

**DBRS FORM NRSRO
ANNUAL CERTIFICATION**

EXHIBIT 2

March 31, 2011

Exhibit 2

DBRS Annual Certification - 31 March 2011

Description of the rating procedures and methodologies used by DBRS

DBRS ratings are underpinned by a wide range of policies, methodologies, criteria and models that are generally published under “Rating Policies and Methodologies” on www.dbrs.com. This information is further supported by detailed internal procedures.

This Exhibit 2, which is divided into two parts, briefly describes the rating procedures and methodologies DBRS uses. The first part of the Exhibit outlines: (i) the Company’s policies for determining whether to initiate a credit rating; (ii) the public and non-public sources of information used in determining credit ratings, including information and analysis provided by third-party vendors; (iii) the Company’s policy on the review of Structured Finance information and originator assessments; (iv) the Company’s policy regarding unsolicited ratings; (v) the general steps taken during the Corporate and Structured Finance rating processes, including a discussion of the DBRS Rating Committee process and information regarding the Company’s interactions with the management of a rated obligor or issuer of rated securities or money market instruments, and a discussion of the surveillance process; (vi) additional information regarding the Company’s procedures for informing rated obligors or issuers of rated securities or money market instruments about credit rating decisions and for appeals of final or pending credit rating decisions; (vii) the DBRS policy on publishing ratings and issuing pre-sale reports, rating reports and press releases; (viii) the Company’s use of rating trends; (ix) other rating actions and disclosures, including discontinuance and placing ratings under review, etc.; and (x) other core rating services offered by DBRS.

The second part of the Exhibit describes the quantitative and qualitative models, methodologies and metrics DBRS uses, including the methodologies by which credit ratings of other rating agencies are treated to determine credit ratings for securities or money market instruments issued by an asset pool or as part of an asset-backed or mortgaged-backed securities transaction. Please refer to www.dbrs.com for a list of methodologies used by the DBRS Corporate and Structured Finance sectors.

EXHIBIT 2A – GENERAL RATING POLICIES AND PROCEDURES

RATINGS INITIATION

As outlined in the “Rating Process – Corporate and Structured Finance” section of this Exhibit, DBRS will decide to initiate a rating when:

- (1) A rating has been requested. In such cases, DBRS will generally desire to provide complete ratings coverage for an issuer; or
- (2) DBRS elects to initiate coverage on an unsolicited basis which is further outlined below under “Unsolicited Ratings.”

SOURCES OF INFORMATION USED IN DETERMINING CREDIT RATINGS

DBRS uses a variety of information in its analysis and determination of ratings. DBRS does not audit, or verify such information, but does review the information as set out below. Sources may include publicly available financial statements and other information, business news services and publications, industry journals, information received from conferences and any other source of information DBRS deems as useful, reliable and credible. DBRS may also receive non-public information, which could include strategy, projections and information on significant transactions underway for the Corporate Finance rating. Legal agreements and other information would be critical in the determination of a rating for a Structured Finance sponsor and/or specific Structured Finance transactions.

STRUCTURED FINANCE INFORMATION REVIEW AND ORIGINATOR ASSESSMENTS

DBRS applies reasonable measures to ensure that the information it uses in assigning a rating is of sufficient quality to support a credible rating. In respect of structured finance transactions, these measures generally include review of asset data, legal documents and client information.

Data Review

DBRS has expectations regarding the data it should receive from issuers or intermediaries for each asset class it rates. Such expectations would typically include: the time period covered by the data; loan level characteristics; pool stratifications, pool eligibility criteria, payment rate and certain key ratios including delinquency, default and loss. Actual data received is reviewed against expectations in terms of overall completeness and completeness within each data class. Data is also subject to a reasonableness review by a DBRS analyst who will review the data provided against benchmarking data compiled by government agencies, other long tenured debt issuers and any other sources deemed appropriate by DBRS.

Legal Document Review

DBRS reviews transactional base legal documents for completeness and reasonableness with regard to DBRS rating methodology. This includes a review of the suitability of any representations and warranties received from the investment banks or other financially responsible parties relating to the quality of underlying assets.

Issuer Review

DBRS conducts issuer checks, as appropriate. These can include: review of the data provider's past practices and transaction performance; seller (originator, sponsor and/or issuer) and servicer site visits, management meetings and discussions, and review of publicly available documentation concerning the seller's financial standing.

In the event that a data, legal document or client review provides results that are unsatisfactory to DBRS, DBRS will decline to issue a rating in respect of the transaction.

DBRS UNSOLICITED RATINGS

Broad credit ratings coverage generally benefits the market and investing public. Where DBRS believes there is meaningful credit market or investor interest served by providing DBRS rating coverage of an issuer or security, DBRS may assign a rating without the participation of the issuer in the rating process.

Unsolicited ratings will only be assigned when sufficient public information is available to support the analysis and monitor the rating on an ongoing basis. The following disclosure statement will be included in press releases and rating reports for unsolicited ratings:

“This rating did not include issuer participation and is based solely on publicly available information.”

DBRS unsolicited ratings are determined in accordance with its established ratings policies, procedures and methodologies and are covered by its conflicts of interest and unfair, coercive or abusive business practices policies and procedures.

NON – HIRED NRSRO UNSOLICITED RATINGS - STRUCTURED FINANCE

When DBRS is engaged to assign a rating to securities or money market instruments issued by an asset pool or as part of an asset-backed or mortgage-backed securities transaction, DBRS discloses specific information about the transaction on a password-protected Internet web site that it makes available to other nationally recognized statistical rating organizations who have furnished DBRS with an appropriate certification regarding their use of the information (Non-Hired NRSROs). DBRS also obtains written representations from the arranger of such structured finance products that it will make all the information it gives to DBRS to determine an initial rating or to monitor that rating available to the Non-Hired NRSROs through its own password-protected web site, which enables Non-Hired NRSROs to provide unsolicited rating opinions on the subject securities.

THE RATING PROCESS – CORPORATE AND STRUCTURED FINANCE

DBRS Analyst Teams

DBRS analysts work within specific industries and product groups in the Corporate and Structured Finance business sectors. Each entity rated by DBRS is normally covered by two analysts, a lead and a back-up analyst, who work together on the rating, attend meetings with the issuer's senior management, and make a recommendation with regards to a rating action for the entity or security. The lead and back-up analysts also monitor DBRS Corporate ratings, while either surveillance or lead and/or back-up analysts are assigned to monitor outstanding Structured Finance ratings.

Rating Committees – Corporate and Structured Finance

Ratings and rating actions for both Corporate and Structured Finance ratings are determined by Rating Committees. DBRS uses Rating Committees to make these determinations primarily because they:

- (1) provide objective and independent rating decisions that are a reflection of the Company's opinion, rather than the view of an individual analyst or analysts;
- (2) ensure rating decisions are based on sufficient information, incorporate both global and local considerations, and apply DBRS approved methodologies;
- (3) provide a checkpoint for actual and perceived conflicts of interest among analysts; and
- (4) standardize the rules, procedures and documentation processes to drive efficiency and consistency with respect to rating decisions.

Rating Committees have specific member composition requirements, as outlined in the DBRS Rating Committee procedures. These requirements depend upon a number of factors, including the nature of the issue or rating action under consideration, the corporate industry sector, and the type of structured finance transaction, for example. All Rating Committees, however, are comprised of experienced and knowledgeable analytical personnel.

