



Methodology

*Rating Canadian Split Share Companies
and Trusts*

AUGUST 2009



Insight beyond the rating.

CONTACT INFORMATION

James Feehely, LL.B.

Senior Vice President
Canadian Structured Finance
Tel. +1 416 597 7312
jfeehely@dbrs.com

John Brawley

Assistant Vice President
Canadian Structured Finance
Tel. +1 416 597 7392
jbrawley@dbrs.com

DBRS is a full-service credit rating agency established in 1976. Privately owned and operated without affiliation to any financial institution, DBRS is respected for its independent, third-party evaluations of corporate and government issues, spanning North America, Europe and Asia. DBRS's extensive coverage of securitizations and structured finance transactions solidifies our standing as a leading provider of comprehensive, in-depth credit analysis.

All DBRS ratings and research are available in hard-copy format and electronically on Bloomberg and at DBRS.com, our lead delivery tool for organized, Web-based, up-to-the-minute information. We remain committed to continuously refining our expertise in the analysis of credit quality and are dedicated to maintaining objective and credible opinions within the global financial marketplace.



Rating Canadian Split Share Companies and Trusts

TABLE OF CONTENTS

Introduction	4
Split Share Companies: Initial Considerations	5
Sponsor or Promoter	5
Active Management Strategy	5
Portfolio Holdings	6
Rating Approach: Primary Factors	6
Downside Protection	6
Dividend Coverage	7
Portfolio Diversification	8
Credit Quality	8
Capital Share Distributions	9
Option Writing	9
Asset Coverage Tests	9
Impact of Capital Distributions	10
Rating Approach: Implied Ratings Based on Historical Data	11
Historical Volatility and Performance Analysis	11
Gather Data	12
Annualize Daily Returns	12
Sort the Annualized Returns	12
Determine Appropriate Loss Amount Using Downside Protection	12
Solve for the Probability	13
Determine Implied Rating Level	13
Link Implied Rating to Preferred Share Rating	13
Credit Quality and Correlation of the Portfolio	13
Rating Approach: Other Factors	14
Cumulative Dividends	14
Securities Lending	15
Forward Agreements	15
Legal	16
Retractions	16
Split Share Surveillance Methodology	17
Conclusion	18
Appendix A: DBRS Preferred Share Rating Scale	19
Appendix B: DBRS Corporate Default Probability Assumptions	20

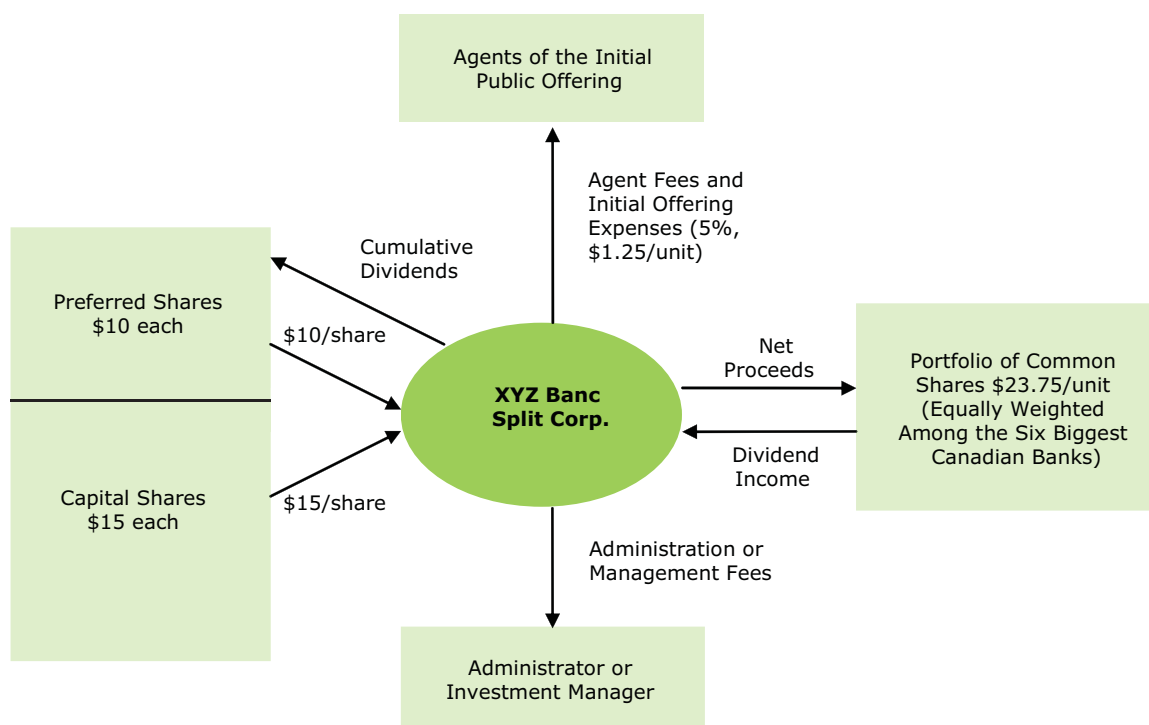
Introduction

Dividend-paying common shares offer investors a source of stable income and the potential for capital appreciation in the value of the shares. Split share companies are created for a finite period of time to redistribute the income and capital gains earned from common shares to separate groups of investors based on different levels of desired risk.

A split share company or trust (the Issuer) acquires a portfolio of securities (the Portfolio) by issuing two classes of shares – Preferred Shares and Capital Shares (or preferred securities and capital units in the case of a trust). The most common Portfolio holdings are common shares with a history of stable dividend payments. In a split share structure, the Preferred Shares receive regular cumulative dividends at a fixed rate that is generally established based on the amount of dividend income historically earned on the Portfolio and on the distribution expectations of potential holders of the Preferred Shares. Preferred Shares rank in priority to the Capital Shares with respect to the payment of dividends and the repayment of capital upon the dissolution, winding up, insolvency, liquidation or termination of the Issuer (referred to as the Issuer's Termination). This priority gives Preferred Shares greater protection with respect to the return of initial principal and the payment of fixed dividends, but Preferred Shareholders do not benefit from any capital gains earned on the Portfolio. The Capital Shares assume much greater risk and potential reward through capital appreciation by having a leveraged exposure to the Portfolio. The distribution policies for Capital Shares vary by Issuer; in many cases, Capital Shareholders may receive regular distributions if certain Portfolio tests are satisfied.

The diagram below illustrates a typical split share structure. A hypothetical company, XYZ Banc Split Corp., has been created to purchase a portfolio of common shares issued by Canadian banks. The company obtains initial funding by issuing an equal number of Preferred Shares and Capital Shares. After paying agents' fees and offering expenses, the net proceeds are invested in a portfolio of Canadian bank common shares.

