CESR QUESTIONNAIRE REGARDING THE RATING OF STRUCTURED FINANCE INSTRUMENTS (Due July 31, 2007)

A) QUESTIONS ADDRESSSED TO THE CREDIT RATING AGENCIES

Organisation

1. What proportion of your total rating revenue comes from Structured Finance related activity? (The individual percentages will be kept confidential although CESR's report might provide aggregated data.)

2. Do you offer non rating "ex post" services related to Structured Finance products (i.e. pricing or valuation models,)? If yes, what proportion of your total Structured Finance derived revenue comes from those ancillary/advisory services?

DBRS is in the general ratings business. DBRS does not engage in ancillary businesses, including a consulting or advisory business that may present a conflict of interest. Although DBRS may provide an impact assessment of the effect on the rating of potential transactions or situations at an issuer's request, DBRS views this work as an extension of its existing relationship with the issuer and not as a separate business line. DBRS uses its standard ratings process including Rating Committee, methodologies and policies in formulating such impact assessments. DBRS has implemented appropriate policies and procedures to manage its ratings business on a global basis.

3. Please describe any specificities of the way you determine your fees for the rating of Structured Finance products as compared to the fees charged in corporate ratings.

DBRS has a standard set of up-front and surveillance fees that are shared with clients across products and regions. Generally, in Structured Finance these fees are charged on a per transaction basis and in certain cases there is an initial set up fee for larger program type ratings as well as transaction and surveillance fees. In Corporate Finance, in particular in the Financial Institutions Group, first time issuers are charged a fee and each rated entity is charged an annual rating fee. In addition, fees are generally assessed when issuers issue securities. This approach may vary some depending on geography and sector.

4. How are the fees you charge for any "ex post" ancillary/advisory activities determined – are they determined separately from fees relating to the actual rating?

Not applicable.

5. How is staff remuneration determined for Structured Finance ratings analysts? Is this different staff from staff that work on related ancillary/advisory services?

Analyst compensation for all DBRS analysts is determined based on DBRS compensation philosophy, market survey participation and market intelligence. Compensation consists of base, short term incentive and for select senior individuals, long term incentive, reflecting a mix of individual and company-wide performance.

DBRS does not engage in any ancillary businesses.

Rating process

6. Is the organisation of the rating process similar for corporate and for structured products? If not, please explain the differences.

DBRS has a general standard rating process for each of Corporate Finance and Structured Finance that consists of similar steps in terms of: initial contact with the third party ("third party") requesting the rating; formalizing the rating assignment/terms of engagement; gathering information to conduct the rating analysis; review meetings; drafting the rating report, Rating Committee; factual review of information supporting the rating by the third party; publishing the rating; and ongoing surveillance. However, the detailed components of these steps differ due to the different nature of the Corporate versus the Structured Finance business, the latter by its nature being more transactional.

Additionally, as securities are typically issued by a special purpose vehicle (SPV) to fund the purchase of the underlying transactions, to properly assess these structures, the Structured Finance rating process is divided into two stages:

A. Review and approval of the SPV structure
B. Review and approval of the specific transaction to be funded through the SPV structure

Both Corporate Finance and Structured Finance rating processes include time spent with the third party to understand the nature of their business. In Structured Finance, particular focus is placed on understanding the quality of the collateral based on analytics, reviews and additional meetings with the third party as necessary.
Regarding Rating Committee, DBRS has one overall philosophy that is the same for Corporate Finance and Structured Finance which:

- provides objective and independent rating decisions that are a reflection of DBRS's opinion, rather than the view of an individual analyst or analysts;

- ensures rating decisions are based on sufficient information, incorporate both global and local considerations, and apply DBRS approved methodologies;
- provides a checkpoint for actual and perceived conflicts of interest among analysts; and
- standardizes the rules, procedures and documentation processes to drive efficiency and consistency with respect to rating decisions.

However, DBRS uses separate Rating Committee structures for each of Structured Finance and Corporate Finance due to the different natures of these businesses and has in place procedural requirements that cover: scope of mandate and accountabilities; attendance and participation; quorum; choice of meeting chair; voting; record of minutes; and adjourning and/or reconvening of meeting.