Rating Committees typically meet on an 'as-needed' basis, as new rating coverage is initiated, as rating actions are requested or rating events occur. This approach provides maximum flexibility, as well as permitting timely and informative rating decisions. Generally, all relevant materials are distributed to participants in advance, these materials are presented and evaluated during the meeting, and following due consideration and discussion a vote is taken on a clear recommendation for the issue under consideration.

Rating Committees observe DBRS procedural requirements in respect of the following matters:

- (i) scope of mandate and accountabilities;
- (ii) attendance and participation;
- (iii) quorum;
- (iv) choice of meeting chair;
- (v) voting;
- (vi) record of minutes;
- (vii) adjourning and/or reconvening of meeting; and

(viii) Rating Committee appeals.

Corporate Rating Process

The following outlines the steps generally taken during the Corporate rating process:

(1) Initial Contact

In most cases, DBRS is contacted by the issuer directly or by its investment banker or dealer and is requested to conduct a corporate rating.

(2) Letter of Engagement

In order to formalize the rating assignment, DBRS generally requires the issuer to confirm the terms of the engagement.

(3) Information on the Issuer

Relevant information about the issuer is obtained, and may be received from a variety of sources including third parties, for the purposes of conducting the rating analysis.

(4) Meeting with Management

DBRS generally conducts an extensive meeting or series of meetings with management regarding all relevant aspects of the issuer's business. In addition to learning more about the issuer and its financing plans, the areas outlined in the DBRS rating methodologies are considered to be the key areas of importance to address when speaking with senior management. If applicable to the business, a facility tour may be included during these meetings.

(5) Draft Rating Report

Following analysis of the information obtained, typically a draft rating report is prepared.

(6) Rating Committee

The analysis, draft rating report, if prepared, proposed rating and other applicable material are submitted to the Rating Committee, who will determine the rating.

(7) Review by the Issuer

Once Rating Committee has made its determination, the issuer is generally provided with a copy of the draft rating report, if prepared, and related press release to review to ensure that the factual information is correct and that these materials do not contain any confidential information. In the event that an issuer disagrees with the rating and requests DBRS to reconsider, any re-evaluation of a rating would occur in accordance with the DBRS policy "DBRS Appeal Policy" described below.

(8) Publishing

Except for private ratings, internal assessments and for certain private placement transactions, the rating and final rating report, if prepared, are externally published, accompanied by the press release. Please refer to "Publishing Ratings and Issuing Press Releases" below for further information.

(9) Surveillance

DBRS maintains ongoing surveillance of all its outstanding ratings (including public and certain private ratings and internal assessments). Generally, a rating is fully reviewed and a meeting conducted with senior management of the issuer on an annual basis. Unless the rating is unsolicited, DBRS expects the co-operation of the issuer in keeping DBRS informed of any significant developments, providing DBRS with continuing financial information as released, and responding to questions that arise.

Additionally, as noted below under “Other Rating Actions and Disclosures – (2) Ratings Under Review” of this Exhibit, DBRS maintains continuous surveillance of the entities that it rates. Therefore; all DBRS ratings are always monitored and action taken, as necessary, to an update a DBRS rating, when a significant event occurs that directly impacts the credit quality of a particular entity or group of entities.

Structured Finance Rating Process

While there can be minor differences in the rating process across different jurisdictions and product lines, outlined below are general principles and the steps generally taken during the Structured Finance rating process.

(1) Initial Contact

An initial meeting between DBRS and the sponsor, usually the financial institution which will be structuring transactions for third party clients or selling assets directly into the special purpose vehicle (SPV), will be held to discuss the structure of the SPV.

(2) Letter of Engagement

In order to formalize the rating assignment, DBRS generally requires the sponsor to confirm the terms of the engagement.

(3) Information on the Sponsor

DBRS evaluates the sponsor’s financial and operational capabilities, proposed transaction terms and pool of assets to be securitized, and may consider information from third party sources. Subsequent to the receipt of the information from the sponsor, an operational review may be conducted.

(4) Structural and Legal Review

The sponsor will provide DBRS with constituting documents to allow DBRS to ensure that the legal structure is consistent with the described purpose of the SPV.

(5) Draft Rating Report

A pre-sale or rating report may be drafted which focuses on the rating rationale and the structural features of the transaction or program, the roles performed by various parties as well as the structural risk mitigants or flexibilities that exist within the transaction or program.

(6) Rating Committee

The analysis, draft rating report, if prepared, and proposed rating are submitted to the Rating Committee, who will determine the rating. For further information regarding Rating Committee, please refer to the “Rating Committees – Corporate and Structured Finance” discussion above.

(7) Review by the Sponsor

Once Rating Committee has determined the rating, the sponsor is provided with a copy of the press release and draft rating report, if prepared, to review to ensure that the factual information is correct and that these materials do not contain any confidential information. In the event that a sponsor disagrees with the rating and requests DBRS to reconsider, any re-evaluation of a rating would occur in accordance with the “DBRS Appeal Policy” described below.

(8) Publishing

Except for private ratings, internal assessments and for certain private placement transactions, the rating, press release and final rating report, if prepared, are externally published.

(9) Surveillance

Each sponsor of a SPV structure is generally required to provide periodic performance reports, which provide an overview of the performance of the pool of receivables and the transaction and, if relevant, prompt notification of any covenant trigger and a proposed courses of action to remedy the situation. DBRS reviews the performance reports and other pertinent information provided.

Further information regarding the criteria and models used for surveillance is included in part 2 of this Exhibit under ‘Quantitative Inputs – Structured Finance – Monitoring Existing Ratings.’

DBRS APPEAL POLICY

Prior to the publication of a rating action, DBRS provides the issuer or sponsor, as applicable, with a copy of the press release and any report prepared in relation to the rating action.

An issuer/sponsor may request an appeal of a DBRS rating action when:

- (1) material new information is provided to DBRS; or
- (2) there is a significant change in the terms of the proposed issue.

DBRS considers rating appeals on a case by case basis. DBRS will defer issuing the press release and any related report pending disposition of the appeal request and resolution of the appeal, as applicable.

PUBLISHING RATINGS AND ISSUING PRESS RELEASES

Except for private ratings and ratings for certain private placement transactions, DBRS ratings (including the rationales underlying the ratings) are distributed via press release to the public at no cost through its website, www.dbrs.com. Ratings decisions can also be found on Bloomberg and Thomson Reuters, and a direct data feed of all of DBRS ratings can be found on Thomson Reuters’ services. DBRS press releases are also sent to FirstCall and ABSNet. In addition, ratings for financial institutions and numerous corporate industries are also available on SNL.com, and commercial mortgage-backed securities (“CMBS”) ratings can be accessed on Trepp.com.

For each of its published ratings, DBRS indicates when the rating was last updated. In its press releases, DBRS references the last report date, as applicable, and the principal methodology or methodology version used in determining the rating. DBRS strives to publish all of its methodologies externally; however, in the event that a DBRS rating is based upon an internal methodology, the related press release will describe the methodology used to determine the rating. DBRS also publicly announces when it has discontinued a rating on an issuer by way of a press release.

