

CDO Newsletter

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THE LONG AND WINDING ROAD - MONTRÉAL ACCORD RESTRUCTURING COMPLETED

In the early hours of January 21, 2009, the Ontario Superior Court of Justice certified the Plan Implementation Certificate for the Montréal Accord, thus bringing to an end the 17-month-long saga to restructure Canada's third-party asset-backed commercial paper (ABCP) market.¹ The restructuring under the Companies' Creditors Arrangement Act (CCAA) was one of the most complicated in Canadian history and the largest by dollar value since the CCAA was enacted during the Great Depression in 1933.

With the closing of the restructuring, holders of frozen ABCP will soon receive new notes issued by three newly created special purpose entities, Master Asset Vehicle I (MAVI), Master Asset Vehicle II (MAVII) and Master Asset Vehicle III (MAVIII). DBRS has assigned a final rating of "A" to approximately 82% by dollar value of the notes issued by MAVI and MAVII. The remaining 18% of the notes issued by MAVI and MAVII have not been rated. DBRS has assigned final ratings on six classes of notes issued by MAVIII, representing approximately 42% by dollar value of the notes issued by MAVIII. The balance of the notes issued by MAVIII have not been rated. Comprehensive rating reports for all notes rated by DBRS can be found on www.dbrs.com.

The notes issued by MAVIII are supported by non-levered, non-synthetic financial assets. On the other hand, approximately 75% of the assets underlying the notes issued by MAVI and MAVII consist of leveraged collateralized debt obligation assets.

Holders of the new notes will have access to information and a level of transparency which heretofore has not been seen in this market. Noteholders will have access to a website maintained by the asset administrator for the transaction, which will detail the performance of the assets underlying the notes. DBRS rating reports for the rated notes also provide an unprecedented level of transparency with regard to the composition of the assets supporting the notes.

The restructuring occurred during a time of volatility and uncertainty in global credit markets. Market conditions undoubtedly played a part in the length of time required to complete the restructuring and added multiple layers of complexity to the transaction. In the end, the participation of the federal government and of a number of provincial governments was instrumental in allowing the transaction to close. Amendments to the terms of the transaction made in mid-December 2008, including an 18-month margin call moratorium period agreed to by all but one credit default swap counterparty to MAVI and MAVII, significantly strengthened the transaction from a ratings perspective.

With the finalization of the Montréal Accord restructuring, a chapter in the history of Canada's ABCP market has come to a close. DBRS has been a participant in this market since its beginning in the mid-1990s and remains committed to providing timely and insightful ratings information to the holders of the rated notes issued by MAVI, MAVII and MAVIII. As the ABCP market continues to evolve, DBRS will continue to support transparency and disclosure in the Canadian market.

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1. For more information on the Montréal Accord and developments in the Canadian ABCP market since August 2007, please see www.dbrs.com.