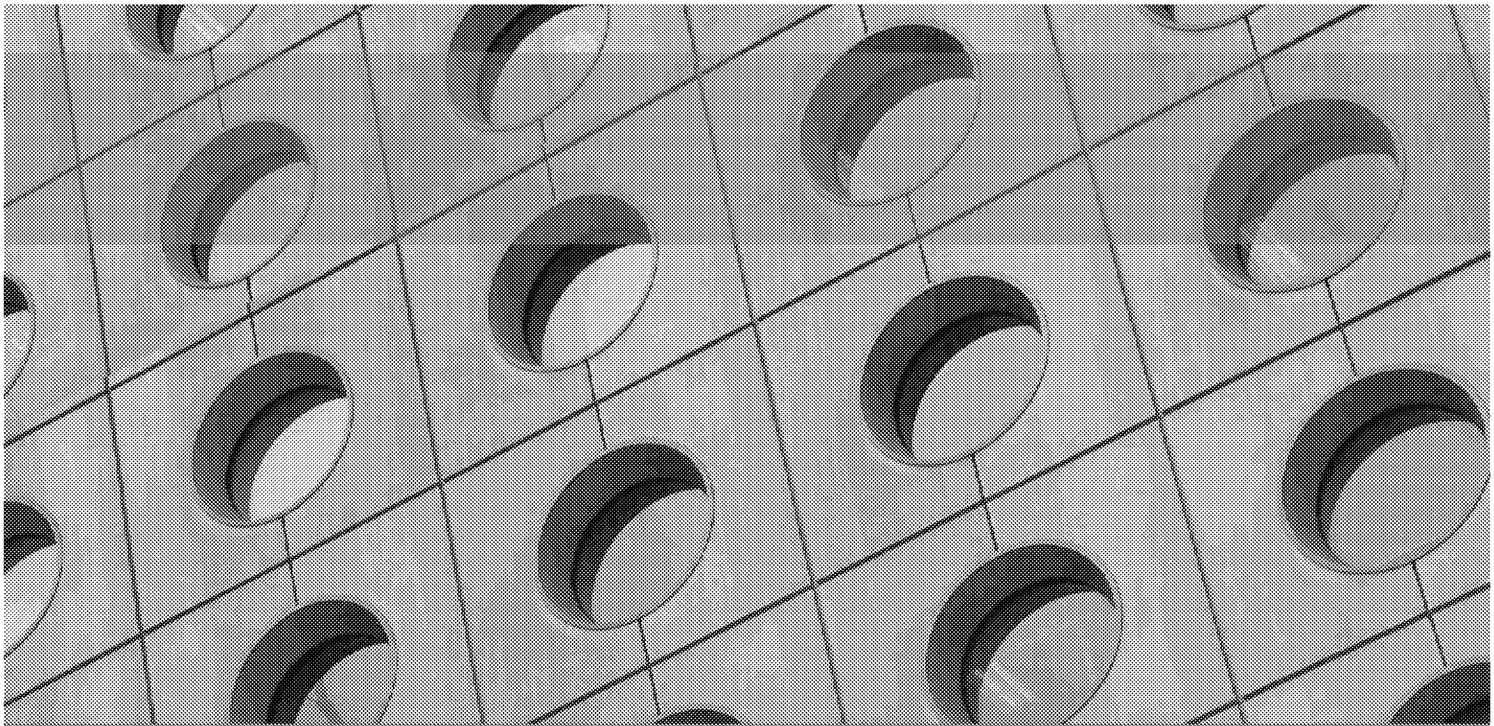

Methodology

Legal Criteria for Canadian Structured Finance

September 2012

Insight beyond the rating.

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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.

Legal Criteria for Canadian Structured Finance

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Introduction

While each structured finance transaction is unique and new variations continue to emerge, there are a number of legal considerations common to all Canadian structured finance transactions. DBRS Limited (DBRS) reviews all relevant information, documents and legal opinions (including, without limitation, a review of the transaction parties' rights and obligations and the representations, warranties, covenants and trigger events) prior to assigning (or proposing the assignment of) a Canadian structured finance rating or transaction assessment to ensure that the terms of the transaction and the Rated Securities[1] are commensurate with the transaction assessment or rating being (or proposed to be) assigned[2] by DBRS.

The purpose of this publication is to provide greater transparency to the transaction assessment and ratings process by outlining the legal criteria that DBRS applies when rating a Canadian structured finance transaction or determining a transaction assessment, as applicable. The criteria set out in this publication are applicable to transactions in the highest DBRS structured finance rating categories (AAA (sf)/R-1 (high) (sf)). In circumstances where the Canadian structured finance transaction is rated lower than AAA (sf)/R-1 (high) (sf), DBRS may consider modifying some of the criteria set out below as it deems appropriate in the circumstances and in relation to the applicable rating category.[3] The criteria set out in this publication do not apply to structured credit and securitization transactions that have no connection to Canada (whether with respect to the assets or the issuer and other transaction parties).

The legal criteria outlined in this publication should be read in conjunction with the applicable asset-specific methodology. Also see *Hedge Counterparty Criteria for Canadian Structured Finance Transactions*[4] at www.dbrs.com for criteria applicable to hedging used in Canadian structured finance transactions. See also *Rating Canadian ABCP* at www.dbrs.com for criteria that applies to asset-backed commercial paper, in addition to the criteria outlined in this publication.

For ease of reference, a summary of these criteria is provided in Appendix A.

Legal Elements of Asset-Backed Securities

BANKRUPTCY REMOTENESS

Securitization involves the legal separation of a pool of assets and their associated cash flows and contractual rights from the Seller by transferring them from the Seller to an entity that is created specifically for this purpose, an SPV.[5] An SPV typically takes the form of a trust in Canadian securitization transactions, but it can also be a limited partnership or other corporate structure, in some cases, as long as it is considered bankruptcy remote from the Seller (which DBRS expects to be supported by a legal opinion). The SPV then issues debt that is backed by the Asset Pool that has been transferred to the SPV.

1. See Appendix B: Glossary of Terms for the definitions of capitalized terms.
2. The use of the word "assigned" or "assignment" of a rating in this criteria is also intended to refer to a rating confirmation or satisfaction of the Rating Agency Condition, as the context requires it, in the event that there are existing Rated Securities.
3. Note that the rating thresholds indicated in this criteria report do not apply to Canadian covered bonds. See *Rating Canadian Covered Bonds* at www.dbrs.com for more information on the rating thresholds that apply to Canadian covered bond transactions rated by DBRS.
4. Formerly called *Swap Criteria for Canadian Structured Finance Transactions.*
5. See also the definition of Rated Securities.

The SPV can be specifically created for this and other transactions entered into with the particular Seller or it can be a trust or vehicle administered by a third party, such as a bank-sponsored conduit that issues ABCP to fund purchases of assets (which may include ABS) from various Sellers. In the latter case, a number of Sellers from various asset classes may sell assets (which may include ABS) to the SPV. If structured properly, the SPV is free of the liabilities and risks associated with the Seller(s) and can therefore issue debt securities backed purely by the cash flows and credit quality of the assets or the ABS, as the case may be.

When assets are transferred by a Seller to an SPV in a manner as to be beyond the reach of the Seller's creditors, they are said to be bankruptcy remote from the Seller. DBRS expects the following elements to be satisfied before DBRS considers an SPV to be bankruptcy remote from the Seller:

- The transfer of the Asset Pool from the Seller to the SPV constitutes a true sale (in other words, the sale of the assets to the SPV is effective to transfer all of the Seller's right, title and interest to the assets and the assets are no longer considered to be property of the Seller).
- The SPV has an unencumbered ownership interest in and to the Asset Pool, and there are no outstanding liens or security interests in the assets that could compromise the SPV's interest (other than those securing the ABS or ABCP).[6]
- In the event of the bankruptcy or insolvency of the Seller, neither the SPV nor its assets will be substantively consolidated into, or considered part of, the estate of the Seller.[7]
- The transfer of the Asset Pool cannot be set aside under applicable bankruptcy, fraudulent conveyance or preference legislation for any reason.

DBRS expects to see legal opinions, with DBRS named as an addressee, addressing each of the above elements, which DBRS relies on in completing its rating analysis or transaction assessment, as applicable. See the "Legal Opinions, First Priority Security, Searches and Filings" section below for further details on other matters DBRS expects to be covered by legal opinions.