In addition to informing the public about public rating opinions and rating actions, DBRS also issues press releases to inform the public on a variety of issues, including, but not limited to: new and updated rating methodologies, the availability of industry-specific studies and commentaries, and significant regulatory-related events.¹

DBRS strives to issue all press releases in a timely manner, placing a high priority on informing the public of its rating opinions in respect of the public ratings maintained by DBRS, as soon as possible, following the rendering of the decision by the Rating Committee, in accordance with its rating process and applicable regulatory requirements.

The timeframe between advising an issuer of a rating decision approved by Rating Committee and releasing this decision to the public is kept as short as possible. DBRS has in place appropriate procedures for dealing with time-sensitive versus non-time-sensitive rating events and their public announcement.

Time-sensitive press releases encompass any situation that reflects a material change in an issuer's credit quality or could be expected to have an immediate impact on the opinions of investors, such as rating upgrades, downgrades, under review, trend changes and, in some cases, new ratings, confirmations and new issues.

RATING TRENDS

DBRS uses "rating trends" for its ratings in the Corporate sector (except for Income Fund Stability Ratings) and its ratings for the CMBS product group within Structured Finance.

Rating trends provide guidance in respect of an opinion of DBRS regarding the outlook for the rating in question, with rating trends falling into one of three categories - "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. In general, the DBRS view is based primarily on an evaluation of the issuing entity or guarantor itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates.

DBRS assigns a rating trend for each security of an issuing entity as opposed to specifying one rating trend for the issuing entity and all rated security lines. Given that the duration and ranking of securities can influence the weighting of the strengths, weaknesses and challenges that affect the entity, it is not unusual for securities of the same entity to have different trends. However, the simultaneous occurrence of both a Negative and a Positive Trend for securities issued by the same entity is rare.

It is the DBRS philosophy to rate "through an economic cycle"; therefore it is often the rating trend that will reflect the initial pressures or benefits of a changing environment rather than an immediate change in the rating itself. Nevertheless, a Positive or Negative Trend is not an indication that a rating change is imminent. Rather, a Positive or Negative Trend represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a Stable Trend was assigned to the security.

¹ DBRS full rating reports, industry studies, commentaries and securitization servicer reports are available to paying subscribers. Each rating report provides the rationale and criteria for the rating decision and an analysis including the strengths, challenges and key characteristics of the issuer. The Company's published industry studies cover a wide variety of industries and product groups across the Corporate and Structured Finance sectors.

Generally, the conditions that lead to the assignment of a Negative or Positive Trend are resolved within a twelve-month period. However, in some instances, new factors emerge which may cause the Positive or Negative Trend to be maintained, even as the original factors become clarified or resolved. DBRS generally notes any changes to the basis for the Positive or Negative Trend.

Use of Rating Trends in CMBS

CMBS is the only Structured Finance asset class that regularly uses rating trends, generally due to the transaction structure and underlying collateral involved. Similar to the Corporate sector, each DBRS rating category is appended with one of three rating trends - "Positive", "Stable", or "Negative". The rating trend helps to provide an understanding of the DBRS opinion regarding the outlook for the rating; although a Positive or Negative Trend does not necessarily indicate that a rating change is imminent.

CMBS has an inherent Positive Trend when there is amortization and asset appreciation; however no pool is static. Property net cash flows increase or decrease at different rates and as a result of this, and other market factors, assets generally appreciate at different rates; although not all assets will appreciate. Rating trends allow DBRS to identify a general credit shift in the absence of critical information and to remain proactive when positive or negative factors impacting the asset pool are insufficient to warrant a change in the rating, but it can be determined that the pool has improved or worsened. Negative events may be offset by positive events, resulting in stable trends.

Positive Trend

Ratings reflect the risk of the first dollar loss (or default) for the rated class; therefore DBRS generally uses a Positive Trend when the majority or part of a class is considered to be in the rating category immediately above the rating category for the class, but the entire class is not in that rating category. DBRS upgrades the rated class once the entire class warrants the rating action.

Examples of when DBRS uses Positive Trends include when substantial pay-down from amortization or repayment of loans occurs and when a loan defeases with Government of Canada securities. These events are recognized as positive credit changes, though the changes are not large enough to support the upgrade of the entire class.

Negative Trend

A Negative Trend indicates that negative events may have occurred or that unfavourable changes in respect of the asset pool are likely to occur in the near future, such as an adverse selection, a significant percentage of the pool being noted as loans that have a higher propensity for default, or the acquisition of new specially serviced loans without loss estimates.

Stable Trend

A Stable Trend indicates DBRS's view that the rating is secure and that according to on-going surveillance and performance updates, the trend is stable.

Trend versus Under Review with Implication Notations (see below for additional information regarding Under Review)

When a rating is placed "Under Review", DBRS indicates its status as "Under Review with Positive, Negative, or Developing Implications", as the case may be. The difference between a Positive Trend and an Under Review with Positive Implications, for example, is primarily the timing of any related rating change. An Under Review with Positive Implications is generally used when a rating upgrade is more likely than any other outcome. As discussed above, a Positive Trend may identify positive credit changes within the asset pool, but be to a degree that may be insufficient to warrant a rating upgrade.

OTHER RATING ACTIONS AND DISCLOSURES

In addition to the action of confirming ratings, assigning new ratings and making rating changes, the following are also used by DBRS:

Rating Actions:

(1) Discontinued Ratings

When an entity retires all, or virtually all, of its outstanding debt within a particular category and has no plans to reissue in the near future (e.g., commercial paper, long-term debt, or preferred shares), DBRS may discontinue its rating. Other circumstances where DBRS may also discontinue ratings include situations where the rated debt is no longer in the public market, where a defeasance structure removes the credit risk of the issuer as a consideration, where the debt comes to be held by a few large institutions that do not require ongoing DBRS ratings, or where DBRS elects to discontinue its rating coverage of a particular entity or security.

In the specific case where an issuer's ratings have been downgraded to "D", DBRS may maintain or discontinue the rating. In rendering this decision DBRS will consider:

- (i) the value for investors of DBRS continuing to have ratings coverage of the issuer; and
- (ii) the likelihood of the rated debt being upgraded as the default situation is remedied, which may include a debt restructuring action.

In cases where neither of these factors supports continuing coverage, the rating will generally be discontinued. To reflect the two general types of discontinued actions, DBRS uses "Discontinued - Repaid" and "Discontinued - Withdrawn".

(2) Ratings "Under Review"

In practice, DBRS maintains continuous surveillance of the entities that it rates and therefore all ratings are always monitored. Accordingly, when a significant event occurs that directly impacts the credit quality of a particular entity or group of entities, DBRS will attempt to provide an immediate rating opinion. However, if there is uncertainty regarding the outcome of the event, and DBRS is unable to provide an objective, forward-looking opinion in a timely fashion, then the rating(s) of the issuer(s) will be placed "Under Review".

DBRS also uses "Under Review" in situations where there has been no major announcement or event for the issuer, but in the opinion of DBRS the current rating on the security may no longer be

appropriate due to a change in the credit status of the issuing entity for other reasons, such as the ongoing results of the company and/or the outlook for the industry. In most such cases, where additional time is required for further analysis, DBRS will place the rating “Under Review”.

A rating that is “Under Review” remains outstanding; however, this status acts as a warning signal indicating that the outstanding rating may no longer be appropriate. Using “Under Review Positive” or “Under Review Negative” is a more significant action than changing a rating trend to positive or negative as rating changes are considered more likely with the former than the latter.