7. Which parties does your firm liaise with directly as part of the rating process? Are there clear policies governing how this relationship is conducted?

As part of the rating process, DBRS liaises with issuers and their agents, such as investment bankers or financial advisors, bond counsels, investors and in certain cases, other third parties that are participating in a Structured Finance transaction, such as a servicer. In many transactions, the issuer also functions as the servicer. An issuer or its agent initiates contact with DBRS by requesting a rating. Once DBRS completes a letter of engagement with an issuer, DBRS typically conducts a management meeting to gain an understanding of the issuer's business in addition to evaluating the quality of a servicer's operations.

As part of the analysis of the transaction's legal documents, DBRS may also be in contact with bond counsel to discuss the terms of the transaction. In many cases the issuer's investment banker presents the transaction's financial structure and the collateral characteristics of the pool supporting the rated debt. DBRS may use its proprietary default and cash flow models or may, for certain assets classes, provide assumptions for cash flows to be completed by the issuer's investment banker. The purpose of the cash flows is to test the financial viability of the transaction at each requested rating level.

DBRS provides the issuer or its agent an advance copy of disclosures such as press releases pre-sale reports to ensure that the disclosure does not contain proprietary or confidential information and to check for factual accuracy. Oftentimes, investors initiate contact with a DBRS analyst to discuss the press release or pre-sale report. DBRS analysts only discuss information that is available to the public.

DBRS also regularly speaks to the press, regulators, hosts conferences and participates in panels at third party conferences but does not divulge confidential information about the issuers and transactions its rates.

From a policy perspective, DBRS is governed by an entity wide Code of Conduct that is supported by a broad range of policies, procedures and internal controls to ensure the transparency of its operations and the objectivity and integrity of its ratings which among other areas, cover liaison with issuers, their agents and other third parties in the rating process, fee discussions, personal trading, misuse of confidential information, Rating Committee and the dissemination/disclosure of ratings information.

DBRS provides open access and ongoing communication and training to all staff regarding the Code of Conduct and its supporting policies and procedures.

8. What information about the remuneration for providing the rating is provided to the various parties to the deal?

None. DBRS provides fee information to the issuing entity of each transaction.

9. Please describe any specificity regarding your policy of publication of ratings in the Structured Finance segment.

DBRS publishes press releases for all rating actions, ratings and rationales for (Corporate Finance) and Structured Finance securities, with the exception of securities with private ratings and certain private placement transactions. Rating actions include but are not limited to a confirmation, an upgrade, a downgrade, under review with positive, negative or developing implications, suspension and discontinued ratings. The press releases are provided to the public at no cost through our website www.dbrs.com and are also distributed to FirstCall and ABSNet.

DBRS distributes public ratings to Bloomberg and Reuters, with Reuters providing a direct data feed for all outstanding DBRS public ratings. In addition, ratings for financial institutions and real estate investment trusts are available on SNL.com and commercial mortgage-backed securities ratings may be accessed on Trepp.com.

DBRS publishes pre-sale reports and rating reports, which typically provide in depth detail and analysis. These reports are also available to subscribers on our website at www.dbrs.com. For each of its published ratings, DBRS indicates the date the rating was last updated and also references the most recent report date. DBRS also publicly announces when it has discontinued a rating on an issuer, security or obligation by way of a press release.

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

DBRS makes full rating reports, industry studies, commentaries and securitization servicer reports 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.

10. How do you adapt your methodologies to market developments? Have you changed them recently? How do you apply the changes to the surveillance of rated transactions?

DBRS develops methodologies that reflect each jurisdiction's unique regulatory, legal, tax 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 of participants that DBRS deems material from a risk perspective; (4) 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; (5) the types of funding structures; (6) the types and amounts of available credit enhancement and; (7) the robustness of cash flows generated by the asset pools used to repay investors.