While bankruptcy remoteness is an essential factor considered by DBRS in determining a transaction assessment or rating on Rated Securities, it is not the only consideration. DBRS's review encompasses other issues that may arise during the life of the transaction, such as the proper servicing of the Asset Pool and collection of the cash flows they generate. DBRS's review of the legal documents in relation to a transaction includes a review of whether sufficient resources are available to allow the SPV to meet its payment obligations to holders of Rated Securities. The insolvency, legal status or existence of claims against any party involved in the transaction should not threaten payments to the Security Holders. See the sub-section "Segregated Collections and Other Transaction Accounts" below for further details on DBRS's criteria regarding segregation of collections.

LEGAL OPINIONS, FIRST PRIORITY SECURITY, SEARCHES AND FILINGS

1. True Sale, Bankruptcy Remoteness and Corporate Legal Opinions

DBRS expects that legal opinions delivered with respect to a securitization transaction, with DBRS named as an addressee[8], include the true sale and bankruptcy remoteness opinions indicated above, as well as opinions regarding the Seller, Servicer and the SPV (including any agents or administrators acting on the SPV's behalf) being legally constituted in the appropriate jurisdictions, validly existing and having the legal power, capacity and authority to enter into the transaction. DBRS also expects the Seller to provide an officer's certificate (with DBRS named as an addressee) attesting to various matters relating to the true sale of the Asset Pool, which are typically relied upon or assumed for purposes of the true sale and bankruptcy remoteness legal opinions.

6. See paragraph 2 under "Legal Opinions, First Priority Security, Searches and Filings" below for further details.
7. DBRS may, in some cases and depending on the legal structure of the securities, expect to see a non-consolidation opinion delivered at closing, with DBRS named as an addressee of the opinion. See paragraph 3 under "Legal Opinions, First Priority Security, Searches and Filings" below for further details.
8. DBRS expects to be named as an addressee on all legal opinions referred to in these criteria and other DBRS criteria and methodologies applicable to the Rated Securities.

In cases where the SPV is a third party such as a bank-sponsored conduit, DBRS expects that legal opinions as to its legal existence, power, capacity and authority are provided when the conduit is established, so they may not be repeated for each securitization transaction into which the conduit subsequently enters.

In cases where a corporate legal opinion cannot be provided with respect to an agent or administrator of the SPV (such as the Issuer Trustee, Indenture Trustee or Custodian), DBRS may consider it acceptable for an officer's certificate to be delivered (with DBRS named as an addressee), whereby an officer of such agent or administrator (that is legally permitted to bind the entity) attests to the above matters in a way that is satisfactory to DBRS.

2. First Priority Security, Searches and Filings

DBRS expects to be provided with an opinion from counsel which says the Indenture Trustee has been granted a legal, valid, binding and enforceable security interest in the assets of the SPV on behalf of all of the specified creditors (including the Security Holders). DBRS also expects the opinion to say that all necessary and advisable searches have been conducted in all relevant jurisdictions, that searches have revealed no registered interests in the assets (or, if interests have been discovered, that they have been released, they are not adverse to the interests of the SPV or the Security Holders, or they have been subordinated to the interests of the SPV or the Security Holders, as the case may be) and that all registrations or other steps necessary to perfect the interests of the SPV in and to the securitized assets (and the Security Holders' interests in the SPVs assets, including, without limitation, a security interest in the Collections Accounts and other transaction accounts) have been taken. If the laws of a relevant jurisdiction do not permit pre-filing, DBRS expects all relevant registrations to be made and relevant steps taken to perfect the interests of the SPV (and the Security Holders) as soon as possible after closing, and in any event, within 14 calendar days of closing of the transaction, and a related legal opinion delivered within 30 calendar days of closing (which allows sufficient time for the relevant registration confirmations to be received for purposes of providing the opinion(s)).

3. Non-Consolidation Opinions

Canadian courts may have the power to order the legal doctrine of substantive consolidation in a bankruptcy or reorganization whereby separate corporate or partnership entities will have their assets and liabilities consolidated and treated as one debtor. This avenue can be used under extraordinary circumstances to allow creditors of each entity to reach the assets of the entire consolidated estate. This power does not arise from the CCAA or the BIA but rather from the general equitable and discretionary powers of the court. As a result, DBRS expects a non-consolidation opinion to be delivered stating that a court would not apply the legal doctrine of substantive consolidation where the SPV is a corporation, limited partnership or general partnership or where there appears to be sufficient linkage or control between the Seller and the SPV.

4. No Tax Liability

An unexpected tax liability for the SPV could erode the value of the Asset Pool, thereby affecting the SPV's ability to pay principal and interest on the debt that it issues, which may have an impact on DBRS's transaction assessment or rating. DBRS may, in certain circumstances, expect to see a legal opinion (with DBRS named as an addressee) that indicates the transfer of the assets from the Seller to the SPV will not attract liability under the *Income Tax Act* or any other applicable tax statute, and/or that the SPV will not be subject to any significant tax liability that may rank ahead of payments to Security Holders.

5. Bulk Sales Legislation

With respect to any potentially applicable bulk sales legislation in relation to the sale of Asset Pool to the SPV, DBRS may expect to see (1) a legal opinion that indicates that the bulk sales legislation is not applicable in the circumstances, (2) a bulk sales order obtained under the legislation (with a copy provided to DBRS) or (3) a court-ordered or approved exemption from compliance with applicable bulk sales legislation in relation to the particular transaction (with a copy of the exemption order provided to DBRS).

QUÉBEC: SPECIFIC CONSIDERATIONS

Ontario is the forum of choice for most Canadian structured finance transactions. For this reason, this publication focuses on Ontario law. Québec, however, with its civil law tradition and code, presents special challenges for securitization. Issues of registration and perfection of security interests in particular are different in Québec than in the common-law provinces. A lack of clear legislative provisions and clarifying case law means there is some debate as to the best method of perfecting an interest enforceable against third parties in Québec. The "Québec Perfection – Sales of Receivables" section outlines DBRS's criteria for perfection of the sale of Québec assets, which should apply even where the law that governs all other transaction documents and the sale of assets is not Québec law.

SEGREGATED COLLECTIONS AND OTHER TRANSACTION ACCOUNTS

DBRS expects funds collected, invested or deposited by the Seller or Servicer for the SPV to be bankruptcy remote and as such, placed in segregated Collections Accounts or other transaction accounts that are in the name of the SPV[9] at an Eligible Institution and over which the SPV has sole control (although it may delegate servicing of the Asset Pool, collections, investments, deposits to reserve accounts and payments to Security Holders and other specified creditors in accordance with the transaction waterfall, to the Servicer or some other delegate). Eligible Institutions are typically Canadian chartered banks and trust companies that hold a short-term rating of at least R-1 (middle) by DBRS (or its equivalent)[10] or a long-term rating of at least AA (low) by DBRS or otherwise satisfy the Rating Agency Condition. It is possible to satisfy the Rating Agency Condition with respect to an account bank that does not meet the Eligible Institution criteria by relying on the account bank's parent guarantee, provided that the guarantee is in a form satisfactory to DBRS and the parent itself meets the Eligible Institution rating threshold (or otherwise satisfies the Rating Agency Condition). Alternatively, the account bank risk can be mitigated in some other way satisfactory to DBRS.

Investments in the form of securities are usually held by a securities intermediary. Although it is preferable that securities intermediaries hold the same ratings as those of Eligible Institutions for securities reserves and other investments, DBRS recognizes that there is a different legal relationship between an Eligible Institution and an account holder compared to a securities intermediary and its client. To facilitate the trading of book entry securities, securities intermediaries hold securities in title only, while beneficial ownership remains with the securities account holder. Upon the bankruptcy or insolvency of a securities intermediary, the securities held on behalf of clients are not assets of the intermediary but remain property of their beneficial owners. For this reason, an SPV is not exposed to the bankruptcy risk of a securities intermediary in the same manner as it is exposed to an institution holding cash in a bank account. Therefore, notwithstanding the Eligible Institution minimum rating thresholds, DBRS may consider it to be acceptable for securities reserves or collateral accounts to be held by unrated securities intermediaries, provided that they are subsidiaries of financial institutions that are Eligible Institutions and the transaction documentation includes rating triggers and subsequent actions to be taken based on the parent Eligible Institution's rating. Securities reserves or collateral may also be held by a Custodian.

In order to mitigate the risk relating to the account bank, DBRS expects the relevant transaction documents to provide that if the rating of the account bank at which collections, reserves, investments or other transaction-related funds are held (or its parent bank, as applicable) falls below the minimum rating threshold for an Eligible Institution (or it no longer satisfies the Rating Agency Condition) during the life of the transaction, and no other satisfactory mitigant is in place, the account will be relocated within 30 calendar days to another entity that meets the Eligible Institution criteria.

