<td>S&amp;P 500</td>
</tr>
<tr>
<td>International Equity</td>
<td>20%</td>
<td>15% - 25%</td>
<td>MSCI EAFE Index</td>
</tr>
<tr>
<td>Small Cap Equity</td>
<td>10%</td>
<td>5% - 15%</td>
<td>Russell 2000 Index</td>
</tr>
<tr>
<td>Real Estate</td>
<td>5%</td>
<td>0% - 10%</td>
<td>NAREIT Equity REIT Index</td>
</tr>
</tbody>
</table>

**100.00%**

*See Disclosures section at the end of this material, which is an important part of this presentation.*
Peralta Community College

Performance as of 12/31/09

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance (January 2006):</td>
<td>150,307,485</td>
</tr>
<tr>
<td>Contributions/Withdrawals:</td>
<td>(12,700,000)</td>
</tr>
<tr>
<td>Earned:</td>
<td>8,853,393</td>
</tr>
<tr>
<td>Total:</td>
<td>146,460,878</td>
</tr>
</tbody>
</table>

Asset Allocation as of 12/31/09

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Market Value ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Equity</td>
<td>24,936,846</td>
</tr>
<tr>
<td>Large Cap Value</td>
<td>22,337,351</td>
</tr>
<tr>
<td>Large Cap Growth</td>
<td>24,956,814</td>
</tr>
<tr>
<td>Small Cap Growth</td>
<td>13,325,328</td>
</tr>
<tr>
<td>REITS</td>
<td>7,739,915</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>53,164,623</td>
</tr>
<tr>
<td>Total Market Value</td>
<td>146,460,878</td>
</tr>
</tbody>
</table>

Summary (as of 12/31/09)

<table>
<thead>
<tr>
<th></th>
<th>1 Month. %</th>
<th>3 Months %</th>
<th>Year-to-Date %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peralta Community College</td>
<td>1.62</td>
<td>3.88</td>
<td>22.84</td>
</tr>
<tr>
<td>Benchmark</td>
<td>1.49</td>
<td>3.24</td>
<td>21.16</td>
</tr>
</tbody>
</table>

Past performance does not predict or guarantee future results.
(1) Earned includes realized and unrealized gains and losses, dividend income and interest income earned, principal pay-downs, less fees paid.
(2) Inception date 1/5/06.
(3) Returns shown are gross of fees.
(4) Benchmark consists of 20% MSCI EAFE, 30% S&P 500, 10% Russell 2000, 5% NAREIT Equity REIT and 33% Barclays Capital Aggregate.
See Disclosures section at the end of this material, which is an important part of this presentation.
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Unless otherwise indicated, the term bear markets as used in this material is defined as 10% reversals in the S&P 500 stock index close. Past bear markets have often included brief bear market rallies (market increases of over 20%) which were often followed by subsequent declines. Nothing herein constitutes an opinion or a prediction regarding the length or bottom of the current recession and bear market, or any subsequent market or portfolio behavior. The characteristics, including length and recovery time, of past recessions and bear markets have varied significantly and are no indication of the characteristics of the current or future recessions and bear markets.

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Definitions of Indexes

S&P 500 Index:
Consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance. As of September 16, 2005, S&P switched to a float-adjusted format, which weights only those shares that are available to investors, not all of a company’s outstanding shares. The value of the index now reflects the value available in the public markets.

Russell 2000® Index:
Measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000® Index. The index is market cap-weighted and includes only common stocks incorporated in the United States and its territories.

FTSE NAREIT Equity REITs Index:
A free float-adjusted, market capitalization weighted index that includes all tax qualified REITs listed in the NYSE, AMEX, or NASDAQ Global Market List which pass FTSE’s minimum size and liquidity criteria.

MSCI EAFE® Index (Europe, Australasia, Far East):
A free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

Barclays Capital U.S. Aggregate Index:
Represents securities that are U.S. domestic, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

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