DBRS has published methodologies for all the key products and transactions it rates and also publishes new criteria and methodologies for additional or new asset classes, structures and/or geographies. DBRS makes models used in the rating process for certain asset classes available on our website at www.dbrs.com. The models include a global collateralized debt obligation (CDO) model, the CDO Toolbox, as well as models used in the evaluation of residential mortgage and auto loan securitizations.

DBRS reviews methodologies on a periodic basis to ensure they continue to reflect appropriate qualitative and quantitative inputs and updates methodologies to reflect sustained changes in the dynamics of the seven considerations described above. In terms of monitoring existing ratings subsequent to a methodology change, DBRS continues to identify transactions whose performance falls outside expectations. For these transactions, DBRS applies the updated methodology when determining a subsequent rating action.

11. Do you consider that the track record of your ratings of Structured Finance products supports the appropriateness of your models?

DBRS deems the track record of its Structured Finance ratings supports the appropriateness of our methodologies and models. DBRS recently issued its first

Structured Finance Rating Transition Study ("Study") on June 25, 2007. The study is based on data from DBRS's proprietary ratings database from 1990 up to and including December 31, 2006. The results of the study show that DBRS Structured Finance ratings have demonstrated a high level of stability over one-, two- and three-year time horizons. The transition experience for ratings assigned to Canadian securities has been minimal and almost exclusively positive in the form of upgrades, whereas the transition experience for ratings on U.S. securities has been more balanced between upgrades and downgrades.

The rating performance presented in the Study reflects the historical performance of DBRS's Structured Finance ratings and may not indicate future performance with regards to upgrades, downgrades or transition rates.

12. To what extent can another rating agency's underlying ratings be incorporated into a Structured Finance rating by your firm? Are they treated in the same way as your own underlying ratings? Are there any risks emerging from the use of another agency's ratings?

Internal assessments represent opinions regarding the creditworthiness of an issuer or a security that does not maintain a public or private DBRS rating. They 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 credit analysis or rely entirely upon public ratings issued and maintained by a Nationally Recognized Statistical Rating Organization ("NRSRO") or an External Credit Assessment Institution ("ECAI"). In cases where the risk opinion of DBRS differs from publicly available NRSRO or ECAI ratings or no public NRSRO or ECAI ratings are available, DBRS will perform its own credit analysis.

DBRS bases its acceptance of NRSRO or ECAI ratings on a quantitative review of historical ratings performance combined with qualitative assessments regarding the sector outlook(s) of DBRS and the particular attributes of each Structured Finance transaction. From this analysis, DBRS established an acceptable sectors list. In cases where a security falls on the acceptable sectors list, analysts may use the following approach to determine an internal assessment. DBRS analysts typically apply the lower of two and middle of three ratings from other NRSROs or ECAIs. 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. When there are more than three NRSRO or ECAI ratings available, DBRS would typically use the lower of the two highest ratings. If the security is rated by only one NRSRO or ECAI, 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 other NRSRO or ECAI 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 NRSRO or ECAI.

For certain sectors, DBRS treats other NRSRO and ECAI ratings the same; however, for sectors where DBRS's opinion of risk differs, DBRS may perform its own internal analysis versus relying on other NRSRO and ECAI ratings. The risks regarding the use of other NRSRO and ECAI ratings in the determination of DBRS ratings includes the following: different ratings philosophies, principles, methodologies and models wherein certain critical differences from DBRS are not sufficiently transparent; different monitoring and surveillance approaches with regards to frequency and depth of review. The degree of risk to a DBRS rating is dependent on the amount of credit linkage between the rating of the Structured Finance security and the related corporate or financial entity.

13. How do you monitor rated structured products? What are the main inputs into your review process?

Each outstanding rating, with the exception of point-in-time ratings, is monitored frequently with the purpose of identifying transactions that are performing outside of DBRS's expectations. As part of the rating process, the issuer is responsible for sending performance reports to DBRS, usually with the same frequency as the payment of the rated debt, monthly, quarterly or semi-annually.

Upon receipt of the reports, DBRS surveillance analysts promptly compare a transaction's current performance against DBRS's performance expectations, past performance, with the goal of performing trend analysis, 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 always considered.