9. In the case where there is a Custodian, collateral trustee or another party other than the Seller or Servicer acting on behalf of the specified creditors, the Collection Accounts may be in such party's name; however, such party(ies) is(are) collectively referred to as the SPV in this section for ease of reference.
10. The phrase "or its equivalent" refers to the equivalent DBRS rating. All rating references used in this publication refer to the relevant rating by DBRS or its equivalent rating by DBRS.

DBRS considers exceptions to criteria in rare circumstances where it is determined to be acceptable to leave certain accounts in the name of the Servicer or Seller at an Eligible Institution. In this case, DBRS expects the SPV to be provided with a perfected first-priority security interest in the account. It may also be beneficial in some circumstances for the Indenture Trustee or other party on behalf of the SPV to enter into a blocked account agreement with the bank holding the account, or, in the case of a securities account, an account control agreement may be entered into with the securities intermediary (or other such method of perfection as required by applicable law to perfect the SPV's interests in the relevant account). If Collections Accounts or other transaction accounts are maintained in the name of the Servicer or Seller, DBRS expects that legal opinion be provided (with DBRS named as an addressee) indicating that the method of creating a first-priority perfected security interest has been completed and the funds in such account will continue to be available to the SPV in the event of the insolvency of the Seller. The latter is likely to be considered acceptable to DBRS if there are other acceptable features of the Canadian structured finance transaction that mitigate this risk, such as no commingling for more than two business days and the ability to provide instructions directly to the account bank prior to (or upon) the bankruptcy of the Servicer or Seller.

Commingling Risk

Commingling in this context refers to a practice of the Servicer collecting funds from Obligors on behalf of the SPV with respect to the Asset Pool and depositing them into the Seller's/Servicer's regular corporate/operating accounts, which results in such funds being commingled or mixed with the Seller's/Servicer's own operating funds. DBRS has two concerns associated with commingling. The first is the possibility that commingled cash may be tied up in a BIA or CCAA proceeding (or other similar bankruptcy proceeding in the relevant jurisdiction). The shorter the commingling period, the less the exposure to this risk, although terminating the Servicer and changing remittance obligations could be delayed or frustrated in a CCAA or BIA restructuring proceeding (or other similar bankruptcy proceeding in the relevant jurisdiction).

The second and more important consideration is the ongoing cash flow arrangement associated with the transaction. While commingled cash may be caught up in a CCAA or BIA filing, DBRS expects safeguards to be in place to ensure that further cash flows are not caught up as well. A court-ordered stay of proceedings after a BIA/CCAA filing (or other similar bankruptcy proceeding in the relevant jurisdiction) could mean that cash flow arrangements and other servicing agreements cannot be changed after the Seller/Servicer enters court protection. DBRS therefore considers it necessary for the transaction documents to provide for a proactive approach to protect the SPV from this risk by including the following "non-commingling" criteria in transaction documents.

DBRS generally considers it acceptable for investment-grade Servicers (i.e., rated at least BBB (low) or the equivalent short-term rating by DBRS) to commingle funds collected for the SPV with its own funds until such collections are expected to be remitted to the SPV accounts to make payments under the terms of the transaction documents (i.e., until the next settlement date). Where DBRS has some concerns about a Servicer, notwithstanding that it is investment grade (for example, if it is under review or there is some other reason to cause DBRS some concern), DBRS may consider a maximum commingling period of two business days from receipt more appropriate.

In order to protect the interests of the Security Holders, DBRS expects that unrated and non-investment-grade Sellers/Servicers (rated below BBB (low) or the equivalent short-term rating by DBRS) not commingle collections collected on behalf of the SPV with their own cash flows for more than two business days, unless this risk is mitigated in some other way that is satisfactory to DBRS and commensurate with the rating or transaction assessment. If the Seller/Servicer is unrated or non-investment grade, DBRS typically expects to see Obligors remit directly to segregated Collections Accounts or to a third-party Servicer or Custodian, in which case, no commingling occurs with the Seller's/Servicer's operating funds. If an investment-grade Seller/Servicer is downgraded to non-investment grade while Rated Securities remain outstanding, DBRS expects that funds collected by the Seller/Servicer on behalf of the

SPV are remitted or deposited to the Collections Account within two business days of receipt as long as the Seller/Servicer is not rated investment grade, unless the commingling risk is mitigated in some other way satisfactory to DBRS and commensurate with the rating or transaction assessment.

Due to the large sums of money involved in revolving credit card transactions, the non-commingling rating thresholds for Servicers in credit card transactions are somewhat more stringent. DBRS generally considers it acceptable if credit card Servicers rated at least R-1 (low) or A (low) by DBRS commingle collections with general operating funds on the same terms as investment-grade Servicers in non-credit card transactions; however, if the credit card Servicer is rated lower than R-1 (low) or A (low) by DBRS, DBRS expects the Partial Commingling Conditions (see below) to be met until the credit card Servicer is no longer investment grade (rated below BBB (low) or the short-term equivalent by DBRS), at which time DBRS expects all funds to be remitted to the Collections Account within two business days of receipt. For all other asset classes that are revolving in nature, to the extent that the non-commingling ratings threshold is higher than BBB (low), DBRS expects Partial Commingling Conditions to be followed until the Servicer is no longer investment grade, at which time DBRS expects all funds to be remitted to the Collections Account within two business days of receipt. If the revolving transaction only includes one non-commingling ratings trigger at BBB (low) (or the equivalent short-term rating by DBRS), whereby collections can no longer be commingled with the Seller's/Servicer's operating funds for more than two business days, the Partial Commingling Conditions do not apply.

Partial Commingling

DBRS recognizes that flexibility is required in certain transactions with revolving Asset Pools, where collections may need to be used to frequently purchase new receivables as long as the Seller/Servicer is rated at least investment grade. As such, instead of requiring the remittance of all collections within two business days of receipt, DBRS considers it acceptable if the Seller/Servicer commingles collections in excess of what is required to be paid or deposited for the next distribution or settlement date (partial commingling) without this having an impact on the transaction assessment assigned or the rating of the Rated Securities, subject to the following conditions (the Partial Commingling Conditions):

(1) A daily asset test is conducted by the Servicer in accordance with the terms of the transaction to ensure there are sufficient eligible assets to meet a defined minimum required amount.

(2) A daily monitoring of the occurrence of any amortization event is completed by the Servicer.

(3) The above two conditions are certified by an officer of the Servicer on a monthly basis, confirming that no amortization event has occurred during that month and that the asset test has been complied with on a daily basis during that month.

DBRS expects the revolving period to end if any of the above three conditions are not met, and no further commingling of funds occurs (for more than two business days), with all collections remitted to the Collections Account within two business days of receipt, unless the commingling risk is mitigated in some other way that is satisfactory to DBRS and is commensurate with the rating or transaction assessment.

ELIGIBLE INVESTMENTS

In the process of collecting funds for purposes of making payments to Security Holders, an SPV or a Servicer or Custodian on behalf of an SPV may wish to invest cash that has been collected in securities until the amounts collected are required to make payments. The following is a list of investments that DBRS considers acceptable for AAA (sf)/R-1 (high) (sf) transaction assessments or Rated Securities. DBRS expects that the maximum term for such investments is one business day before the next payment date with respect to the Rated Securities:

(1) Obligations issued or fully guaranteed as to both credit and timeliness by the Government of Canada.

(2) Short-term or long-term unsecured debt obligations issued or fully guaranteed by any province or municipality of Canada, provided such investments are rated at least AA (low) or R-1 (middle) by DBRS.

(3) Deposits, bankers' acceptances and subordinated debentures issued or accepted by any Canadian financial institution, provided such investments are rated at least AA (low) or R-1 (middle) by DBRS.

(4) Commercial paper, secured bonds and senior unsecured obligations of any Canadian corporation, provided such investments are rated at least AA (low) or R-1 (middle) by DBRS.

(5) ABCP issued by a conduit administered by a Canadian financial institution, provided the ABCP is rated R-1 (high) by DBRS and is backed by liquidity that meets the global liquidity standard.[11]

(6) Money market funds rated at least AAA by DBRS.

(7) Such other investments as may satisfy the Rating Agency Condition.

REPRESENTATIONS, WARRANTIES AND COVENANTS

DBRS expects the Seller to provide assurances that there are no adverse claims or interests in the Asset Pool (and there will not be any such adverse claims or interests in the Asset Pool being sold at any time that the transaction assessment or any Rated Securities are outstanding) in the form of representations, warranties and covenants in the relevant transaction documents. With respect to the transfer of assets, DBRS expects the representations and warranties to at least state that the Seller's right, title and interest in and to the assets is free and clear of any liens, adverse claims or security interests.