Typical Split Share Structure





A DBRS rating assigned to the Preferred Shares issued by a split share company reflects the amount of asset coverage or downside protection available to withstand a decline in the net asset value (NAV) of the Issuer's Portfolio, which is the source of funds for the repayment of Preferred Share principal. The rating also takes into account the ability of the Issuer to meet its fixed cumulative distributions owed to the holders of the Preferred Shares. The amount of downside protection will fluctuate over time as a result of changes in the market value of the Portfolio. DBRS does not provide a rating on the Capital Shares, which have a leveraged equity position, with no subordination to mitigate exposure to potential losses.

DBRS ratings on Preferred Shares are also dependent on a number of other factors, including the diversification, volatility and credit quality of the Portfolio; the active management and dividend payouts on the Portfolio; and the inherent structural features that provide increased protection to the Preferred Shares. DBRS applies a combination of quantitative and qualitative analysis in its Preferred Share rating process. The quantitative analysis includes using an historical value-at-risk (VaR) framework to assess the likelihood of large portfolio losses based on historical data. DBRS uses VaR results together with qualitative analysis relating to general macroeconomic factors and to certain industries or companies to which the Portfolio will be exposed.

Split Share Companies: Initial Considerations

SPONSOR OR PROMOTER

As part of the rating process, DBRS takes into consideration the quality of the sponsor or promoter of the Issuer (the Sponsor), given that the Sponsor may act as the investment manager and/or the administrator of the Portfolio. A Sponsor should have a significant presence in Canada and should also exhibit the following key characteristics:

- (1) A consistent and positive track record in structured products and asset management.
- (2) A strong corporate governance culture evidenced by the establishment of an independent board of directors, an auditing and compliance group and a credit-focused risk management team.
- (3) A substantial capital commitment to the business.
- (4) A management team with broad and deep experience in structured products.

Prior to rating a transaction with a new Sponsor, DBRS will meet with the Sponsor to discuss its investment philosophy along with the points listed above.

ACTIVE MANAGEMENT STRATEGY

The Portfolios in split share structures can be broadly divided into passively managed (static) Portfolios and actively managed Portfolios. Each Sponsor will normally have a preference toward one of the two strategies. As expected, passively managed offerings generally have lower management expense ratios than actively managed transactions. Historically, passive Portfolios consisting of securities of large cap companies have provided greater rating stability than actively managed Portfolios; however, in times of great stress (e.g., during the fourth quarter of 2008), all split share ratings face downward pressure because their Portfolios have direct exposure to equity market valuations.

Passively managed funds maintain a constant weighting and hold securities issued by a static list of companies in the Portfolio. The Portfolio may be rebalanced on a regular basis to match the initial weightings set out in the Issuer's prospectus. Static Portfolios can include the securities of a single company, the securities of a collection of companies from a specific sector or a broad composite of securities.



Actively managed funds invest in a Portfolio of securities selected by the investment manager, with the underlying companies chosen from a specific sector, from multiple sectors or from an index of securities. The investment manager may place restrictions on the type of securities available for inclusion in the Portfolio. The criteria for selection can include credit ratings, market capitalization and sector weight. Securities included will often have a stated range of permitted weight in the Portfolio to allow for periodic overweighting and underweighting at the investment manager's discretion. A covered call option writing strategy is often used to generate income in addition to the dividend yield earned on the underlying Portfolio.

DBRS will periodically complete a performance attribution exercise for its universe of actively managed split share transactions. The performance of an actively managed split share company will be compared to a passively managed company with the same (or similar) Portfolio, and any difference in performance will be attributed to either Capital Share distributions or a combination of option writing and the over/underweighting of certain securities. Any major concerns arising from performance attribution activities will be discussed with the appropriate Sponsor.

PORTFOLIO HOLDINGS

Most split share companies purchase an underlying Portfolio of common shares¹ (generally issued by Canadian companies). Portfolio holdings for a split share company may also include income trust units or preferred shares. In order to assign a rating to the Preferred Shares, DBRS requires that the entire Portfolio be invested in income trust units, common shares or preferred shares (or cash and cash equivalents) at all times. Although income trust units and preferred shares may be included in split share Portfolios, the majority of split share companies rated by DBRS include only common shares in their Portfolios.

Rating Approach: Primary Factors

DOWNSIDE PROTECTION

One of the main factors in the assignment of a DBRS rating on the Preferred Shares of an Issuer is the amount of downside protection available to the Preferred Shares. Downside protection refers to the percentage that the Issuer's Portfolio would have to decline in value before holders of the Preferred Shares would be in a first-dollar loss position. In a split share structure, the Capital Shares provide subordination to the Preferred Shares. Accordingly, downside protection is calculated as the total NAV of outstanding Capital Shares divided by the total NAV of the Portfolio. In the case of a Portfolio with additional leverage available through a loan facility, the downside protection is adjusted to account for amounts borrowed under the loan facility, which would typically be required to be repaid prior to the repayment of any Preferred Share principal under the terms of the loan facility.

The following table provides minimum levels of downside protection required to achieve certain rating levels for the Preferred Shares. These minimum levels provide a starting point for rating analysis. The actual rating assigned at a given level of downside protection may vary from what is listed below, depending on other factors such as the diversification, credit quality and historical volatility and performance of the Portfolio. Also, the table applies only to assigning new Preferred Share ratings. When assigning an initial rating, DBRS will typically require downside protection levels greater than its requirements for surveillance, which provides an additional amount of stability in order to mitigate potential rating migration.

1. In some cases, the company enters a forward agreement with a highly rated counterparty to transfer the economic return of a portfolio to its shareholders.



Downside Protection Requirements by Rating Category

DBRS Preferred Share Rating	Minimum Downside Protection Required* (Net of Agents' Fees and Offering Expenses)
Pfd-2 (high)	57%
Pfd-2	50%
Pfd-2 (low)	44%
Pfd-3 (high)	38%
Pfd-3	33%
Pfd-3 (low)	29%

* Downside protection = percentage reduction in Portfolio NAV before Preferred Shares are in a loss position.

Note that in the table above, ratings in the Pfd-1 range are not shown.² Appendix A contains an explanation of each rating category of the DBRS Preferred Share rating scale. Preferred Shares rated Pfd-1 are of superior credit quality and generally correspond with companies whose long-term senior debt is rated in the AAA or AA categories. Due to the unique risk of structured Preferred Shares (i.e., exposure to equity market fluctuations), DBRS will generally not assign a rating in the Pfd-1 range to Preferred Shares unless a de-leveraging mechanism is in place to provide greater protection on the repayment of Preferred Share principal. If a de-leveraging mechanism is in place, a portion of the Portfolio equal to the principal amount of Preferred Shares outstanding will be liquidated and invested in cash or cash equivalents if the Portfolio NAV declines by a predetermined percentage. In addition to the de-leveraging mechanism, there are other structural features to mitigate declines in downside protection that are addressed in this methodology, including the suspension of Capital Share distributions if the NAV drops below a predetermined level.