DBRS maintains an internal Watch List, which is a documented list of transactions that are prioritized for review and more rigorous monitoring. The placement of a transaction on this list does not necessarily mean that the rating will be downgraded, the trend will be changed or that the rating will be placed Under Review. Outstanding ratings are reviewed by rating committees to determine whether a rating is to be confirmed or changed. Any rating actions and rating changes taken on public and Rule 144A securities are promptly disclosed to the market via press release.

14. Is there any difference between corporate credit ratings and Structured Finance ratings in terms of the frequency (ie. happen more often) and magnitude (ie. are larger) of rating amendments?

Frequency:

DBRS data points to key differences in terms of frequency of ratings changes amongst Corporate Finance and Structured Finance ratings. Comparing One-, Two-, and Three-year ratings transitions among Corporate Finance and Structured Finance, it is evident that Corporate Finance ratings move with more frequency than Strucured Finance ratings. This conclusion is reflective of Structured Finance ratings, which generally tend to remain stable over time, given by the nature of their structures (to perform steadily over time, as they are based on a securitization of receivables). Corporate Finance ratings move according to factors external to their structure, so thus, have a greater propensity to move with time.

Magnitude:

As noted above, Corporate Finance ratings tend to move with more frequency, and this same pattern is repeated in observance of its magnitude. DBRS transition data demonstrates that Corporate Finance ratings move more from the original rating over a Three-year time horizon than over a One-year time horizon as DBRS would expect. Further to this, DBRS data demonstrates that the mix between transitions up and down are fairly balanced, but tend to trend slightly in favour of downgrades. In terms of the quantum of downgrades, most ratings transitions (both up and down) are experienced most often one and then two notches away from the original rating.

In comparison, Structured Finance ratings, as mentioned above, tend to move with less frequency than Corporate ratings, and also with less magnitude. Ratings transitions in Structured tend to happen far more seldomly, but when they do occur, tend to be more in favour of upgrades than downgrades. Given the nature of Structured Finance ratings, movements tend to be in the direction of discontinuations, which can occur at any time as contemplated in each transactions' structure. Thus, the majority of movement within the area of Structured Finance tends to be a rating moving from its original position to a discontinuation, not a movement to an upgraded or downgraded rating.

15. Is the internal process for amending a Structured Finance rating similar to the one for amending a corporate rating?

The internal process for amending a rating for a (Corporate Finance and) Structured Finance issuer is similar, as both types of ratings are monitored on a frequent basis and rating actions must be taken by a Rating Committee, prior to being disclosed to the market. As previously discussed, DBRS has a common global philosophy and approach to Rating Committee.

Rating Committees have specific member composition requirements and are comprised of experienced and knowledgeable DBRS analysts, senior staff and management personnel. Generally, all relevant materials are distributed, presented and evaluated and following due consideration and discussion, a vote is taken on a clear recommendation for the issue under consideration.

Potential conflicts of interest

16. Do you think that the iterative process inherent in rating Structured Finance transactions may involve additional conflicts of interest compared to those arising in corporate ratings?

DBRS does not view the iterative process in rating Structured Finance transactions as involving additional conflicts of interest compared to Corporate Finance ratings. In Structured Finance transactions, issuers typically have expectations regarding rating levels for the securities that comprise their transaction's capital structure. DBRS applies its published methodologies and criteria to the proposed financial structure to determine the requisite level of credit enhancement at each rating level. Issuers or their agents may refine their structures or collateral pool and, as a result, may require additional discussions with DBRS analysts.

Transparency of the ratings process and conflicts of interest are managed through an objective Rating Committee process which is used for all Structured Finance rating decisions including requests for different credit enhancement levels.

DBRS is governed by an entity wide Code of Conduct that includes strict conflicts of interest policies and procedures including personal trading requirements that govern all management and staff, regardless of level, title and business sector.

If yes, how your firm is organised and what additional measures do you have in place to manage those potential conflicts?

Not applicable.

17. Do you perceive any potential conflicts of interest between the structured rating activity and any ancillary/advisory services mentioned in question 2?

Not applicable.