DBRS expects the transaction documents to contain other representations, warranties and covenants by transaction parties that are generally considered standard for similar Canadian structured finance transactions, and which are given to protect the interests of the Security Holders and other specified creditors. DBRS reviews the transaction documents to ensure that it is satisfied with the representations, warranties and covenants provided by the Seller/Servicer, SPV and other transaction parties, and to ensure that DBRS considers them to be commensurate with the transaction assessment or rating.

INDEMNITIES FROM THE SELLER/SERVICER

As part of the sale of assets to the SPV under the Asset Purchase Agreement, DBRS expects the Seller (or, where appropriate, the Servicer) to indemnify the SPV against any damages, losses, claims, liabilities or expenses (including legal expenses) arising from the following, in addition to any indemnities relating to the particular assets as set out in the relevant asset-class methodology:

- An asset that is not an eligible asset according to the terms of the transaction when transferred to the SPV (DBRS expects that this results in at least a repurchase of the related assets).
- Any adverse claims on the assets.
- An asset that is transferred to the SPV that causes the Obligor's concentration limit to be exceeded.
- Any breach of covenant by the Seller (or Servicer) or the reliance by the SPV on a false or erroneous representation or warranty.
- A failure on the part of the Seller (or Servicer) to comply with laws that apply to the assets.
- The commingling by the Seller or Servicer of funds belonging to the SPV with funds of the Seller or Servicer.
- Product liability claims involving the assets (applicable in some equipment lease and/or loan securitizations).
- The failure on the part of the Seller to have a perfected security interest in the underlying asset (or for the Servicer to maintain a perfected security interest in the transferred assets in favour of the SPV, where applicable).
- The Seller's (or Servicer's) failure to perform servicing duties as required in the transaction documents.

11. See the "Global Style Liquidity Agreements" section below and *The DBRS Approach to Global Liquidity Standard* attached as Schedule B to *Rating Canadian ABCP* at www.dbrs.com for more details regarding the global liquidity standard.

- Taxes of any kind that may be imposed on the SPV in connection with the acquisition of assets from the Seller or its continuing ownership of the assets.
- Any set-off, defense or counterclaim raised by an Obligor to the payment of amounts owing with respect to an asset.
- Any claims made in relation to disclosure of personal information in connection with the sale of the assets to the SPV.

Although comfort based on these indemnities may be limited by the bankruptcy of the Seller or Servicer (or performance guarantor), as the case may be, indemnities from the Seller or Servicer (or performance guarantor) may in some cases provide extra assurance that the Seller/Servicer is responsible for its own actions and/or omissions.

NON-PETITION CLAUSES AND LIMITED RECOURSE

The SPV will enter into agreements with a number of third parties, including (without limitation) the Indenture Trustee, Financial Services Agent, Custodian, Servicer, backup servicer, credit enhancers, liquidity lenders and swap counterparties. To the extent that such agreements create obligations, the third party becomes a creditor of the SPV. DBRS therefore expects that such agreements contain a non-petition clause whereby the third party agrees not to petition the SPV into bankruptcy for at least one year plus one day after all Rated Securities are repaid.

DBRS also expects that such third parties to a transaction contractually agree that recourse with respect to the SPV's obligations (whether in respect of payments to counterparties, service providers or Security Holders) is limited to the assets that specifically back the related Rated Securities.

PAYMENT PRIORITIES

The priority in which Security Holders (and other secured creditors) are paid is an essential consideration for DBRS when determining a rating or transaction assessment. DBRS expects that only statutory liens and quantifiable fees and expenses payable to service providers rank in priority to payments to Security Holders. DBRS understands that indemnities to third-party service providers are typically expected to be paid at the top of a transaction waterfall; however, to the extent that such indemnities cannot be quantified for purposes of DBRS's ratings analysis, it may be appropriate to provide for only a portion of the indemnity to be paid ahead of payments to Security Holders in certain circumstances (particularly where payment of the indemnity in full may result in a default in payment to the Security Holders) so that DBRS can accurately consider and take into account such amounts in its credit analysis.

In the case of ABCP, for which a liquidity agreement has been entered (see the "Liquidity Agreements" section below for more details), DBRS expects that any payments to service providers and other specified creditors in priority to Security Holders are subject to an excess funds condition. An excess funds condition is intended to ensure that sufficient funds are available to pay Security Holders after the payment of prior-ranking obligations such as fees and expenses to the Issuer Trustee and Indenture Trustee. In other words, DBRS expects that payment of interest or fees to a liquidity lender in excess of the interest that is payable on the Rated Securities are subordinated and paid only after relevant payments of principal and interest, as applicable, have been paid to the Security Holders on a particular payment date. DBRS also expects that program fees (excluding administration, third-party servicer or trustee fees and expenses) payable to sponsors, arrangers or underwriters, etc., are subordinated to principal payable on the Rated Securities.

In circumstances where an ABCP issuer enters into a transaction to purchase assets or ABS from another SPV, two payment priority waterfalls may be applicable (the waterfall at the transaction/ABS level and the waterfall at the ABCP issuer level). In such cases, DBRS reviews both waterfalls to ensure that the priority of payments noted above is respected such that the Rated Securities are repaid in a way that is commensurate with the rating assigned. For more information on DBRS's criteria with respect to ABCP issuers, please see *Rating Canadian ABCP* at www.dbrs.com.

DBRS has additional payment priority criteria applicable to hedge counterparties. For more information, please see *Hedge Counterparty Criteria for Canadian Structured Finance Transactions* at www.dbrs.com.

CURE PERIODS FOR EVENTS OF DEFAULT, AMORTIZATION EVENTS, SERVICER TERMINATION EVENTS AND OTHER SIMILAR EVENTS

DBRS expects that the maximum cure periods for various events such as Events of Default, related events of possession, amortization events, termination events, servicer termination events and other similar events for AAA (sf)/R-1 (high) (sf) Rated Securities are as follows:

(1) ABCP:
(a) For an event with respect to non-payment or failure to deposit funds as required, typically three but not more than five business days;
(b) For events associated with bankruptcy proceedings relating to the issuer(s), Seller(s), servicers, guarantors or parent companies and any other relevant parties, 45 calendar days;
(c) For breaches of representations, warranties and covenants, 30 calendar days; and
(d) For all other events (other than a breach of performance or ratings triggers), 30 calendar days.

(2) ABS:
(a) For an event with respect to non-payment or failure to deposit funds as required, five business days;
(b) For events associated with bankruptcy proceedings relating to the issuer(s), Seller(s), Servicers, guarantors or parent companies and any other relevant parties, 60 calendar days;
(c) For breaches of representations, warranties and covenants, 60 calendar days; and
(d) For all other events (other than a breach of performance or ratings triggers), 60 calendar days.

DBRS expects that the transaction documents provide for DBRS to receive prompt written notice of the occurrence of any such event (including any event that would otherwise occur but for a force majeure exception) from the Servicer, administrative agent, financial services agent or other relevant party to the transaction.

ENFORCEABILITY BY HOLDERS OF THE RATED SECURITIES

The Trust Indenture gives Security Holders the right to enforce the terms and covenants of the Trust Indenture. This right usually extends to the Indenture Trustee, which is authorized to bring an action on behalf of Security Holders. DBRS expects that, to the extent that the Indenture Trustee does not take any action after being requested to do so by a certain number or percentage of Security Holders (typically at least 50%), the Trust Indenture provides that the Security Holders themselves may take enforcement action.

AMENDMENTS TO THE TRUST INDENTURE AND OTHER SIGNIFICANT TRANSACTION DOCUMENTS

DBRS expects that any material amendments (as determined by the issuer and its counsel)[12] to the Trust Indenture, Asset Purchase Agreement, hedging agreement or any other significant transaction document is subject to satisfaction of the Rating Agency Condition. In the event that an extraordinary resolution of Security Holders is sought to approve such material amendments, DBRS expects the relevant transaction document to provide for DBRS to receive prior written notice of the proposed Security Holder meeting at which the amendment is to be considered so that DBRS can conduct its analysis as to whether there might be any ratings impact, and for DBRS to receive prompt written notice of any such amendment if approved. DBRS also expects to receive prompt written notice of all non-material amendments (as determined by the issuer and its counsel).

12. References in this criteria report to "material" amendments, waivers and consents are intended to refer to "material" as determined by the issuer and its counsel.