When a decision is made by DBRS to place a credit “Under Review”, DBRS will generally take the following actions:

- (i) Provide initial guidance as to the opinion of DBRS by noting whether the Under Review action has positive, negative or developing implications. These qualifications indicate the preliminary evaluation of DBRS of the impact on the credit quality of the security or issuer; however as situations and potential rating implications may vary, its final rating conclusion may depart from the preliminary assessment.
- (ii) Remove the existing rating trend(s) of stable, positive or negative, replace the existing rating trend(s) with “--“, and indicate that the rating trend(s) will be reinstated when the rating(s) is removed from Under Review status.

In those cases where a credit is placed on Under Review status, DBRS views this as a temporary situation; therefore DBRS strives to complete the review and remove the rating from this status as soon as it is appropriate to do so.

(3) Ratings “Interest in Arrears”

On occasion, there will be Structured Finance transactions, such as CMBS, where interest payments are in arrears but the cumulative or on-going shortfall is expected to be ultimately recoverable or paid. Where the interest shortfall is a question of timing in the shorter term, and not of ultimate payment, DBRS notes this with the 'Interest in Arrears' rating action for the class affected. An example where this may occur is where one or more of the loans within the CMBS deal have been subject to an appraisal reduction event, which is a structural feature within CMBS which prompts a servicer to advance a partial payment based on a lower valuation. This event may cause a particular class to have an interest shortfall, however the interest is ultimately recoverable at the time the loan is resolved. In addition this event is not automatically associated with a default in accordance with transaction documents. Using this action allows DBRS to recognize that the interest shortfall does not impact the overall credit quality and to maintain an appropriate credit risk rating.

Disclosures:

(1) Rating Commentary

A Rating Commentary (in which the following headline may be applied: “DBRS comments on ____”), is a method by which DBRS may make its opinions known to the market without using the more widely used formal actions. By definition, a Rating Commentary is not considered to be a rating action.

A Rating Commentary is typically used:

- (i) where there are macro issues that may have implications for several issuers or an entire industry; or
- (ii) when DBRS wishes to comment on an individual issuer, typically in reaction to a new release of information or announcement, but the reaction is not directly related to a rating action. A Rating Commentary allows DBRS to make its views known without using the more formal “Confirmation” action.

OTHER CORE RATING SERVICES

Provisional Ratings

When issuers are in the process of completing new issuances of securities, DBRS may be requested to provide its preliminary rating opinion to be used by the issuers in the preliminary prospectus and for discussions with investors or other third parties. DBRS provides its preliminary rating opinions as a “provisional rating”, which may be accompanied by a pre-sale report. Provisional ratings and pre-sale reports may be provided for a wide variety of corporate and public finance issues and in respect of structured finance transactions.

DBRS will assign a provisional rating to a security pending the satisfaction of certain conditions and in the event that the conditions are met, a final rating will be assigned. The conditions typically relate to the review of the final documentation, but may also include the closing of a plan of arrangement or the completion of a purchase or merger. A provisional rating is not a final rating in respect of the security, it may change or be discontinued, and the final rating assigned in respect of the security may be different from the provisional rating.

Private Ratings

Definition

A private rating is prepared for a restricted audience, where the rating, any supporting report, and knowledge of the rating, is limited in accordance with the terms of the arrangement with the issuer or third party. Private ratings are not disseminated to the public.

Initiation

Private ratings may be requested for a variety of reasons including, but not limited to, the following:

- (1) an issuer requests a private rating for the purposes of issuing debt to a small number of investors and intends to use the rating as an independent credit assessment; and
- (2) an independent rating opinion is requested by an investor, regulator, government, or other third party.

The terms of the arrangement tend to be dictated by the requirements of the issuer or third party who requested the rating. For example, the issuer or third party will determine whether a one-time credit opinion is required, with no role for DBRS to monitor the rated entity going forward, or whether the rating relationship will be ongoing, where DBRS will maintain the rating through regular and timely private reviews.

DBRS generally discourages the use of a private rating when a public rating is warranted, such as when a private rating is intended to be widely used.

Rating Methodologies and Process

The rating methodologies and process used to determine a private rating including the analysis, review and rating committee are the same as that used with public ratings; however surveillance of a private rating is only performed upon request. Where a private rating is based on public information, the disclosure “Note: This rating is based on public information” is used.

Core, Ancillary and Consulting Services

DBRS is in the credit ratings business. DBRS provides independent analysis and rating opinions in respect of a wide variety of financial institutions, corporate entities, government bodies and regarding various structured finance products.

The following list sets out examples of DBRS core rating services and activities:

- the issuance of ratings on a public and private basis;
- servicer and/or collateral manager evaluations for certain Structured Finance sectors;
- analytics on ratings under different stress scenarios
- the monitoring or surveillance of ratings;
- the performance of internal assessments;
- the performance of private credit assessments;
- the preparation and dissemination of press releases, rating reports (which include the rating opinion) and surveillance reports;
- the development and dissemination of research reports and other publications, including methodologies, models, newsletters, commentaries, and industry studies;
- regular oral and written dialogue with issuers, intermediaries, investors, sponsors, regulators, legislators, trade organizations, and the media;
- the conduct of, and participation in, speaking engagements and educational seminars; and
- the sale of subscriptions to rating reports and other materials.

DBRS will continue to develop new, and expand upon its existing, core rating services.

Ancillary Services:

DBRS considers ancillary services to be rating-related services, which if performed by a credit rating agency should be subject to appropriate operational policies, procedures and other controls, in order to eliminate or manage potential conflicts of interest that may arise and to preserve the integrity of the rating process. DBRS does not presently provide ancillary services.

Ancillary services may include the following:

- market implied ratings;
- risk management services;
- credit risk solutions; and
- indices.

Consulting/Advisory Services:

DBRS does not engage in consulting or advisory services. DBRS considers consulting or advisory services to be services that generally involve providing advice and/or making proposals or recommendations to an issuer, arranger, underwriter or other third parties and would include providing advice in respect of the design of securitization transactions or corporate structures to achieve a particular rating.

EXHIBIT 2B – QUANTITATIVE AND QUALITATIVE MODELS, METHODOLOGIES AND METRICS USED BY DBRS

DBRS Rating Philosophy

Underlying Principles

What is a Rating?

In general terms, ratings are opinions that reflect the creditworthiness of an issuer, a security, or an obligation. They are opinions based on forward-looking measurements that assess an issuer's ability and willingness to make timely payments on outstanding obligations (whether principal, interest, dividend, or distributions) with respect to the terms of an obligation. Ratings for structured finance vehicles reflect an opinion on the ability of the pooled assets to fund repayment to investors according to each security's priority of payments.

Ratings are opinions based on the quantitative and qualitative analysis of information sourced and received by DBRS, which information DBRS does not audit or verify. DBRS reviews the information as discussed in part A of this Exhibit under "Structured Finance Information Review and Originator Assessments." Ratings are not buy, hold or sell recommendations and they do not address the market price of a security. Ratings may be upgraded, downgraded, placed under review, confirmed and discontinued.