A DBRS structured Preferred Share rating addresses the probability of first-dollar loss to the Preferred Shares, and downside protection is the main form of credit enhancement available. Consequently, DBRS will not assign a rating on structured Preferred Shares if no subordination has been provided through the issuance of Capital Shares.

DIVIDEND COVERAGE

The dividend coverage available to the Preferred Shares is calculated by dividing the net dividend income of the Portfolio (after deducting Issuer expenses and fees) by the fixed Preferred Share dividend payout. If the dividend coverage ratio is greater than 100%, the Issuer can fully fund Preferred Share distributions with income generated from the Portfolio. This allows the Issuer to maintain a stable level of downside protection to the Preferred Shares if the market value of the Portfolio stays constant, assuming the Capital Shares receive only excess Portfolio income.³ If the dividend coverage ratio is less than 100%, the Issuer will be required to liquidate a portion of the securities held to meet Preferred Share distributions or generate income through other sources such as option writing or securities lending. See the “Legal” section of this methodology for further information regarding shortfalls on Portfolio income and the payment of Preferred Share fixed dividends.

When rating split share transactions, DBRS will assign higher ratings to Issuers with a Preferred Share dividend coverage ratio sufficiently greater than 100%. A ratio well above 100% provides a buffer to cover the potential for lower Portfolio income resulting from reductions in dividend yield earned on the underlying securities. Since excess income received on the Portfolio will generally be distributed to the

2. In addition, minimum downside protection requirements for Preferred Share ratings below Pfd-3 (low) are not shown in the table. These ratings have not been included because in the past experience of DBRS, structured Preferred Shares have not been assigned initial ratings below the Pfd-3 range. If necessary, DBRS will determine minimum protection requirements for such rating levels on a case-by-case basis.

3. In many cases, the Capital Shares receive a regular distribution greater than the excess Portfolio income after paying Preferred Share distributions. This causes a “grind” on the Portfolio, which can have negative rating implications and is addressed in the “Capital Share Distributions” section of this methodology.



Capital Shareholders, small differences in coverage are not considered a major rating factor as long as the ratio is adequately greater than 100%. The initial dividend coverage will normally meet DBRS standards if Capital Share distributions are limited to excess Issuer income after the payment of Preferred Share fixed dividends and Issuer expenses and fees.

When assigning a rating to the Preferred Shares of an Issuer, DBRS estimates the likelihood of a significant reduction in dividend income by examining the historical dividend payouts and credit ratings of the Portfolio's underlying companies. More detailed analysis may be required for less creditworthy companies included in the Portfolio. Any concerns DBRS has regarding the stability of Portfolio dividend income will have a negative impact on the rating assigned to the Preferred Shares.

PORTFOLIO DIVERSIFICATION

The ability for an Issuer to fully repay its obligations to holders of Preferred Shares is dependent on the change in its Portfolio's market value from the closing date to the final maturity date. By diversifying the Portfolio holdings, the volatility of the portfolio and probability of a large decline over time will decrease, subject to systemic risk in equity markets.

Ideally, each Issuer's Portfolio would be sufficiently diversified by number of securities, by industry and by geography. However, split share companies are often created to give the Capital Shareholders leveraged exposure to a particular industry sector or single entity. DBRS accounts for the increased risk from a lack of Portfolio diversification by increasing the minimum downside protection required for each rating level.

Downside Protection Adjustments for Portfolio Diversification

Level of Diversification	Adjustment to Minimum Downside Protection Required (Multiple)
Strong by industry and by number of securities	1.0x (i.e., no change)
Adequate by industry and by number of securities	1.0x to 1.2x
Adequate by number of securities, one industry	1.2x to 1.3x
Single entity	1.3x to 1.5x

Split share companies are normally invested primarily in Canadian securities, but significant geographical diversification will be considered a strength in determining the appropriate rating on the Preferred Shares. The additional downside protection required in relation to diversification reflects the considerable increase in risk to the Preferred Shares when a Portfolio is concentrated in a single entity or in a single industry.

CREDIT QUALITY

Split share companies normally invest in dividend-yielding stocks, which tend to be issued by larger, creditworthy companies. A common Portfolio would comprise shares of the five biggest Canadian banks, with each bank having a senior debt rating of AA by DBRS at the time of publication.⁴ In evaluating a Portfolio, DBRS will consider it a strength if the Portfolio includes companies that have investment-grade senior debt ratings by DBRS. However, the inclusion of debt obligations of non-investment-grade issuers may not result in a lower assigned rating to the Preferred Shares if the non-investment-grade debt obligations form part of a well-diversified Portfolio.

The importance of credit quality in a Portfolio increases as the diversification of the Portfolio decreases. To be included as a single name in a split share Portfolio, a company should be diversified in its business operations by product and by geography. The rating on Preferred Shares with exposure to single-name Portfolios will generally not exceed the rating on the preferred shares of the underlying company since the downside protection is dependent entirely on the value of the common shares of that company.

4. A Negative trend is currently assigned by DBRS to the Deposits & Senior Debt rating of Canadian Imperial Bank of Commerce.



DBRS views the diversification of a Portfolio by industry as more beneficial to the Preferred Shares than higher credit quality within the investment-grade range. For example, a Portfolio of three AA-rated Canadian banks and two “A”-rated utilities would likely result in a higher Preferred Share rating than a Portfolio of five AA-rated Canadian banks, assuming all other aspects of the transactions are identical. Although higher-quality credits are less likely to default, they are not less likely to suffer a large decline in common equity value at the same time as other securities in the same industry.

CAPITAL SHARE DISTRIBUTIONS

In the “Dividend Coverage” section above, it was assumed that the Capital Shares receive only excess Portfolio income, but this is not the case for all split share companies. It is typical of many Issuers to provide Capital Shareholders with regular monthly cash distributions, yielding a targeted percentage per annum on the initial issue price. If no additional income is generated from alternative sources, these Capital Share distributions will likely create a “grind” on the NAV of the Portfolio. A grind occurs when, to maintain a stable NAV, a Portfolio must earn a certain percentage return from capital appreciation to cover the amount that Portfolio expenses and distributions exceed dividend income (the percentage grind). DBRS views grind as a negative rating factor; Issuers with a grind on the Portfolio NAV will require a greater amount of downside protection to achieve a given rating.