WAIVERS OF EVENTS OF DEFAULT, AMORTIZATION EVENTS AND SERVICER TERMINATION EVENTS

A breach of certain material covenants and trigger events in a securitization transaction, such as defaults which become Events of Default with the passage of time or the giving of notice, Events of Default, related events of possession, amortization events, termination events, servicer termination events and other similar events, may potentially have an impact on the transaction assessment or the rating on the Rated Securities, or on the Security Holders. As such, DBRS expects that waivers of such material events (as determined by the issuer and its counsel) be subject to satisfaction of the Rating Agency Condition. In the event that an extraordinary resolution of Security Holders is sought to approve such material waivers, DBRS expects the relevant transaction document to provide for DBRS to receive prior written notice of the proposed Security Holder meeting at which the waiver(s) is to be considered so that DBRS can conduct its analysis as to whether there might be any ratings impact, and for DBRS to receive prompt written notice of any such waiver(s) if approved. DBRS expects the same standard to apply to consents that are provided by transaction parties which may have an impact on the transaction assessment or the rating on the Rated Securities, or on the Security Holders. In cases where the waiver of the event or consent being requested is considered to be non-material (by the issuer and its counsel), DBRS expects the relevant transaction document to provide for DBRS to receive prompt written notice of such waiver or consent, or in the case where the non-materiality is evidenced by a legal opinion, DBRS expects to be an addressee to such opinion and to receive prompt written notice of the waiver or consent, as the case may be.

ASSIGNMENTS

DBRS expects to be provided with at least ten business days' prior written notice of any assignments by the Seller, Servicer and/or any other transaction party of its obligations under transaction documents in order to assess whether there may be any negative impact on the transaction assessment or the rating on the Rated Securities. DBRS expects that any such assignment be made on the same terms and not result in any adverse consequences to the SPV or the Security Holders (such as adverse tax consequences). In some cases, the assignee or transferee of a transaction party may still be subject to minimum ratings thresholds and other criteria that apply to the transaction party in question under this criteria and other applicable DBRS criteria and methodologies. If an event of default or event of termination or other similar event has occurred and the issuer is assigning the note, assets or transaction to another party, DBRS expects prompt written notice in order to update and keep current its disclosure and monthly reporting, and expects the issuer to use the proceeds from the assignment to repay the relevant rated securities in full, where applicable.

MERGERS, AMALGAMATIONS, CONSOLIDATIONS AND REORGANIZATIONS

Other than with respect to the SPV, DBRS expects the relevant transaction document(s) to provide for DBRS to receive prompt written notice of any merger, amalgamation, consolidation or other similar reorganization of transaction parties in order for DBRS to assess whether there may be any negative impact on the transaction assessment or the rating on the Rated Securities. In order to not have any negative ratings impact on the Rated Securities, DBRS expects that the legal successor to the transaction party will not cause any adverse consequences, such as adverse tax consequences. In some cases, the legal successor of a transaction party may still be subject to minimum ratings thresholds and other criteria that apply to the transaction party in question under this criteria and other applicable DBRS criteria and methodologies. See "The Special-Purpose Vehicle" section below for criteria regarding a merger, amalgamation, consolidation or reorganization of the SPV.

NON-ASSIGNMENT CLAUSES AND SET-OFF RIGHTS

In cases where assets that are being securitized contain clauses prohibiting their assignment without complying with some obligation (such as obtaining consent from the Obligor prior to such assignment), DBRS may consider the securitization of those assets acceptable provided that the risk is mitigated in a way that is satisfactory to DBRS, which may include the provision of a legal opinion (with DBRS named as an addressee) or legal advice that indicates such clauses do not ultimately impact the SPV's rights to collect the receivables or enforce those assets in a timely manner in order to meet its obligations in respect of the Rated Securities. In addition, where the terms of the assets contractually permit underlying obligors to set off against any amounts owing by the Seller, DBRS expects that the underlying obligors of such assets are notified of the transfer of the assets to the SPV to mitigate this risk, unless this risk is addressed or mitigated in some other way that is satisfactory to DBRS and commensurate with the rating or transaction assessment.

The Special-Purpose Vehicle

In order to be considered bankruptcy remote from the Seller, DBRS expects the SPV to have certain characteristics and be subject to certain restrictions in its constitutional documents (regardless of what legal form it takes), including the following:

LIMITED POWERS

The activities of the SPV are confined to those that are necessary to carry out the securitization transaction(s), including purchasing the assets from the Seller, issuing ABS, ABCP or the Rated Securities (as applicable).

DEBT LIMITATION

The SPV's ability to issue additional ABS or ABCP, as the case may be, is subject to DBRS confirming the rating on the existing Rated Securities, unless the additional issuance is already contemplated by the terms of the transaction documents reviewed by DBRS for purposes of determining the transaction assessment or rating on the Rated Securities. DBRS also expects the SPV to be restricted from guaranteeing any other entity's obligations or pledging its assets to secure any other entity's debt (and, in particular, the debt of the Seller).

NO MERGER OR REORGANIZATION

DBRS expects the SPV to be restricted from amalgamating, merging, consolidating or otherwise joining with another entity. DBRS also expects any material changes to the SPV's constitutional documents or legal form (as determined by the issuer and its counsel) while Rated Securities are outstanding to be subject to satisfaction of the Rating Agency Condition in order to ensure that the SPV does not participate in activities that were not anticipated or factored into DBRS's analysis at the time DBRS provided its rating.

TAX NEUTRALITY

Any tax liability incurred by the SPV could erode assets that are available for meeting the obligations to the Security Holders. As such, DBRS needs to be satisfied that the SPV is not exposed to any significant tax liability that may rank ahead of payments to Security Holders, and may expect to see a legal opinion to address this issue.

MAINTAIN EXISTENCE

DBRS expects the relevant documents to prohibit the SPV from being able to terminate its existence while Rated Securities remain outstanding, including, without limitation, a prohibition against making a voluntary filing under applicable bankruptcy or insolvency legislation.

IDENTITY INDEPENDENT FROM THAT OF THE SELLER/SEPARATENESS COVENANTS

In order to guard against a potential ruling of substantive consolidation by a court, DBRS expects the

SPV to be an entity independent of the Seller. One way of achieving such independence is for the SPV to be subject to "separateness covenants" in its constitutional documents, including the following:

- It maintains its accounts, books and financial statements (other than consolidated financial statements) separately from any other entity.
- It will not commingle its assets with those of any other entity.
- It pays its expenses and liabilities out of its own funds.
- It observes all formalities of the Declaration of Trust or trust settlement deed or its limited partnership agreement or other constitutional document, as the case may be.
- It conducts its business in its own name and maintains an arm's-length relationship with the Seller.
- It maintains adequate capital to meet its operational needs.
- It refrains from acquiring any interest in the Seller.

MINIMAL UNSECURED ASSETS

DBRS expects the relevant documents to prohibit the SPV from acquiring assets other than those transferred and those that are necessary in order to carry out its functions under the transaction documents. DBRS also expects the transaction documents to provide that all the related assets are pledged to secure the SPV's obligations to related Security Holders (and other specified transaction party creditors).

Service Providers in a Securitization Transaction

ISSUER TRUSTEE OF A TRUST SPV

An Issuer Trustee is appointed to hold title to the trust property and to carry out the activities of the trust SPV. As such, DBRS needs to be satisfied that it is qualified to do so. In order to determine whether DBRS considers the Issuer Trustee satisfactory for the particular Canadian structured finance transaction DBRS is reviewing, DBRS considers whether the Issuer Trustee is independent and acting at arm's length from the Seller, whether it is incorporated under the federal *Trust and Loan Companies Act*, whether it is subject to regulatory oversight by OSFI, and whether it is legally entitled to act as trustee in all relevant provinces and territories. DBRS needs to understand and expects to receive detailed information on, at a minimum, the history of the Issuer Trustee (including how long it has acted in such capacity and the number of transactions in which it is currently engaged to act as Issuer Trustee) and whether it benefits from any implicit or explicit support from a parent company, to the extent that DBRS deems such information necessary to determine whether it considers the Issuer Trustee satisfactory for the particular transaction.

With respect to the particular transaction assessment or Rated Securities, DBRS expects the Issuer Trustee to be subject to a standard of care to act as a reasonably prudent person in similar circumstances and have a fiduciary duty to act in the best interests of the SPV. DBRS also expects the Issuer Trustee to be barred from resigning until a successor is in place, with the appointment of a replacement Issuer Trustee being subject to at least ten business days' prior written notice to DBRS prior to the replacement Issuer Trustee beginning to act in such capacity. DBRS expects the Issuer Trustee to provide a covenant in the Declaration of Trust (or other applicable document) to co-operate with any replacement Issuer Trustee and to transfer assets, records, files, documentation and software as necessary to allow the replacement Issuer Trustee to assume its duties. DBRS expects that such transfer to a replacement servicer not be subject to payment of the original Issuer Trustee's outstanding fees or expenses (as the payment of such fees and expenses are already accounted for in the transaction waterfall).