The following outline three important base principles underlying DBRS Corporate ratings:

(1) Stable Rating Philosophy

The economic environment will affect the performance of most issuers which DBRS rates and since the growth rate of the economy is continually changing, so too is its impact on issuers. DBRS approaches the reality of a cyclical economic environment by employing a rating philosophy which emphasizes stability ("Stable Rating Philosophy").

The Stable Rating Philosophy considers that increased volatility means increased risk. Hence, a company which is heavily impacted by a cyclical environment will generally be assigned a lower rating to reflect this factor, all else being equal. While the future will likely look good during an upturn and bleak during a downturn, the rating effectively captures this volatility.

While there may be instances when a period of protracted economic growth or contraction impacts the fortunes of an entity and a rating change is required, DBRS seeks to minimize rating changes which are due primarily to global economic changes. The goal of each rating is to provide a forward looking assessment of the credit quality of the issuer. Consequently, DBRS takes a longer-term "through the cycle" view of the issuer and as such, rating changes are not based solely on normal cycles in the economy. Rating revisions do occur when it is clear that a structural change, either positive or negative, has transpired or appears likely to transpire in the future.

The most difficult period of assessment for a rating agency is the latter stages of a long/deep recession, particularly if it was much worse than originally expected. The recession may cause structural changes in industrial sectors; the financial strength of governments, business, and

individuals; and the attitudes of tax payers or residents. It is at this stage that some ratings may appear to "lag" the economic cycle and further rating actions may occur.

In summary, DBRS believes that there is more value to the investor when a rating does not fluctuate purely with the fortunes of the economy. Therefore, DBRS strives to look through the cycles when considering the impact of economic cyclicality. In short, DBRS emphasizes the differences between structural versus cyclical changes.

(2) Hierarchy Principle

In rating long-term debt, DBRS considers the ranking of the debt relative to issuer obligations noting that the starting point for such ranking is the most senior level of debt.

When issuers have classes of debt that do not rank equally, in most cases, lower ranking classes would receive a lower DBRS rating.

In the investment grade sector, the difference between a debt class and the immediate junior ranking obligation is typically no more than one rating notch. For non-investment grade ratings, it is not uncommon for the rating differential to be more than one rating notch, due largely to the increased importance of recovery expectations. Additional information regarding non investment grade ratings is included in the methodology "DBRS Rating Methodology for Leveraged Finance."

In general, lower ranking debt will receive a lower rating than prior ranking debt. The following sets out some exceptions to this general guideline:

- (a) Where there is very little debt outstanding in one category and DBRS has a degree of comfort that the issuer will not be increasing the debt in this category in the future, DBRS may assign the same rating to the debt in the next subordinated ranking category.
- (b) DBRS may consider different levels of ranking debt to have similar default risk and thus assign the same rating to each.

In the case of banks with deposits that are rated as non-investment grade, DBRS may also consider rating the unsecured debt below the rating for deposits. Although senior debt and deposits rank equally and are typically rated the same, the rationale for any such differentiation would be that a bank in danger of default may receive greater regulatory or government support for deposits than for non deposits.

Generally, DBRS takes off one rating notch for each level of subordination. DBRS may consider increasing the gap between levels of debt by more than one rating level. The most common considerations for this action would include:

- (i) Where the senior debt is a non-investment grade rating, it may be appropriate to increase the relative gap as the chances of the issuer being involved in a default situation are higher relative to better rated issuers.
- (ii) Where there is a large amount of lower ranking subordinated debt, the holders of this debt may be taking on significantly more risk than would be the case with senior debt holders.
- (iii) Major benefits or detractions from a covenant standpoint.

(3) Qualitative and Quantitative Considerations

A rating is a forward looking opinion and as such requires that judgements be made about the future. Accordingly, a rating must balance both qualitative and quantitative considerations, essentially using past performance as a relative, rather than absolute, guide. The current state of affairs is a very important consideration; however, a DBRS rating is not based solely on a statistical analysis of the present situation. A rating considers many intangibles and, therefore, while future quantitative projections are analyzed and considered, many subjective factors are also recognized and considered.

This third principal also applies to DBRS Structured Finance ratings.

Limitations to Uses of a Rating

There are certain limitations to the uses of a rating as well as certain possible misconceptions, such as the following:

(1) “Exactly” the Same Credit Quality

No two issuers possess exactly the same characteristics, nor are they likely to have the same future opportunities. Consequently, two issuers with the same rating should not be considered to be of exactly the same credit quality. Rather, they should be considered as having similar credit quality and, accordingly, DBRS considers holders of these issued securities to be exposed to a similar possibility of default. A rating is not static. Economic forces and opportunities are continually changing; therefore, a security’s credit quality is dynamic as well. By definition, each rating category must contain a degree of variability in relative credit quality in order to span the credit quality spectrum. The credit quality can, therefore, experience some modest fluctuation within the bounds of the rating without requiring an upgrade or downgrade.

(2) Not a Buy/Sell/Hold Recommendation

A DBRS rating is not a buy/sell/hold recommendation. A rating is not a comment on the market price of a security nor is it an assessment of the appropriateness of ownership given various investment objectives. DBRS does not in any way evaluate the pricing of an issue or relative yield and does not provide investment advice.

DBRS believes that investors will use its ratings to assist them in gauging credit risk and to better understand the issuer and the security in question.

Non-credit risks that can meaningfully impact the value of the securities issued include: (1) Market risk - the risk that the value of a security can change due to fluctuations in interest rates, exchange rates, call provisions, prepayment risk, etc. (2) Trading liquidity risk – the risk that there may not be an acceptably priced market available at the point where the issuer wishes to sell. (3) Covenant risk – while DBRS reviews covenant structures as part of its rating process, there are numerous covenants that could affect the investor, but normally have little impact on the rating of the security, which include soft retraction situations, fixed/floating pricing, issuer abilities to exchange or redeem securities, the ability to defer payments and non-cumulative structures.

(3) Reflection on Management

One of the factors involved in a rating is an evaluation of management's level of experience and competence. A low rating, however, does not necessarily reflect poorly on management. For example, it may be management's strategic initiative to pursue growth using a debt financed acquisition. While this may cause the company to inherit a higher financial risk profile, stockholders may benefit from the strategy.

Generally, management continually balance the demands of stockholders and creditors. As both groups provide capital to finance a company's long term goals, focusing on a rating to evaluate management performance could be inappropriate.

(4) The Rating Symbol

DBRS uses rating symbols as a simple and concise method of expressing its opinion to the market. While some investors may equate the rating symbol with the rating itself, in fact DBRS ratings usually consist of broader contextual information regarding the security provided by DBRS in rating reports, which generally set out the full rationale for the chosen rating symbol, and in other releases.

This additional information may be very useful to investors. For example, an investor concerned with portfolio diversification may consider a BBB rating on the securities of a U.K. mining company differently if the rating was driven by support from a BBB rated manufacturing parent in the U.S.

(5) The Structured Finance Modifier

DBRS uses the modifier “(sf)” next to the rating category in its press releases, ratings reports and on its public website for ratings that meet specific criteria to indicate that the rating applies to a structured finance instrument. The structured finance modifier does not change the meaning or definition of the rating in any way, nor does it change the risk of the particular structured finance instrument.