Option Writing

In order to meet Capital Share distributions and avoid a grind on the Portfolio, many investment managers write covered-call options on a portion of their Issuer’s underlying shares. Option-writing premiums allow the manager to meet dividend requirements without resorting to the sale of underlying shares in a Portfolio. However, when using a covered-call option-writing strategy, there is a high reliance on the Portfolio manager to effectively manage the premium received versus the potential capital gains that will be lost if the option becomes exercised.

The Portfolio manager normally writes covered calls on a percentage of the Portfolio’s underlying holdings, depending on how much income needs to be generated to meet distributions to the Capital Shareholders. This strategy limits the total return achieved through capital appreciation if valuations increase to a point where the written call option is in-the-money. In a steadily declining market, writing a call option provides a small amount of income to protect against losses. In a rising market, a covered-call option-writing strategy will underperform a passive Portfolio because some of the capital gains will be called away by the option holder. Under challenging market conditions with high volatility, an actively managed Portfolio relying too heavily on an option strategy can decline substantially as large gains are called away by option holders and losses directly affect the NAV.

In general, DBRS views the strategy of writing covered calls as an additional element of risk for Portfolios because of the potential for the Portfolio to give up unrealized gains when the option gets called and, at the same time, as part of the Portfolio’s mandate, the security may need to be repurchased in the market at the higher price. Furthermore, an option-writing strategy relies on the ability of the investment manager. The investment manager has a large amount of discretion to implement its desired strategy, and the resulting trading activity is not monitored as easily as the performance of a static Portfolio. Relying partially on the ability of the investment manager rather than the strength of a split share structure is a negative rating factor.

Asset Coverage Tests

Many Issuers have instituted NAV tests in an effort to enhance the level of protection maintained for Preferred Shareholders throughout the term of the transaction. If a NAV test is put in place, no distributions (planned or excess) may be paid to the holders of the Capital Shares if the NAV of the Portfolio drops below a predetermined level. Existing split share transactions that DBRS has rated typically used a threshold level for the suspension of Capital Share distributions of 1.5 times the principal amount of outstanding Preferred Shares. For more recent transactions rated by DBRS, the threshold level has increased to provide greater protection to the Preferred Shares. Once distributions are suspended, the grind on the Portfolio NAV will normally be greatly reduced or eliminated.



In addition, a test is often used to protect Preferred Shareholders from special distributions if the NAV falls below a predetermined level. Special distributions refer to distributions to Capital Shareholders in excess of the targeted regular monthly payment amount. For existing transactions rated by DBRS, the NAV at the Issuer's inception date (net of operating expenses) has typically been the threshold level for paying out special distributions.

Impact of Capital Distributions

Although asset coverage tests limit the amount of distributions to the Capital Shareholders, the strongest split share structures from the perspective of Preferred Shareholders are those that do not distribute any income or capital gains to the Capital Shares until the Issuer's Termination and after the Preferred Shares have been repaid. This is mainly because capital appreciation will accumulate if the underlying securities in the Portfolio perform well. An increase in the Portfolio's NAV will result in greater downside protection being available to the Preferred Shares. If the Portfolio subsequently experiences a substantial drop in value, the Preferred Shares will have the benefit of the earlier capital gains covering some of these Portfolio losses, which decreases the probability of the Preferred Shares suffering first-dollar loss of principal or dividends.

The benefit of lower distributions to holders of the Capital Shares can be demonstrated by a performance attribution exercise for an actively managed split share company. Performance attribution is used to determine why a Portfolio's performance differs from a benchmark return. In this case, the benchmark return reflects the performance of a passively managed split share company that only distributes excess Portfolio income to the Capital Shareholders (after paying Preferred Share distributions and other Issuer expenses). In other words, the benchmark return is the percentage change in market value of the Portfolio holdings over time. In analyzing the split share corporations for which DBRS has assigned Preferred Share ratings, DBRS finds that passively managed companies generally outperform actively managed companies. Nearly all of the difference in performance can be attributed to Capital Share distributions rather than to option writing or the over/underweighting of certain sectors or securities.

To compensate for the negative impact of Capital Share distributions on performance and the potential risks of an option-writing strategy, many split share companies may increase the levels of initial downside protection on the Preferred Shares, which will mitigate the negative rating impact of these features on the Preferred Shares. The chart below gives DBRS's general rating guidelines for certain distribution sizes and asset coverage test thresholds.

Impact of Capital Share Distributions on Initial Ratings

Size of Regular Capital Distributions¹	NAV Test	Likely Impact on Initial Rating
Excess income	None	None
5% or less per annum	1.75x coverage	0-1 notches lower
5% or less per annum	1.5x coverage	1 notch lower
8% per annum	1.75x coverage	1-2 notches lower
8% per annum	1.5x coverage	2 notches lower

1. The likely impact on ratings for these distribution sizes assumes a typical split share structure (Preferred Shares \$10 each, Capital Shares \$15 each). If a structure were to differ from this assumption significantly, the likely impact on the Preferred Share rating will not match what is shown in the table.

The above chart gives general guidelines based on historical transactions and DBRS estimates for future transactions. It is possible that Issuers may incorporate a distribution size or coverage test that is not shown in the chart above. DBRS will analyze the risks of such structures on a case-by-case basis.



Rating Approach: Implied Ratings Based on Historical Data

As described above, DBRS will first evaluate the credit quality of an Issuer's Preferred Shares through an analysis of the downside protection and dividend coverage available, the diversification and credit quality of the Portfolio, the size of Capital Share distributions and the terms of the NAV test. Through this process, DBRS determines a proposed initial rating, which is subject to modification based on the outcome of additional analysis.

Following the determination of the proposed initial rating, DBRS calculates two additional implied ratings for the Preferred Shares based on an analysis of historical data. The first approach involves calculating a one-year historical VaR for the Portfolio and linking the probability of default to a Preferred Share rating based on historical corporate default data. The second approach combines the weighted-average credit quality of the Portfolio with the historical average correlation among the underlying securities to determine a rating that should be assigned to the Preferred Shares.

These two approaches will each yield an implied rating on the Preferred Shares. If both implied ratings are greater than or equal to the proposed initial rating, the final rating assigned will likely not be changed from the proposed initial rating. However, if both implied ratings are lower than the proposed initial rating, a downward adjustment to the proposed initial rating will likely be required. For scenarios where the proposed initial rating ranks between the two implied ratings, discretion will be used by DBRS to conclude whether an adjustment to the proposed initial rating is necessary. The two approaches are described in greater detail below.