COMMINGLING BY THE SPV

As a matter of general trust law, assets held in trust by a trustee are beyond the reach of the trustee's creditors. While trust property is considered part of a trustee's estate, the bankruptcy trustee is barred from distributing such property by the BIA. To avoid SPV commingling risk, DBRS expects the Issuer Trustee of a trust SPV to segregate all related trust property and related cash flows with respect to a particular series of Rated Securities from other funds and to hold them in separate trust accounts designated for each such series of Rated Securities. DBRS expects this concept of segregation of related assets and cash flows to apply regardless of the constitution or form of the SPV.

FINANCIAL SERVICES AGENT OF A TRUST SPV

Since an Issuer Trustee does not typically participate in the day-to-day activities of a trust, it enters into a Financial Services Agreement[13] with a Financial Services Agent (FSA)[14] that carries out the trust's business activities and its day-to-day and administrative functions. DBRS needs to be satisfied that the FSA has the ability and financial wherewithal to discharge its duties. In making this assessment, DBRS is guided by *The DBRS Conduit Sponsorship Criteria* included as Schedule A to DBRS's *Rating Canadian ABCP* (available at www.dbrs.com), to the extent it is applicable to the particular structure being reviewed. DBRS expects that provisions are included in the Financial Services Agreement for both the resignation of the FSA and the removal of the FSA by the Issuer Trustee to be effective upon notice being delivered by the Issuer Trustee. DBRS also expects the FSA to provide a covenant in the Financial Services Agreement that it cooperate with any replacement FSA and that it transfer assets, records, files, documentation and software as necessary to allow the replacement FSA to assume its duties. DBRS expects that such transfer to a replacement FSA not be subject to payment of the original FSA's outstanding fees or expenses (as the payment of such fees and expenses are already accounted for in the transaction waterfall).

DBRS expects a replacement FSA to be subject to satisfaction of the Rating Agency Condition. In the event that an extraordinary resolution of the Security Holders is sought to approve the replacement FSA, DBRS expects the relevant transaction documents to provide for DBRS to receive prior written notice of the proposed meeting of Security Holders to consider a replacement FSA (so that DBRS can conduct its analysis as to whether there may be any ratings impact), and for DBRS to receive prompt written notice of any appointed replacement. DBRS expects the Financial Services Agreement to provide that a replacement FSA be in place before either a resignation or removal of the original FSA becomes effective. DBRS also expects the FSA to be subject to a standard of care to act as a reasonably prudent person in similar circumstances and have a fiduciary duty to act in the best interests of the SPV.

The FSA often contracts with another party, such as a sub-FSA, to carry out some of its duties under the Financial Services Agreement. In these circumstances, DBRS expects the Financial Services Agreement (or other relevant document) to provide for DBRS to receive prior written notice of the appointment of the sub-FSA. Notwithstanding the appointment of a sub-FSA and notice being provided to DBRS, DBRS expects the Financial Services Agreement (or other relevant document) to provide for the FSA to remain responsible for its obligations to the SPV (including the ones delegated to the sub-FSA) and that it remains primarily liable for acts and omissions of the sub-FSA. This is to ensure that Security Holders are not exposed to risks associated with the sub-FSA and allows DBRS to consider only the FSA in its rating analysis.

THE INDENTURE TRUSTEE

An SPV that issues debt by way of a Trust Indenture retains an Indenture Trustee to act as agent for the Security Holders and other specified creditors. DBRS expects the Trust Indenture to provide for the Indenture Trustee to be independent, act at arm's length from the SPV and be legally entitled to act as an Indenture Trustee in each of the relevant provinces and territories. DBRS also expects the Trust Indenture to provide for the Indenture Trustee to be subject to a standard of care to act as a reasonably prudent person in similar circumstances and to have a fiduciary duty to act in the best interests of the SPV's specified creditors.

DBRS expects the Trust Indenture to contain provisions to replace the Indenture Trustee and stipulate that the Indenture Trustee cannot resign until a replacement has assumed its responsibilities, with any replace-

13. May also be called an Administrative Agreement or Administration and Management Agreement, etc.
14. May also be called an Administrative Agent, Administrator, etc., but is referred to as the FSA for ease of reference.

ment Indenture Trustee being subject to at least ten business days' prior written notice to DBRS prior to the replacement Indenture Trustee beginning to act in such capacity. DBRS also expects the Indenture Trustee to give a covenant in the Trust Indenture to cooperate with any replacement Indenture Trustee and to transfer assets, records, files, documentation and software as necessary to allow the replacement Indenture Trustee to assume its duties, and that such transfer not be subject to payment of the original Indenture Trustee's outstanding fees or expenses (as payment of such fees and expenses are already accounted for in the transaction waterfall). DBRS expects the Trust Indenture to restrict the Indenture Trustee from commingling funds held in trust for the Security Holders with its own personal funds or other funds it may be holding for Security Holders of a separate series of Notes (unless specifically permitted by the terms of the relevant transaction(s)). Finally, DBRS expects designated (and segregated) trust accounts where the assets are held by the Indenture Trustee on behalf of the specified creditors to be established and maintained by the Indenture Trustee at Eligible Institutions.

The Indenture Trustee can, under certain conditions, delegate responsibility for some of its obligations under the Trust Indenture to a third party. DBRS expects any delegations considered to be outside the normal course of business to be subject to at least ten business days' prior written notice to DBRS, and that notwithstanding any such delegation, the Indenture Trustee remains responsible for its obligations under the Trust Indenture (including those delegated) and primarily liable for the acts or omissions of the delegate. In this way, DBRS need only consider the Indenture Trustee in determining the transaction assessment or the rating of the Rated Securities.

CUSTODIAN

DBRS needs to be satisfied that any Custodian appointed to hold records or title to assets on behalf of the SPV or to hold assets, records or investments directly on behalf of a transaction party, is qualified to do so. In order to determine whether DBRS considers the Custodian satisfactory for the particular Canadian structured finance transaction DBRS is reviewing, DBRS considers whether the Custodian is independent and acting at arm's length from the Seller, whether it is incorporated under the federal *Trust and Loan Companies Act* or some other legislation that contains provisions relevant to acting in a trust or custodial capacity, whether it is subject to regulatory oversight (by OSFI or otherwise), and whether it is legally entitled to act as trustee in all relevant jurisdictions. DBRS also needs to understand and expects to receive, at a minimum, detailed information on the history of the Custodian's business (including how long it has acted in such capacity and the number of transactions in which it is currently engaged to act as Custodian) and whether it benefits from any implicit or explicit support from a parent company, to the extent that DBRS deems such information necessary to determine whether it considers the Custodian satisfactory under the circumstances.

In cases where a Custodian is not a Canadian entity, DBRS may expect a legal opinion to be delivered regarding the Custodian being legally constituted in the appropriate jurisdictions, validly existing and having the legal power, capacity and authority to enter into the transaction, and more importantly, opinions relating to the enforcement against the transaction party's assets in such other jurisdiction (if necessary), among other matters that DBRS may consider necessary to be addressed by way of legal opinion in determining whether the Custodian is satisfactory for the transaction.

DBRS expects the relevant document to prevent the Custodian from resigning until a successor is in place and that the appointment of a replacement Custodian be subject to ten business days' prior written notice to DBRS prior to it beginning to act in such capacity. Once a Custodian is required to hand over the assets or collections for purposes of the SPV being able to fulfill its payment obligations to Security Holders, DBRS expects the relevant document to provide the Custodian to do so without condition, including the transfer not being subject to receipt by the Custodian of all outstanding fees and expenses (as provision has already been made in the transaction waterfall for payment of such fees and expenses to the Custodian). As with the Issuer Trustee and Indenture Trustee, DBRS expects the Custodian to be restricted from commingling funds held in trust for the Security Holders or transaction party, as the case may be, with its own personal funds or other funds it may be holding for other Security Holders or transaction parties, or even the same transaction party with respect to another transaction or series (unless specifically permitted by the terms of the relevant transaction(s)). Finally, DBRS expects designated (and segregated) trust accounts where the assets are held by the Custodian on behalf of the specified creditors to be established and maintained by the Custodian at Eligible Institutions.

