

Fitch Rates Pfd Shares of Three Neuberger Berman Muni Funds 'AA'

Written by Australian Business

NEW YORK--([BUSINESS WIRE](#))--Fitch Ratings assigns new ratings to the following Variable Rate Municipal Term Preferred Shares (VMTP shares) issued by three closed-end funds managed by Neuberger Berman Management LLC (the Advisor):

Neuberger Berman Intermediate Municipal Fund Inc. (NYSE MKT: NBH)

--\$179,400,000 of Series A VMTP at 'AA'

Neuberger Berman New York Intermediate Municipal Fund Inc. (NYSE MKT: NBO)

--\$48,300,000 of Series A VMTP at 'AA'

Neuberger Berman California Intermediate Municipal Fund Inc. (NYSE MKT: NBW)

--\$59,000,000 of Series A VMTP at 'AA'

KEY RATING DRIVERS

The 'AA' long-term ratings primarily reflect:

--Sufficient asset coverage provided to the VMTP shares as calculated per the fund's over-collateralization (OC) tests;

--The structural protections afforded by mandatory collateral maintenance and

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de-leveraging provisions in the event of asset coverage declines;

--The legal and regulatory parameters that govern the fund's operations;

--The capabilities of Neuberger Berman as investment manager.

FUND PROFILES

All three funds are closed-end management investment companies regulated by the Investment Company Act of 1940. NBH's investment objective is to provide common stockholders a high level of current income exempt from federal income tax. NBW's investment objective is to provide common stockholders a high level of current income exempt from federal income tax and California personal income tax. NBO's investment objective is to provide common stockholders a high level of current income exempt from federal income tax and New York State and New York City personal income taxes. All three funds may invest up to 20% in below investment grade and/or unrated securities.

FUND LEVERAGE

As of May 31, 2014, effective leverage ratios ranged from 38% to 41%. The funds are now leveraged with Variable Rate Municipal Term Preferred shares which are rated by Fitch. Asset coverage and structural protections for the preferred shares are described below.

ASSET COVERAGE

The funds' asset coverage ratios for the VMTP shares, as calculated in accordance with the 'AA' Fitch total and net over-collateralization tests (Fitch OC Tests) outlined in Fitch's criteria, was in excess of 100%. This is the minimum threshold required under the terms of the VMTP shares.

The test calculates standardized asset coverage by applying haircuts to portfolio holdings based on perceived riskiness and diversification of the assets and measuring its ability to cover both on and off-balance sheet liabilities, if any, at the assigned 'AA' stress level.

The asset coverage ratio for each fund, as calculated in accordance with the Investment Company Act of 1940 (Asset Coverage Test) at current market value, was in excess 225%. This is also the minimum asset coverage threshold required under the terms of the VMTP shares.

The effective leverage ratio (Effective Leverage Test) also calculated at current market value, was below 50%. This is the maximum leverage threshold allowed under the terms of the preferred shares (51% if the increase in the ratio is due exclusively to asset market value volatility).

In the event of breaches to any of the above thresholds, the funds are required to restore compliance per structural protections described below.

STRUCTURAL PROTECTIONS

Compliance with the Fitch OC, Asset Coverage and Effective Leverage thresholds is tested periodically. The fund manager is expected to cure any breach by altering the composition of the portfolio toward assets with lower discount factors (for Fitch OC breaches), or by reducing leverage in a sufficient amount (for all other breaches) within a pre-specified time period.

For Fitch OC, Asset Coverage and Effective Leverage Tests, the maximum market value exposure (i.e. valuation, cure and redemption) that preferred shareholders would be exposed to before cure or redemption is approximately 60, 45 and nine business days, respectively.

THE ADVISOR

Neuberger Berman Management LLC is an indirect subsidiary of Neuberger Berman Group LLC, which is a private, independent, employee-controlled investment manager founded in 1939. The firm has more than 1800 employees and managed \$247 billion in assets across equities, fixed income and other alternative investments as of March 31, 2014.

RATINGS SENSITIVITY

The ratings assigned to the VMTP shares may be sensitive to material changes in the leverage composition, portfolio credit quality or market risk of the fund, as described above. A material adverse deviation from Fitch guidelines for any key rating driver could cause ratings to be lowered by Fitch.

For additional information about Fitch rating guidelines applicable to debt and preferred stock issued by closed-end funds, please review the criteria referenced below, which can be found on Fitch's web site at 'www.fitchratings.com'.

Opt-in to receive Fitch's forthcoming research on closed-end funds:

<http://pages.fitchemail.fitchratings.com/FAMCEFBlankOptin/>

Additional information is available at 'www.fitchratings.com'.

The sources of information used to assess this rating were the public domain and Neuberger Berman.

Applicable Criteria and Related Research:

--'Rating Closed-End Fund Debt and Preferred Stock' (Aug. 14, 2013);

--'2014 Outlook: U.S. Closed-End Fund Leverage' (Jan. 14, 2014);

--'Use of Leverage in U.S. Closed-End Funds (Slidedeck Apr-2014)' (May 1, 2014);

--'Fitch: US Closed-End Funds Pick Up Steam in Private Placements' (June 2, 2014).

Applicable Criteria and Related Research:

Rating Closed-End Fund Debt and Preferred Stock

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=716220

2014 Outlook: U.S. Closed-End Fund Leverage

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=730159

Use of Leverage in Closed-End Funds - Capital Link Forum

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=627630

Additional Disclosure

Solicitation Status

http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=837726

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