HISTORICAL VOLATILITY AND PERFORMANCE ANALYSIS

In addition to an evaluation of the credit quality and diversification of the Portfolio holdings, DBRS analyzes the historical volatility and performance of the Portfolio's underlying securities to estimate the likelihood of large declines in downside protection. Although past performance is not necessarily an indication of future performance, DBRS views historical returns as an important factor in evaluating the sufficiency of enhancement levels. DBRS views its historical performance modelling as a key factor in the rating process, but results are not accepted unconditionally. DBRS considers the appropriateness of model predictions in light of economic factors that may affect the outlook of the Portfolio and increase the likelihood that future volatility or performance may differ from historical observations.

DBRS uses a variation of the historical VaR method to assess the likelihood of large declines in downside protection. VaR is the amount of loss that is expected to be exceeded with a given level of probability over a specified time period. For example, if a Portfolio has a one-day VaR of \$1 million with a probability of 5%, there is a 5% probability that the Portfolio will lose at least \$1 million in a one-day period. Alternatively, there is a 95% probability that the Portfolio will lose no more than \$1 million in a one-day period. Using the historical method, daily returns are calculated for a given Portfolio using price data for a historical period of time specified by DBRS. Daily returns are then sorted from lowest to highest. If there are 100 daily returns and a probability of 5% is desired, the 5% VaR would be approximately equal to the fifth worst return.

Assuming that the Capital Shareholders receive only excess Portfolio income, the essential factor in an assessment of the credit quality of the Preferred Shares is determining the probability of an X% decline in downside protection over a particular period, where X is the percentage of downside protection available. The VaR method is ideal because a DBRS rating takes into consideration the probability of first-dollar loss to the Preferred Shares but not the severity of loss upon default. Thus, the magnitude of losses exceeding VaR is not a primary concern in the rating process.



The steps in the modelling process used by DBRS are as follows:

- (1) Gather daily historical performance data for a defined period.
- (2) Annualize each daily return by multiplying it by the square root of the number of trading days in a year.
- (3) Sort the annualized returns from lowest to highest.
- (4) Using the initial amount of downside protection available to the Preferred Shares, determine the dollar loss required for the Preferred Shares to be in a loss position (i.e., asset coverage ratio is less than 1.0)
- (5) Solve for the probability that will yield a one-year VaR at the appropriate dollar-loss amount for the transaction.
- (6) Determine the implied long-term bond rating by comparing the probability of default with the DBRS corporate cumulative default probability table.
- (7) Link the implied bond rating to the appropriate Preferred Share rating using an assumption that the preferred shares of a company should be rated two notches lower than the company's issuer rating.

Gather Data

The key consideration in gathering historical data is the time period used. There is a balance between collecting enough returns and avoiding irrelevant data due to a major shift in the Portfolio's environment that may decrease the value of using data observed prior to the shift. DBRS will generally aim to use ten years of historical data to calculate the probability of a large decline in downside protection. Shorter periods will be used if ten years of data is not available for a particular Portfolio; however, the comparison of split share Portfolios will always be completed using identical time periods.

Annualize Daily Returns

VaR is generally used for fairly short periods. It becomes less effective as a tool if the time period increases substantially. DBRS uses a one-year time frame because annualized volatility is commonly used to measure risk. A daily percentage return can be thought of as volatility around a mean of zero. Multiplying daily volatility by the square root of the number of trading days in a year (252) is the standard calculation for annualized volatility.

Furthermore, a one-year period is used because it is long enough to match the probability of default to a long-term debt rating using DBRS's corporate default table.

Sort the Annualized Returns

For the purpose of determining the probability of a large decline in downside protection, only negative daily returns can cause first-dollar loss to the Preferred Shares (once annualized). This exercise differs from the calculation of standard deviation, where both large positive and negative volatility around the mean would increase the total magnitude. By using the historical VaR method, large positive daily returns are not considered to increase the risk of default of the Preferred Shares. At the same time, extreme negative past events (measured by daily loss) are included in the calculation of historical VaR.

Determine Appropriate Loss Amount Using Downside Protection

The appropriate loss amount is calculated by multiplying the starting value of the Portfolio by the difference between 100% and the downside protection initially available to the Preferred Shares.



Solve for the Probability

After the daily returns have been sorted and the appropriate loss amount has been determined, solving for the probability is straightforward. The probability for VaR is the percentage of total annualized daily return data points that result in a one-year loss exceeding the VaR loss amount (that resulted from the initial downside protection).

Determine Implied Rating Level

Once a one-year VaR probability has been determined, this percentage can be equated to a long-term debt rating using the corporate default probability table in Appendix B. These corporate default probabilities are based on historical default statistics and are commonly used in rating structured credit transactions.

Link Implied Rating to Preferred Share Rating

Since a rating is being assigned to the Preferred Shares, a notching assumption is applied to the long-term debt scale to reflect the subordination of preferred shares to senior debt in the corporate capital structure. DBRS has assumed that the preferred shares of a company are rated two notches below the rating of senior debt. By using the notching assumption, the long-term debt rating determined in the previous step is converted to a Preferred Share rating.

The purpose of this final step is to assign structured Preferred Share ratings that are consistent with ratings on preferred shares issued by Canadian corporations. This consistency is quantified by linking the probability of a default using historical data (with any appropriate adjustments) to a rating level that is expected to exhibit similar default behaviour over time.

CREDIT QUALITY AND CORRELATION OF THE PORTFOLIO

A second implied rating is determined based on the correlation among the Portfolio's underlying securities relative to the weighted-average credit quality of the Portfolio. If correlation is very high (i.e., greater than 75%), the rating on the Preferred Shares should generally not exceed the weighted-average credit quality of the Portfolio. As the correlation decreases, however, the implied rating of the Preferred Shares will increase because there is a lower probability of having a large decline in downside protection. Using the grid below, DBRS will determine the implied rating by collecting historical correlation data from the previous ten-year period (if available). The implied rating will generally be at most one notch higher than the weighted-average credit quality rating.