INDEMNITIES OF THIRD-PARTY SERVICE PROVIDERS (OTHER THAN THE SERVICER)

The Trust Indenture likely contains provisions whereby the SPV indemnifies the Indenture Trustee for liability arising from actions taken in connection with its responsibilities under the Trust Indenture and other transaction documents (such as taking any enforcement actions). A similar indemnity may exist with respect to the Issuer Trustee under the Declaration of Trust (or other applicable constitutional document). DBRS expects such indemnification to be subject to the proviso that the liability arises from actions that were taken by the Indenture Trustee or Issuer Trustee in good faith. DBRS expects that liability arising from willful misconduct, bad faith, gross negligence, fraud or breach of the servicer provider's standard of care are specifically excluded from the indemnity. In addition, DBRS expects the relevant agreement to say such indemnification is paid solely from the SPV's property (and more specifically, the assets that secure the particular Rated Securities for which the service provider has been retained to act). DBRS expects a similar indemnity to be granted to the FSA and the Custodian (using a negligence rather than a gross negligence standard), but in this case, DBRS expects each of the FSA and Custodian to provide a reciprocal indemnity to the SPV for any damages, liabilities or claims made against the SPV as a result of the FSA's or Custodian's (as the case may be) willful misconduct, bad faith, negligence, fraud or breach of its standard of care.

DBRS understands that such indemnities are expected to be paid at the top of a transaction waterfall; however, to the extent that such indemnities cannot be quantified for purposes of DBRS's analysis, it may be appropriate to provide for only a portion of the indemnity(ies) to be paid ahead of payments to Security Holders in certain circumstances, particularly where payment of the indemnity(ies) in full may result in a default in payment to the Security Holders.

Servicing

SERVICING

A Servicer is also a service provider in a securitization transaction, and is retained by the SPV to serve as a point of contact with the Obligors to collect payments due on the assets and to pass these funds on to the SPV, which in turn passes them on to the Security Holders and other specified creditors.

Seller as Servicer

Typically, but not necessarily, the Seller is also the Servicer of the portfolio of securitized assets. Maintaining the Seller as Servicer brings administrative efficiencies and seamless service for the Seller's (or Originator's, as the case may be) customers, and rather than pay a separate fee for a third-party Servicer, which could attract additional taxes, the consideration for the Servicer can be built into the overall consideration for the sale of the assets (in other words, the assets are sold to the SPV on a fully-serviced basis). When a third-party Servicer is used (or may be used in the future), the expenses of the SPV are likely to be higher. To ensure that there are sufficient cash flows to pay a third-party Servicer, DBRS may expect to see additional credit enhancement or, if excess spread is available to be used for such purpose, the excess spread remaining may be considered sufficient to cover the third-party servicing fee in some cases.

The Servicer may wish to delegate responsibility for some of its Servicing obligations to a third party. DBRS expects delegations considered to be outside the normal course of business to be subject to at least ten business days' prior written notice to DBRS and delegations considered to be in the ordinary course of business to be subject to prior written notice to DBRS. Notwithstanding any such delegation, DBRS expects the relevant document to provide that the Servicer remains responsible for its Servicing obligations (including those delegated) and primarily liable for the acts or omissions of the delegate. In this way, DBRS need only consider the Servicer (and, if applicable, the performance guarantee relating to the Servicer) in determining the transaction assessment or the rating of the Rated Securities.

Replacement Servicer

DBRS expects the relevant agreement that contains the contractual servicing provisions between the SPV and the Seller as Servicer to include provisions allowing the SPV to appoint a replacement Servicer if the original Servicer is unable to perform its servicing duties or it takes (or omits to take) some action that results in a default or servicer termination event under the terms of the transaction documents. As such, DBRS expects Servicer termination events to be incorporated into the relevant agreement to give the SPV the right to replace the Servicer. DBRS expects any replacement Servicer to be subject to a rating confirmation of the Rated Securities by DBRS. DBRS also expects the Servicer to be replaced within 60 calendar days of the occurrence of a servicer termination or replacement event.

DBRS expects Servicer termination events to be proactive, with early-warning triggers that allow the servicing contract to be terminated before the Seller enters bankruptcy. DBRS expects Servicer termination events to include, at a minimum, (1) failure by the Servicer to make a required payment, deposit or remittance; (2) a breach of representation or warranty given by the Servicer; (3) any failure to observe or perform a term or covenant of the Servicer; (4) standard bankruptcy and insolvency triggers (including, where appropriate, insolvency of the performance guarantor if the performance guarantee includes a guarantee of the Servicer's obligations); and (5) in some cases, financial tests, including ratings triggers, where appropriate. DBRS expects the cure periods for the above events to be consistent with those indicated above for ABS and ABCP events of termination or default (i.e., (A) for servicer termination events for ABS, a maximum of (i) five business days for non-payment, deposit or remittance; (ii) 60 calendar days for breach of representation or covenant; (iii) 60 calendar days for insolvency proceedings; and (iv) 60 calendar days to cure all other events (other than a breach of performance or ratings triggers); (B) for servicer termination events for ABCP, a maximum of (i) typically three but not more than five business days for non-payment, deposit or remittance; (ii) 30 calendar days for breach of representation or covenant; (iii) 45 calendar days for insolvency proceedings; and (iv) 30 calendar days to cure all other events (other than a breach of performance or ratings triggers)).

The relevant agreement that contains the servicing functions may include the ability to waive Servicer termination events, which DBRS expects to be subject to the waiver terms indicated above. In addition, DBRS expects the relevant agreement to include provisions that assets, files, records, documentation, software and other critical resources of the Seller/Servicer are transferred to a replacement Servicer and that any software licenses necessary for such transfers are obtained on a timely basis. As above, DBRS expects that the relevant document provides that the transfer of records and other critical resources from the original Servicer to the replacement Servicer not be subject to payment of the original Servicer's outstanding fees or expenses (as these are already accounted for in the transaction waterfall).

Backup Servicer

A backup servicer may be appointed at the time the transaction is initially assessed or rated in circumstances where the Seller/Servicer is a non-investment-grade company or where there is some concern about the Servicer, as it may help ease any transition problems associated with a new Servicer in the event of a Servicer termination. Having a backup servicer in place at the inception of the transaction may help to mitigate any issues relating to servicing expectations, file management and access in advance of the backup servicer beginning to act in such capacity. In addition, appointing a backup servicer at the beginning of the transaction is considered advantageous because the servicing fee can be predetermined, thus eliminating the risk that market rates could be higher than expected if the original Servicer is replaced at some future date (as DBRS typically models the replacement servicer fee based on the expected market rate). The classification of a backup servicer can range from a "cold" backup servicer, who has minimal day-to-day responsibilities until it takes over as the replacement servicer, and a “hot” backup servicer, which is actively involved in monitoring and reviewing the Asset Pool and essentially “shadows” the servicer in its performance of the servicing duties in parallel with the Servicer.

DBRS expects the backup servicing agreement to include provisions that assets, files, records, documentation, software and other critical resources of the Seller/Servicer are transferred to the backup servicer and that any software licenses necessary for such transfers are obtained on a timely basis. DBRS expects that the transfer of records and other critical resources from the original Servicer to the backup servicer not be subject to payment of the original Servicer’s outstanding fees or expenses (as these are already accounted for in the transaction waterfall).

The backup servicer may wish to delegate responsibility for some of its backup servicing obligations to a third party. DBRS expects that delegations considered to be outside the normal course of business are subject to at least ten business days’ prior written notice to DBRS and delegations in the ordinary course of business are subject to prior written notice to DBRS. Notwithstanding any such delegation, DBRS expects the backup servicing agreement to provide for the backup servicer to remain responsible for its servicing obligations (including those delegated) and primarily liable for the acts or omissions of the delegate. In this way, DBRS need only consider the backup servicer in determining the transaction assessment or the rating of the Rated Securities.

DBRS expects the relevant documents to provide for any replacement backup servicer to be subject to satisfaction of the Rating Agency Condition. In the event that an extraordinary resolution of the Security Holders is sought to approve a replacement backup servicer, DBRS expects the relevant documents to provide for DBRS to receive prior written notice of the proposed meeting of Security Holders at which the replacement backup servicer is to be considered so that DBRS can conduct its analysis as to whether there may be any ratings impact, and for DBRS to receive prompt written notice of the appointment of the replacement backup servicer by the Security Holders.

Reporting

DBRS expects the transaction documents for any transaction assessment or Rated Securities to include a provision that DBRS is provided with a copy of all reports generated by the Servicer in relation to each transaction assessment or Rated Securities, as soon as such report is disseminated to other parties to the transaction, unless DBRS is otherwise receiving sufficient information to monitor the transaction assessment or the Rated Securities from the Servicer or other relevant transaction party.

Asset-Specific Considerations

All asset-backed transactions share certain characteristics and the preceding sections have addressed many of them. There are, however, a number of concerns unique to individual types of transactions. The nature of the underlying assets is a key consideration that results in different treatment and legal considerations for each transaction. It is not the intention of this section to review all criteria for each asset class. This section should be seen as a complement to previous sections and to the specific asset-class DBRS methodologies.