The structured finance modifier is applied to ratings in respect of the following structured finance instruments:

- Asset-backed securities (ABS)
- Asset-backed commercial paper (ABCP)
- Residential mortgage-backed securities (RMBS)
- Single- and multi-tranched collateralized debt obligations (CDOs) and credit default swaps (CDSs) with the exception of single-name CDSs.
- Commercial mortgage-backed securities (CMBS)
- Multi-tranched insurance securitizations
- Structured investment vehicles (SIVs)
- Repackaged instruments where any of the underlying assets is an SF instrument

DBRS Rating Scales

DBRS uses five rating scales in providing ratings for long-term obligations, preferred shares, short-term obligations (including commercial paper), claims paying ability and income fund stability. The preferred and claims paying scales are only used for Canadian issuers, and the income fund stability scale is used almost exclusively for Canadian issuers. Structured Finance uses a mortgage servicer evaluation scale and Leveraged Finance uses a recovery rating scale

DBRS long-term and short-term ratings scales are used for a variety of corporate entities, financial institutions, public finance, structured finance and securitization ratings.

Two Primary Scales

The vast majority of DBRS ratings fall under two primary scales:

- (1) Virtually all long-term credit ratings use the DBRS long-term obligations scale with symbols ranging from AAA (highest credit quality) to C (very highly speculative).
- (2) The scale for commercial paper and short-term ratings ranges from the highest credit quality of R-1 (high) to the highly speculative category of R-5.

Note that while short-term debt can encompass a variety of different securities, the most common is commercial paper (CP). As such, the term CP will be used when comparing the similarities and differences in the DBRS short-term versus long-term rating scales.

DBRS rating scales also have a “D” classification to signify default as defined by DBRS.



For further detail on DBRS Rating Scales and Rating Definitions, please refer to Rating Policies on www.dbrs.com.

Comparison of DBRS Short-Term versus Long-Term Rating Scale

While short-term ratings will not be totally explained by the long-term ratings assigned to an entity, there will be a strong relationship between the short- and long-term ratings for any given credit, barring any differences caused by consideration for factors such as covenants or guarantees. In other words, while it is possible for an entity with strong liquidity to achieve a short-term rating that is superior relative to its long-term rating, it is not possible for this “gap” to vary significantly from the longer-term DBRS opinion on the issuer. For example, a company with a long-term rating of A (low), which is defined to be at the lower end of “satisfactory”, would be precluded from achieving a “superior” short-term rating of R-1 (middle).

The Mapping Table below incorporates the typical mapping of DBRS short-term to long-term ratings and does not encompass all possible situations. For further detail on DBRS Short-Term and Long-Term Rating Relationships refer to DBRS Rating Scales and Rating Definitions under Rating Policies on www.dbrs.com.

Mapping Table (1)

Legend
 Standard mapping 
 Exception 

Long-term ratings (2)

| | | | | | | | | | | |
|------|-------|-------|-------|-------|-------|-------|-----|-----|-----|------|
| AAA | R-1 H | | | | | | | | | AAA |
| AAH | R-1 H | R-1 M | | | | | | | | AAH |
| AA | R-1 H | R-1 M | | | | | | | | AA |
| AAL | | R-1 M | R-1 L | | | | | | | AAL |
| AH | | R-1 M | R-1 L | | | | | | | AH |
| A | | | R-1 L | | | | | | | A |
| AL | | | R-1 L | R-2 H | | | | | | AL |
| BBBH | | | R-1 L | R-2 H | | | | | | BBBH |
| BBB | | | | R-2 H | R-2 M | | | | | BBB |
| BBBL | | | | R-2 H | R-2 M | R-2 L | R-3 | | | BBBL |
| | | | | | | | | R-3 | | |
| BBH | | | | | | | | R-3 | R-4 | BBH |
| BB | | | | | | | | | R-4 | BB |
| BBL | | | | | | | | | R-4 | BBL |
| BH | | | | | | | | | R-4 | BH |
| B | | | | | | | | | R-4 | B |
| BL | | | | | | | | | | BL |
| CCC | | | | | | | | | R-5 | CCC |
| CC | | | | | | | | | R-5 | CC |
| C | | | | | | | | | R-5 | C |
| D | | | | | | | | | | D |

(1) Short-term ratings as noted in this table include proposed changes to lower-end categories as detailed in the September 15, 2006, press release.
 (2) Long-term ratings would typically relate to the most senior unsecured debt of the issuer, equivalent to an issuer rating.
 Note: For the purpose of this table, DBRS has not shown the "high" and "low" categories involved with C to CCC rating categories.

DBRS Rating Methodologies and Criteria

DBRS methodologies and criteria are reviewed and updated, as necessary, on a regular basis. The public is advised of material changes and rating implications, and DBRS methodologies and criteria are generally available on www.dbrs.com. In addition, DBRS publishes industry studies that provide a point-in-time view of an industry, often based on a major current theme, and newsletters that provide current perspective on business, economic, regulatory and other topical issues. Furthermore, DBRS publishes comprehensive monthly reports for Canadian asset-backed securities (ABS), Canadian asset-backed commercial paper (ABCP), structured notes and global commercial mortgage-backed securities (CMBS), which provide market summaries, rating actions and granular deal-level performance metrics. DBRS regularly reviews its reporting toward enhancing its transparency and disclosure.

DBRS methodologies, criteria and models (“methodologies”) are reviewed and approved by Corporate and Structured Finance criteria committees, as applicable. The purpose of these criteria committees is to ensure: (i) the integrity, objectivity and rigor of the DBRS methodologies; (ii) that all methodologies are current and wholly representative of how DBRS issues ratings within each corporate industry or structured finance sector and asset class; (iii) Corporate and Structured Finance policies, procedures and processes are appropriately reviewed and applied consistently; and (iv) to review and opine on the feasibility of providing ratings for new Corporate industry groups or ratings for materially new Structured Finance products or structures. All criteria committees are comprised of highly experienced analytical personnel.

Corporate Methodologies

Corporate methodologies cover the following broad industry sectors:

- Financial Institutions
 - Banks & Trusts
 - Insurance
 - Credit Unions & Building Societies
 - Non Bank Financials
- Public Finance
 - Sovereigns
 - Provinces & Municipalities
 - Universities
 - Infrastructure
- Auto & Auto Suppliers
- Consumers
- Energy
 - Utilities
 - Oil and Gas
- Industrials
- Natural Resources
- Real Estate
- Telecommunications, Media & Entertainment
- Transportation

DBRS has also published a Leveraged Finance methodology that reflects DBRS's approach to rating corporate issuers in the leveraged finance (i.e. non investment grade) sector. When DBRS changes a corporate methodology, it applies the updated methodology to its existing ratings.

Overview of Quantitative and Qualitative Inputs – Corporate

In general terms, ratings are opinions that reflect the creditworthiness of an issuer, a security or an obligation. They are opinions based on forward-looking measurements that assess an issuer's ability and willingness to make timely payments on outstanding obligations (whether principal, interest, dividend, or distributions) with respect to the terms of an obligation. In assigning a rating to a particular issuer or security, DBRS attempts to consider all meaningful factors that could impact the ability to maintain timely payment of interest and principal in the future.

The DBRS approach considers the major areas of business risk and financial risk as the key building blocks, and then allows for the possible impact of issues such as ranking, covenants and collateral to determine the rating. The business risk includes many qualitative (or subjective) factors while the financial risk considers mostly quantitative (or numerically measurable) factors.