Maximum Preferred Share Ratings Based on Portfolio Credit and Correlation

	Portfolio Correlation			
	Below 25%	25-50%	50-75%	Over 75%
AAA	Pfd-1 (high)	Pfd-1 (high)	Pfd-1 (high)	Pfd-1 (high)
AA(high)	Pfd-1 (high)	Pfd-1 (high)	Pfd-1 (high)	Pfd-1 (high)
AA	Pfd-1 (high)	Pfd-1 (high)	Pfd-1 (high)	Pfd-1
AA(low)	Pfd-1 (high)	Pfd-1 (high)	Pfd-1	Pfd-1 (low)
A(high)	Pfd-1 (high)	Pfd-1	Pfd-1 (low)	Pfd-2 (high)
A	Pfd-1	Pfd-1 (low)	Pfd-2 (high)	Pfd-2
A(low)	Pfd-1 (low)	Pfd-2 (high)	Pfd-2	Pfd-2 (low)
BBB(high)	Pfd-2 (high)	Pfd-2	Pfd-2 (low)	Pfd-3 (high)
BBB	Pfd-2	Pfd-2 (low)	Pfd-3 (high)	Pfd-3
BBB(low)	Pfd-2 (low)	Pfd-3 (high)	Pfd-3	Pfd-3 (low)
BB(high)	Pfd-3 (high)	Pfd-3	Pfd-3 (low)	Pfd-4 (high)
BB	Pfd-3	Pfd-3 (low)	Pfd-4 (high)	Pfd-4
BB(low)	Pfd-3 (low)	Pfd-4 (high)	Pfd-4	Pfd-4 (low)
B(high)	Pfd-4 (high)	Pfd-4	Pfd-4 (low)	Pfd-5 (high)
B	Pfd-4	Pfd-4 (low)	Pfd-5 (high)	Pfd-5
B(low)	Pfd-4 (low)	Pfd-5 (high)	Pfd-5	Pfd-5 (low)
CCC (high)	Pfd-5 (high)	Pfd-5	Pfd-5 (low)	Pfd-5 (low)
CCC	Pfd-5	Pfd-5 (low)	Pfd-5 (low)	Pfd-5 (low)
CCC(low)	Pfd-5 (low)	Pfd-5 (low)	Pfd-5 (low)	Pfd-5 (low)

Rating Approach: Other Factors

CUMULATIVE DIVIDENDS

For most Issuers, holders of the Preferred Shares receive fixed cumulative dividends on a regular basis (monthly or quarterly). The cumulative nature of the dividends is a factor in the assignment and maintenance of a DBRS rating. Issuers paying cumulative dividends have the option of delaying payment of dividends until the final maturity date. Upon maturity, the Preferred Shares will rank in priority to Capital Shares with respect to the payment of any accrued but unpaid dividends and the repayment of initial principal.

Normally, an Issuer would not suspend its distributions to the Preferred Shareholders unless its financial condition had deteriorated drastically. For example, assume that the market value of a Portfolio has dropped 80% from its initial value and the dividend yield earned on the Portfolio assets has been cut to close to zero because of changes in dividend policies of the Portfolio companies. In such a situation, the Preferred Shareholders would likely be in a loss position due to the 80% market value decline; however, a certain period of time would remain until the final maturity date. The Issuer could suspend its dividend payments to the Preferred Shareholders to avoid having to sell Portfolio shares to meet distributions. By hoarding capital and suspending distributions, the Issuer would be aiming to benefit as much as possible from a subsequent rebound in the prices of the Portfolio's underlying securities.



In the example above, it is possible that a rebound in the NAV of the Portfolio will occur prior to the final maturity date. If the Portfolio appreciates enough in value, the Issuer will be able to repay the Preferred Shareholders all unpaid dividends along with the full return of principal. Since equity prices can be subject to periods of extreme volatility, DBRS will not downgrade a Preferred Share rating to default if the Issuer suspends its distributions, recognizing the potential for subsequent increases in the Portfolio's value (assuming dividends are cumulative). In such cases, DBRS will assign a rating at that time based on an evaluation of the probability of first-dollar loss (either from dividends or principal) on the final maturity date. A rating of Pfd-5 (low) indicates an expectation that the Preferred Shares will experience first-dollar loss of cumulative dividends or principal on the final maturity date.

SECURITIES LENDING

Issuers usually have the ability under their constitutional documents to enter into securities lending agreements with a custodian in order to generate additional Portfolio income. Securities lending involves the Issuer lending shares from the Portfolio (the Loaned Securities) to a borrower for a period of time under the terms of a lending agreement, usually in exchange for collateral that secures the borrower's obligations. Loaned Securities are not bankruptcy remote if the borrower becomes insolvent and are not protected if the borrower does not return them to the Issuer. DBRS considers the following criteria to be acceptable mitigation strategies if an Issuer engages in securities lending:

- (1) The custodian is not permitted to lend to non-investment-grade counterparties.
- (2) Each transaction is conducted on an open-ended basis, which means it can be terminated at any time by the Issuer, the custodian or the counterparty.
- (3) The Issuer still receives the underlying dividend payments on the Loaned Securities on their applicable payment dates.
- (4) Collateral for the Loaned Securities must be pledged by the counterparty to the Issuer and it must be subject to National Instrument 81-102 Mutual Funds requirements for overcollateralization.
- (5) The collateral is marked to market each day by the custodian.
- (6) A custodian (or supporting parent) with a minimum rating of A (high) by DBRS provides an indemnity to the Issuer against the risk of loss should a borrower default on its obligations to return the Loaned Securities and the collateral is insufficient to reconstitute the Loaned Securities, or such other arrangement that is satisfactory to DBRS is agreed upon to mitigate such potential losses.

FORWARD AGREEMENTS

In order to generate tax-efficient distributions to the Preferred Share and Capital Share investors, the Issuer may enter into a forward purchase agreement with a counterparty that provides the Issuer with synthetic exposure to a basket of securities. Partial settlements under a forward agreement (in order to satisfy distributions and retractions to investors) are considered to be capital gains, which are taxed at a lower rate than the income the Issuer would receive if it held the Portfolio directly.

When a forward agreement is used, DBRS takes into account the credit quality of the counterparty in the forward agreement, requiring a minimum counterparty rating of A (high) or R-1 (middle) to mitigate credit risk. For more information on hedging requirements, see DBRS's July 2009 *Swap Criteria for Canadian Structured Finance Transactions*, which can be found at www.dbrs.com.



LEGAL

DBRS will review documentation relating to the issuance of the Preferred Shares, including, without limitation, the prospectus, custodial agreement, investment management agreement and the articles or constitutional documents of the Issuer (which should include the terms and conditions of each type of share issued by the Issuer). In particular, DBRS will review the sections of the constitutional documents of the Issuer relating to the rights of its shareholders and the priority ranking of its shareholders upon the Issuer's Termination to ensure the priority of the Preferred Shareholders as to payments of dividends and principal.