The following considerations are not meant to be exhaustive and the order of importance can and does change with time and by company, but it nevertheless provides of overview of the key quantitative and qualitative considerations for DBRS Corporate ratings. In many cases there is an overlap as quantitative considerations must be understood in the context of the situation, including subjective considerations.

Quantitative - Corporate

The following list, which is not exhaustive, outlines the key quantitative considerations in the Corporate sector that impact most ratings:

- (1) The strength of the financial risk profile.
 - Past, present and expected future trends and stability of key ratios and metrics.
 - Earnings/profitability ratios, including return on equity and margin analysis.
 - Earnings coverage ratios, including interest and fixed charges coverage.
 - Cash flow metrics, including measurement of cash flow to capital expenditures and a variety of debt measures.
 - Balance-sheet considerations, which include short-term and long-term ratios, many of which relate to debt levels.
 - For financial institutions, credit quality factors.
- (2) Consideration for risks related to off-balance-sheet contracts and factors, including securitization vehicles and operating leases.
- (3) Derivative usage and true exposure to interest rates, foreign currency, energy costs, etc.
- (4) The quality of the capital structure, given type and usage of hybrids.
- (5) Liquidity backup where applicable, including bank-lines.
- (6) Numerical comparisons of key data and metrics with peer competitors.
- (7) Security specific considerations, including ranking of the obligation and any collateral/covenant factors.

Qualitative Inputs – Corporate

The following list, which is not exhaustive, outlines the key qualitative considerations for the Corporate sector that impact most ratings:

- (1) The macro business factors that apply within the sector. Examples include the following:
 - the importance of the industry within the overall economy and how the industry is impacted by economic factors
 - whether an industry is regulated and the impact that comes from any regulation and legislative oversight
 - the competitive and structural nature of the industry (monopoly versus oligopoly)
 - country risk or support
 - the cyclical nature of the industry
 - expectations for consolidation and impact within the industry
 - expected future structural changes in the industry (e.g., due to technological change)
- (2) Management considerations. This would include key areas such as:
 - future strategy
 - the attitude, expertise and past execution related to future acquisitions and the likelihood of an acquisition in a new area
 - the attitude of the issuer with respect to how the balance sheet is maintained in the future, including how stock repurchase programs are used

- succession planning
 - risk management
 - credibility and track record
- (3) Board of director and corporate governance considerations. Effective corporate governance requires an effective model and a healthy tension among management, the board of directors and all areas of the public.
- (4) Quality and conservative or liberal nature of accounting. This would include consideration regarding the quality of key items such as earnings and intangibles.
- (5) The ability to access markets and raise new capital if required, which also relates to the overall funding philosophy of the issuer and issues such as alternative sources of funds.
- (6) Relationship and strength or weakness of a parent holding company or associated companies, if applicable.
- (7) Industry-specific factors and their importance will vary meaningfully depending on the industry in question. The list of potential candidates here is almost limitless, but the following factors represent some considerations that are common to many industries covered by DBRS:
- product development cycle
 - capital intensity (partly relates to the state of infrastructure)
 - pricing power
 - economies of scale
 - purchasing power with suppliers
 - the state and efficiency of technology
 - research and development (including any government-related sharing)
 - distribution channels (including strength or weaknesses versus peers)
 - corporate structure (including need for separate analysis if a finance operation)
 - product diversity
 - legal issues (outstanding lawsuits, potential for legal issues, insurance coverage)
 - labour relations (unions, retirement benefits, health-care costs)
 - any seasonal or weather-related sensitivities
 - growth outlook and companies' attitude towards such
 - fixed or variable cost structure
 - consideration for branding strength

Structured Finance Methodologies

DBRS has established rating methodologies that address the structural features common to many jurisdictions in addition to the spectrum of sectors or asset classes typically securitized. Ratings for structured finance vehicles reflect an opinion of the ability of the pooled assets to fund repayment to investors according to each security's stated payment obligation. The asset classes include pools of relatively homogeneous assets, such as credit card receivables, retail auto loans and leases and student loans. In some cases, assets pools may be comprised of heterogeneous assets, such as commercial mortgage loans or securities and loans that serve as collateral for collateralized debt obligation securities. Relative to the former type of financing, the latter type may contain a limited number of assets and potential material concentrations of credit risk.

DBRS develops methodologies that reflect each jurisdiction's unique regulatory, legal and accounting environments, in addition to each jurisdiction's credit culture. The sector specific methodologies typically consider the following key analytical considerations: (1) the types of legal structures used and legal opinions reviewed by DBRS; (2) the quality of participants, including the seller and/or loan originators, the servicer of the assets, the collateral manager, notably if the financing is actively managed, in addition to other types participants that DBRS deems material from a risk perspective; (3) the quality of potential asset pools as determined by a review of each pool's characteristics, underwriting and servicing criteria, the quality of historical performance data and degree of performance volatility; (4) the types of funding structures; (5) the types and amounts of available credit enhancement and; (6) the robustness of cash flows generated by the asset pools used to repay investors.

For those DBRS methodologies that apply a model as part of the rating analysis, the methodologies include a rating process diagram and identify whether the model is a substantial component of the rating process. If the model is identified as a substantial component of the rating process, the methodology also sets out what would constitute a material deviation from the rating implied by the model output.

The following list is a sample of DBRS published sector specific and cross-jurisdictional methodologies:

- Auto Loans
- Auto Leases
- Credit Card Receivables
- Student Loans
- Rental Cars
- Auto Wholesale or Dealer Floor plan Loans
- Residential Mortgage Loans
- Insurance Premiums
- Servicer Advances
- Commercial Mortgage Loans
- Trade Receivables
- Corporate and Infrastructure Projects
- Split Shares
- Collateralized Debt Obligations
- Asset-Backed Commercial Paper
- Servicer Evaluations
- Legal Criteria for Canadian Structured Finance
- Legal Criteria for U.S. Structured Finance

Overview of Qualitative and Quantitative Inputs - Structured Finance Ratings

Structured finance securities are rated using the DBRS short-term and long-term debt rating scales, which are meant to provide an indication of the risk that an issuer will not fulfill its full obligations as set out in the legal documentation of the transaction, with respect to both interest and principal commitments. Accordingly, when assigning a rating to a particular class or tranche of a structured finance transaction, DBRS considers the factors, both qualitative and quantitative, that could impact the payment of interest and repayment of principal to investors. The following considerations provide an overview of the key quantitative and qualitative information that DBRS considers when rating securities.

Qualitative Inputs – Structured Finance

The qualitative components for assigning a rating include an array of inputs that range from an evaluation of the seller's (term used to also reflect originator and sponsor) motivations for entering into a structured financing, the quality of the seller's financial condition, an evaluation of the transaction's legal structure and documentation and the ability of the seller to provide ongoing reporting. This reporting details the current performance of the transaction and underlying assets. To gain additional insight into the qualitative inputs, DBRS Structured Finance Group often liaises with the Corporate Finance Group.

DBRS assesses the experience and financial strength/credit rating of the servicer as well as the quality of systems and reporting critical to the management of the assets and the quality of the origination process for the proposed asset pool. DBRS evaluates the ability of the servicer's operational capabilities to be replaced from the perspective of the provisions in the legal documents in addition to the ease of transferring assets and available capacity of existing servicers in the marketplace.