In reviewing such documentation, DBRS will also pay particular attention to the process to be followed in the event there is a shortfall in paying fixed cumulative dividends to the Preferred Shareholders. More specifically, in most cases the Issuer's articles or organizational documents will stipulate that if fixed dividends are not paid to Preferred Shareholders on or about the indicated payment date, they will continue to accrue to the next payment date (this is the "cumulative" nature of the Preferred Shares). In addition, in many cases the articles or organizational documents of an Issuer may state that the board of directors of the Issuer has the discretion whether or not to sell shares in the Portfolio in the event of a shortfall, depending on whether it is in the best interests of the Issuer to do so. However, in some cases, the prospectus will indicate that the Issuer will sell shares in the Portfolio if there is a shortfall despite any such discretion of the board of directors and despite the cumulative nature of the dividends as may be set out in the articles. These factors will be taken into account in determining the appropriate rating level for the Preferred Shares being issued.

As part of the ongoing monitoring of the Preferred Shares after a rating is assigned, DBRS will expect the Issuer to provide DBRS with notice of certain matters that may have a potential impact on the rating of the Preferred Shares, and this notice requirement must be included in the transaction documentation when a DBRS rating is assigned. The types of matters for which DBRS expects to receive notice include (without limitation) the following: the issuance of (or increasing the number of) any shares of the Issuer that have a pari passu or priority ranking to the payment of dividends and principal of the Preferred Shares (or that have any other rights or privileges that rank pari passu or in priority to the Preferred Shares); any amendments to the rights of the Preferred Shareholders; any amendments to the rights of any other class of shares of the Issuer that may have an adverse effect on the Preferred Shares; a proposal to extend the final maturity date of the Issuer (if applicable); the entering into of any securities lending agreements; and the appointment of any successor or replacement custodian, investment manager or other service provider that is pertinent to the split share structure.

RETRACTIONS

Split share corporations qualify as mutual fund corporations as defined in the Income Tax Act (Canada). As a result, holders of Preferred Shares can surrender their shares for retraction to the Issuer at any time, but the retraction will only take place on the monthly retraction date (as defined in the Issuer prospectus). Preferred Shares are normally retracted at a small discount to the NAV, taking into account the cost of purchasing a Capital Share in the market for the Issuer to maintain an equal number of Preferred Shares and Capital Shares outstanding.

DBRS does not normally take into account the terms of retraction in assigning an initial rating on the Preferred Shares. Regardless of retraction activity, DBRS will maintain a rating on the Preferred Shares of an Issuer as long as any Preferred Shares remain outstanding. In certain cases, retraction activity could have an impact on a DBRS rating if a small number of Preferred Shares and Capital Shares of an Issuer remain outstanding following a large number of retractions at a point in time. In such circumstances, the fixed costs related to the continued operation of the Issuer could cause a grind on the NAV since the fixed cost per Preferred Share would be much higher.



Split Share Surveillance Methodology

The downside protection available to the Preferred Shares of an Issuer is directly dependent on the market value of the Issuer's Portfolio. In periods of greater volatility, the downside protection can fluctuate significantly in short time periods. Since downside protection is one of the key factors in assigning a DBRS rating, market fluctuations are an important consideration in the maintenance of existing Preferred Share ratings.

DBRS reviews the downside protection available to all of its rated Preferred Shares on a monthly basis (at a minimum). DBRS maintains an internal watchlist based on its monthly split share monitoring activity. In the absence of any other material changes, the maintenance of a DBRS rating is based on the downside protection percentage relative to a range of acceptable levels for an assigned Preferred Share rating. The table below shows minimum downside protection ranges used for the surveillance of DBRS Preferred Share ratings.

Downside Protection Requirements for Surveillance of DBRS-Rated Preferred Shares

DBRS Preferred Share Rating	Minimum Downside Protection*
Pfd-2 (low) or higher	>40%
Pfd-3 (low) to Pfd-3 (high)	20% to 40%
Pfd-4 (high) or lower	<20%

* Downside Protection = percentage reduction in Portfolio NAV before Preferred Shares are in a loss position.

It is important to note that the surveillance ranges for downside protection can be considerably lower than the initial requirements, depending on the diversification of the Issuer's Portfolio and the level of distributions to the Capital Shares. Initial requirements are higher to provide a greater level of stability to the initial rating on the Preferred Shares.

Rating actions taken on the Preferred Shares of an Issuer are based on the following guidelines:

- If the downside protection available falls outside the required range for two consecutive months, the Preferred Shares will be placed Under Review with Negative Implications.
- After a rating has been placed Under Review – Negative, it maintains its status until one of the following scenarios occurs:
 - If a downgrade is warranted for two consecutive months subsequent to the rating being placed Under Review – Negative, then the Preferred Shares will be downgraded. The revised rating level will depend on the path of downside protection levels during the Under Review period, as well as other factors such as changes in the dividend coverage available and the credit quality of the Portfolio.
 - If the then-current rating is sufficient for two consecutive months subsequent to being placed Under Review – Negative, the Under Review status will be removed and the rating will likely be confirmed.
- If the downside protection indicates that an upgrade is warranted for four consecutive months, then the transaction will be upgraded. The revised rating level will depend on the path of downside protection levels during the previous four months, as well as other factors such as changes in the dividend coverage available and the credit quality of the Portfolio.

The above guidelines allow DBRS to make measured rating decisions that benefit from at least four months of NAV data indicating a rating change is necessary. DBRS reviews the historical trend in downside protection before making its final rating decision.



The guidelines will not be used in the same manner if less than one year remains until the final maturity date of the Issuer. If multiple years remain until maturity, there is ample time for the Portfolio NAV to recover from a precipitous decline. As the maturity date approaches, the amount of time available for a rebound in the NAV decreases, which increases the probability of default if the downside protection has already suffered a large decline. In such situations, DBRS will not hesitate to downgrade Preferred Shares to speculative rating levels.

In addition to the guidelines above, DBRS may adjust its Preferred Share ratings based on movements in downside protection within each rating range. For example, a drop in downside protection from 60% to 45% may result in a downgrade from Pfd-2 to Pfd-2 (low).

In periods of extreme volatility, the surveillance approach may result in the Preferred Shares maintaining a rating many notches above what would be implied from the downside protection at a moment in time. This is acceptable because DBRS aims to assign ratings based on longer-term observed values of downside protection. Taking rating actions based on one-month changes in market value could result in constant upgrading and downgrading of Preferred Shares, depending on the volatility of the equity markets over a given period of time.

Conclusion

Unlike notes issued in other structured finance transactions rated by DBRS, the Preferred Shares issued by a split share corporation are directly exposed to fluctuations in the equity market value of the Issuer's Portfolio. A DBRS rating on Preferred Shares addresses the probability of the Preferred Shares being paid in full with respect to cumulative dividends and initial principal. Due to the subordination of the Capital Shares, a default on the Preferred Shares will likely not occur unless the Portfolio declines in value by a large percentage over time (normally more than 50%).