DBRS reviews the legal structure chosen by the issuer, specifically the structure of the special purpose vehicle (SPV), the requisite characteristics of the SPV and the transaction's legal opinions. The purpose of this qualitative input is to assess the bankruptcy remoteness of the SPV from the seller of the assets. DBRS also reviews the ability of a security interest in the assets to be created, perfected and pledged to investors. Depending on the transaction type, the legal opinions rendered may include a true sale opinion, non-consolidation opinion and first perfected security interest opinion. Also depending on the transaction type, the legal documents reviewed may include the trust indenture, administration agreement, purchase and sale agreement, pooling and servicing agreement and other key agreements with various transaction participants i.e. interest rate swap counterparties.

Within the legal documents, DBRS focuses on the following:

- Asset eligibility criteria including the following key items: (a) concentrations; (b) delinquency and default attributes of assets in the pool; (c) rights of set-off or; (d) presence of liens or encumbrances;
- Bankruptcy remoteness provisions;
- Cash flow waterfalls;
- Covenant package provided by the seller and the strength of any indemnities;
- Seller representations and warranties;
- Performance based triggers that may divert payments to investors who hold higher priority debt;
- Credit ratings and downgrade provisions relating to institutions providing transaction support, such as hedge counterparties, liquidity providers or credit enhancers; and
- If applicable, the nature and form of liquidity back-up facility.

Quantitative Inputs – Structured Finance

From a quantitative perspective, DBRS analysis incorporates an evaluation of the proposed asset pool and financial structure, which is used to evaluate the amount of credit enhancement proposed for each rating level. Credit enhancement comes in many forms and may include a reserve fund or liquidity facility, which is used to protect against mismatches in the cash flows between the assets and liabilities, subordination of lower rated securities, excess interest or spread, which results from the difference between the weighted average coupon on the assets minus securities and fees. For financial structures

that are cash flow versus synthetically based, DBRS also evaluates the robustness of cash flow stress scenarios at each rating level.

The purpose of a DBRS analysis of a proposed pool is to determine the pool's expected default and loss severity, which is one of the inputs used to evaluate credit enhancement levels for each requested rating. Even though each asset class has different drivers of default and loss, the DBRS approach across various asset classes is similar. The information and data reviewed by DBRS includes pool stratifications that break down the components of the pool's characteristics in addition to an issuer's historical performance data, including delinquencies, defaults, repossessions and losses. DBRS also considers the following items when evaluating an asset pool:

- Volatility with regards to historical performance metrics;
- Historical prepayment rates;
- Diversification with regards to the obligor base and the presence of various pool concentrations;
- Default probabilities, recoveries and correlations extracted from historical credit performance data;
- Performance of comparable asset pools;
- Evaluation of the sensitivity of performance to external factors;
- Monte Carlo or other simulations projecting future performance;
- The contractual repayment terms of the assets.

Once a pool's expected default and loss severity is established, higher multiples of defaults and losses which may be sustained at each successively higher rating level are considered. In general, for each successively higher rating level requested, the amount of credit enhancement increases. DBRS also determines the stress assumptions to be applied to the expected cash flow profile under contractual as well as differing default, loss and prepayment scenarios. As warranted, the cash flow scenarios also incorporate stresses with regards to the level of interest rates, basis and currency risks, if not hedged by a derivative counterparty. The cash flows also reflect transaction performance tests and thresholds as described in the legal documents. These tests may act to dynamically increase transaction protections by building credit enhancement or restricting the excess cash flow released back to the seller.

Monitoring Existing Ratings

DBRS monitors all of its outstanding structured finance ratings on a regular basis. The performance information and data for each outstanding transaction is reviewed by DBRS analysts upon receipt, typically with the same frequency as the payments received on the rated debt (monthly or quarterly). A rating committee may be convened when credit events occur, or otherwise on a periodic basis. The transaction's current performance is compared with DBRS performance expectations, past performance to determine trends, and all structural performance-based tests, as dictated by the transaction's legal documents. Exogenous factors, including changes in the regulatory or legal environment, changes in macroeconomic trends or outlook, observed trends in other similar types of transactions are also considered.

DBRS applies the same criteria and models, if applicable, for ratings surveillance as it does for determining its initial rating for all Structured Finance asset classes, except for transactions that were initially rated using a loan level analysis in U.S. RMBS. The U.S. RMBS surveillance process is completed using a pool-level analysis driven primarily by a delinquency pipeline assessment.

Furthermore, additional criteria that reflects actual versus expected performance maybe applied during the surveillance process.

When DBRS implements a change to one of its models for determining initial ratings, it applies the change to existing ratings, to the extent the change is applicable. After taking into consideration as part of the analysis the other relevant rating criteria, as set out in the applicable methodology, DBRS would take any necessary rating action in respect of its existing ratings.

The outcome of the surveillance process may be a catalyst for model or criteria changes. In cases where DBRS makes changes to a model or criteria used in the surveillance process, the changes are also incorporated in the rating process for determining initial ratings to the extent there are common features in both.

DBRS uses a separate team for initial credit ratings and ongoing surveillance of Structured Finance transactions, wherever feasible.

DBRS Internal Assessments

Internal assessments represent opinions regarding the creditworthiness of an issuer or a security that does not have a public or private DBRS rating. Within the capital markets, some forms of internal assessments are also referred to as shadow ratings or credit assessments. Internal assessments are most often considered as one of several analytical components used in determining a public or private DBRS rating(s) for structured finance securities.

In formulating an internal assessment, DBRS may perform its own analysis or may also rely upon public ratings issued and maintained by other credit rating agencies (CRA). In cases where the risk opinion of DBRS differs from publicly available CRA ratings or no public CRA ratings are available, DBRS performs its own credit analysis.

Internal assessments are not to be equated with public or private DBRS ratings as the depth of the analysis may differ. They are most often used for internal analytical purposes as a component in the analysis of a corporate or structured finance rating. In addition, the committee process for determining and monitoring internal assessments differs from the process used to assign and monitor public and private ratings.

Internal assessments are not disclosed to the market, but may be disclosed to an issuer with regard to their role in a transaction or rating. DBRS maintains applicable records on internal assessments as required for business and regulatory purposes.

When using public ratings from CRAs, DBRS analysts typically apply the lower of two and middle of three ratings from CRAs.

When an issuer or security has three ratings, where two ratings are the same and one is lower, the higher rating would normally apply. If two ratings are the same and one is higher, the lower rating typically applies. If the three ratings are different, the middle rating applies. When there are more than three CRA ratings available, DBRS would typically use the lower of the two highest ratings. If the security is rated by only one CRA, DBRS analysts may use that rating as the internal assessment. For diverse portfolios, DBRS analysts may also use the average rating for portfolio modeling purposes.

For securities under review, DBRS analysts may adjust CRA ratings as circumstances warrant. For example, if a security is under review with negative implications, the current rating may be lowered

for purposes of assigning the internal assessment. The degree to which a rating may be lowered is based upon a combination of the evaluation by DBRS of the particular security in addition to the specificity of the disclosure language published by the CRA.

Internal assessments are assigned by the relevant Corporate or Structured Finance Group. DBRS documents the approach used and maintains records of internal assessments including a credit analysis memo that outlines the rationale for the internal assessment and the level of monitoring to be performed.

Refer to the www.dbrs.com for published DBRS methodologies and criteria.