During the second half of 2008 and early 2009, global equity market valuations declined at an extremely rapid pace. The S&P/TSX Composite Index declined approximately 50% from its peak in June 2008 to its low point in March 2009, a decline eclipsed in severity only during the Great Depression. The valuation declines over that period were not limited to issuers in any particular industry. In such times of historic volatility and stress, downside protection levels available to Preferred Shares come under severe downward pressure.

DBRS has subsequently strengthened its split share rating process, assigning lower initial ratings to Preferred Shares with a greater risk of default based on the composition of their Issuer's Portfolio. Issuers with undiversified Portfolios will need to provide greater levels of downside protection to their Preferred Shares in order to achieve a particular rating. The number and size of new Preferred Share issues has declined substantially since the end of 2007. The current methodology will allow DBRS to improve the strength of future Preferred Share ratings assigned.

This publication has detailed DBRS's approach for rating Preferred Shares issued by split share companies. DBRS will continue to evaluate its split share rating methodology on an ongoing basis to ensure that it remains effective. Further updates to the assumptions detailed in this document will be provided as necessary.



Appendix A: DBRS Preferred Share Rating Scale

The DBRS preferred share rating scale is used in the Canadian securities market and is meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both dividend and principal commitments. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity. Each rating category is denoted by the subcategories “high” and “low”. The absence of either a “high” or “low” designation indicates the rating is in the middle of the category.

PFD-1

Preferred shares rated Pfd-1 are of superior credit quality, and are supported by entities with strong earnings and balance sheet characteristics. Pfd-1 securities generally correspond with companies whose senior bonds are rated in the AAA or AA categories. As is the case with all rating categories, the relationship between senior debt ratings and preferred share ratings should be understood as one where the senior debt rating effectively sets a ceiling for the preferred shares issued by the entity. However, there are cases where the preferred share rating could be lower than the normal relationship with the issuer’s senior debt rating.

PFD-2

Preferred shares rated Pfd-2 are of satisfactory credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet, and coverage ratios are not as strong as Pfd-1 rated companies. Generally, Pfd-2 ratings correspond with companies whose senior bonds are rated in the “A” category.

PFD-3

Preferred shares rated Pfd-3 are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. Pfd-3 ratings generally correspond with companies whose senior bonds are rated in the higher end of the BBB category.

PFD-4

Preferred shares rated Pfd-4 are speculative, where the degree of protection afforded to dividends and principal is uncertain, particularly during periods of economic adversity. Companies with preferred shares rated Pfd-4 generally coincide with entities that have senior bond ratings ranging from the lower end of the BBB category through the BB category.

PFD-5

Preferred shares rated Pfd-5 are highly speculative and the ability of the entity to maintain timely dividend and principal payments in the future is highly uncertain. Entities with a Pfd-5 rating generally have senior bond ratings of B or lower. Preferred shares rated Pfd-5 often have characteristics that, if not remedied, may lead to default.

D

A security rated D implies the issuer has either not met a scheduled dividend or principal payment or the issuer has made it clear it will miss such a payment in the near future. In some cases, DBRS may not assign a D rating under a bankruptcy announcement scenario, as allowances for grace periods may exist in the underlying legal documentation. Once assigned, the D rating will continue as long as the missed payment continues to be in arrears, and until such time as the rating is discontinued or reinstated by DBRS.



Appendix B: DBRS Corporate Default Probability Assumptions

Corporate Cumulative Default Probabilities

Rating	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
AAA	0.02%	0.04%	0.08%	0.12%	0.18%	0.24%	0.31%	0.40%	0.49%	0.60%	0.71%
AA (high)	0.04%	0.08%	0.14%	0.20%	0.27%	0.35%	0.44%	0.55%	0.66%	0.79%	0.92%
AA	0.05%	0.11%	0.19%	0.28%	0.37%	0.48%	0.60%	0.73%	0.87%	1.02%	1.19%
AA (low)	0.06%	0.13%	0.22%	0.32%	0.44%	0.57%	0.71%	0.87%	1.05%	1.24%	1.45%
A (high)	0.06%	0.15%	0.25%	0.37%	0.50%	0.66%	0.83%	1.01%	1.21%	1.43%	1.67%
A	0.07%	0.17%	0.29%	0.44%	0.61%	0.80%	1.01%	1.24%	1.49%	1.76%	2.05%
A (low)	0.08%	0.21%	0.37%	0.57%	0.81%	1.08%	1.37%	1.69%	2.04%	2.41%	2.79%
BBB (high)	0.19%	0.41%	0.69%	1.00%	1.34%	1.72%	2.13%	2.55%	3.00%	3.46%	3.93%
BBB	0.30%	0.70%	1.15%	1.64%	2.15%	2.69%	3.25%	3.81%	4.37%	4.94%	5.51%
BBB (low)	0.78%	1.52%	2.24%	2.94%	3.63%	4.31%	4.98%	5.64%	6.29%	6.92%	7.55%
BB (high)	1.50%	3.02%	4.49%	5.91%	7.25%	8.51%	9.70%	10.81%	11.85%	12.83%	13.76%
BB	2.21%	4.39%	6.44%	8.34%	10.10%	11.71%	13.20%	14.57%	15.83%	16.99%	18.07%
BB (low)	3.42%	6.39%	9.02%	11.36%	13.46%	15.34%	17.05%	18.60%	20.00%	21.29%	22.47%
B (high)	4.28%	8.29%	11.87%	15.01%	17.77%	20.19%	22.33%	24.22%	25.90%	27.41%	28.76%
B	5.30%	10.55%	15.19%	19.16%	22.54%	25.44%	27.93%	30.08%	31.96%	33.61%	35.06%
B (low)	8.63%	16.21%	22.34%	27.25%	31.22%	34.47%	37.17%	39.44%	41.38%	43.04%	44.49%
CCC (high)	25.04%	36.37%	42.63%	46.75%	49.77%	52.15%	54.10%	55.72%	57.09%	58.27%	59.29%
CCC	46.79%	60.80%	66.09%	68.79%	70.54%	71.86%	72.92%	73.81%	74.56%	75.21%	75.77%
CCC (low)	68.91%	84.63%	88.66%	90.00%	90.66%	91.11%	91.46%	91.74%	91.99%	92.20%	92.38%

Copyright © 2010, DBRS Limited, DBRS, Inc. and DBRS Ratings Limited (collectively, DBRS). All rights reserved. The information upon which DBRS ratings and reports are based is obtained by DBRS from sources DBRS believes to be accurate and reliable. DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report providing a DBRS rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrs.com>.



Insight beyond the rating.

www.dbrs.com

Corporate Headquarters

DBRS Tower
181 University Avenue
Suite 700
Toronto, ON M5H 3M7
TEL +1 416 593 5577