REVOLVING VERSUS DISCRETE ASSET POOLS

Structured finance transactions may involve discrete or revolving Asset Pool structures. With a discrete Asset Pool, no new assets are added to the Asset Pool over the life of the transaction.[15] The loans,

15. Subject to the exception that assets that do not meet eligibility criteria may need to be replaced.

mortgages, receivables, etc., that are initially securitized are the assets that are relied on to pay interest throughout the term of the transaction and to pay principal on the ABS, ABCP or Rated Securities at maturity. The static nature of these transactions allows DBRS to evaluate the underlying credit risk and anticipated historical loss rates with more certainty.

Revolving Asset Pool transactions involve a number of considerations not relevant to discrete Asset Pool structures. The assets that eventually pay the principal on the Rated Securities at maturity in a revolving structure may not be the same as those that were initially securitized. Therefore, an evaluation of the assets at the beginning of the transaction remains essential but is not sufficient. The initial evaluation should be complemented by measures that ensure that assets that enter the Asset Pool after the closing date are of similar credit quality.

DBRS examines the Originator's or Seller's (as applicable) underwriting criteria, with emphasis on underwriting standards, legal safeguards (including standard-form legal agreements and procedures for security registrations, lien searches, etc.) and collection policies. DBRS expects these standards and policies to be documented and formalized. DBRS also expects assets that enter the Asset Pool, both at the time of closing and after closing, to be originated in a manner consistent with the underwriting criteria and collection policy, as well as the specific eligibility criteria set out in the transaction documents. DBRS expects the relevant documents to provide for DBRS to receive prompt written notice of any material changes to these policies and procedures (as determined by the issuer and its counsel) in order for DBRS to assess whether such changes may result in any impact on the transaction assessment or rating of the Rated Securities.

The ongoing viability of the Originator or Seller is also crucial to the analysis of the transaction or Rated Securities. A deterioration of the Originator's or Seller's business may reduce its ability to replace assets in the Asset Pool as they are retired. When the financial health of an Originator or Seller deteriorates, it may be more inclined to relax or fail to maintain underwriting standards in an attempt to generate or maintain business volume. DBRS therefore expects certain trigger events to be built into the transaction structure to protect investors. Triggers may be tied to loss levels, delinquency levels, prepayment rates, the Seller's credit rating, bankruptcy or insolvency events, payment or other Seller covenant defaults, and the level of the remaining credit enhancement. If a trigger event occurs, DBRS expects that deferred payments and excess spread otherwise payable to the Seller are locked up as an additional loss reserve or that additional credit enhancement is provided. In a worst-case scenario, prepayment or rapid amortization of the Rated Securities may be necessary.

DBRS expects Asset Purchase Agreements to provide that in the event that the Seller wishes to sell additional assets to the SPV that have not already been contemplated under the terms of the initial transaction assessment or rating on the Rated Securities, such purchase is subject to a rating confirmation of the Rated Securities by DBRS prior to the purchase by the SPV of the additional assets, unless the risk involved in adding assets to the Asset Pool is mitigated in some other way that is satisfactory to DBRS and commensurate with the rating or transaction assessment. Similarly, if an additional Originator/Seller wishes to sell assets to an SPV in relation to an existing Asset Pool that was not already contemplated under the terms of the initial transaction assessment or rating, DBRS expects Asset Purchase Agreements to provide that the addition of that Originator/Seller is subject to a rating confirmation of the Rated Securities by DBRS prior to the additional Originator/Seller selling assets to the SPV, unless the risk of adding the assets of another Originator/Seller to the Asset Pool is mitigated in some other way that is satisfactory to DBRS and commensurate with the rating or transaction assessment.

AUTO/VEHICLE TRANSACTIONS

To the extent that title to the underlying vehicles remains in the name of the Originator/Seller/Servicer at closing, DBRS expects contractual provisions to be included in the relevant documents to allow for the transfer of title to the SPV at the Originator's expense within 30 to 60 calendar days if the Originator is terminated as Servicer, if its rating falls below investment grade (i.e., BBB (low) by DBRS) or if some other relevant trigger event occurs. In cases where a third-party Servicer is used and title remains in the name of the Originator/Servicer, certain transaction structures may warrant that title to the assets be transferred to a Custodian to mitigate any bankruptcy risk. As long as title is not in the name of the Originator/Seller/Servicer, there is little risk of not being able to re-register or notify Obligors to redirect payments during a stay of proceedings that may be imposed upon the bankruptcy of the Originator/Seller/Servicer.

DBRS considers it important that the Originator/Seller confirms that the vehicles being included in the Asset Pool are not subject to any encumbrances or liens that may take priority over the Security Holders' and other specified creditors' interests (by giving representations, warranties and covenants). In particular, DBRS expects the relevant documents to include representations and warranties indicating that there are no liens for taxes, unpaid fees or statutory or other liens on title to the vehicles at closing. And finally, DBRS considers it important that the Originator/Seller provides representations, warranties and covenants that adequate insurance exists (and will continue to exist) to protect against losses and that the Originator/Seller/Servicer (and/or the SPV or Indenture Trustee) is a first-loss payee under the relevant policies.

RESIDENTIAL MORTGAGES

Securitizations that involve interests in real property, typically mortgages, are not covered under PPSA legislation. They require a filing in the relevant land title or registry office in order for the transfer to be considered a legal assignment and enforceable against third parties. DBRS recognizes that it may be impractical to file a transfer of the interests in mortgage receivables that are being sold in a securitization transaction in the local land title or registry office prior to closing a transaction that involves large or revolving Asset Pools. As such, DBRS considers it acceptable for an investment-grade Seller (rated at least BBB (low) by DBRS) to grant an irrevocable power of attorney to the SPV in each relevant jurisdiction, which would permit the SPV to effect a transfer of the mortgage(s) in the related registry or land titles office unilaterally at a later date, without having to rely on the Seller's cooperation. DBRS expects re-titling of mortgages in a securitization pool to take place once the Seller is no longer investment grade (i.e., once its rating drops below BBB (low) by DBRS) or if a default or triggering event occurs in the securitization transaction.

DBRS expects the relevant transaction document to indicate that the re-registration process be completed within 60 to 90 calendar days of the date of the Seller's rating falling below investment grade or the default or triggering event occurring (subject to any applicable cure periods), at the Seller's expense, in order to attempt to ensure that the Security Holders' interests are protected prior to the Seller's insolvency. This re-registration period may be extended in certain circumstances where it may not be reasonably practicable to re-register all mortgages in the relevant land registry or titles offices in that time frame, provided that DBRS is provided with at least ten business days' prior written notice and more importantly, provided that DBRS considers that the extended time frame acceptable under the circumstances is not likely to result in any adverse effect on the rights of (or payments to) the SPV or the Security Holders.

It is important for the irrevocable power of attorney noted above to be granted by the Seller to the SPV in registrable form (supported by a legal opinion from counsel in each relevant jurisdiction) either at the time of closing of the securitization transaction (particularly if the Seller is non-investment grade at closing), or in exceptional circumstances, once the Seller's rating falls into the BBB category (high, middle or low) (but before the Seller's rating falls below investment grade). If DBRS considers the Seller to be of insufficient credit quality at the time the transaction assessment is conducted or rating is assigned, or if the Seller is unrated or is not investment grade at the time, DBRS considers that this risk can only be addressed to its satisfaction if the mortgages are re-titled in the name of the SVP or a nominee or third-party Custodian (supported by a legal opinion) at or before completion of the transaction assessment or assignment of the rating, unless the risk is mitigated in some other way that is satisfactory to DBRS and commensurate with the rating or transaction assessment. DBRS may, in some cases, consider it acceptable if local counsel opinions are not delivered with respect to jurisdictions where the mortgages represent a nominal amount of the Asset Pool, as long as in the aggregate of the mortgages in such jurisdictions are not considered significant by DBRS and as long as this is not expected to have an adverse effect on the transaction assessment or the rating on the Rated Securities.

It is important for the Seller to confirm by way of representations and warranties that the properties being included in the Asset Pool are not subject to any encumbrances or liens that may take priority over the securitized mortgages and that there are no orders relating to environmental matters. In particular, DBRS expects the relevant documents to include representations and warranties indicating that there are no liens for taxes, unpaid fees or statutory or other liens on title to the property at closing. And finally, DBRS considers it important that the Originator/Seller provides representations, warranties and covenants that adequate property insurance exists to protect against losses and that the Seller (and/or the SPV or Indenture Trustee) is a first-loss payee under the relevant policies. DBRS expects the insurance to cover the replacement value of the structures on the property, in order to ensure that if the buildings on the property are damaged or destroyed, the Seller (and/or the SPV or Indenture Trustee) has priority over any insurance proceeds that are not used to reconstruct the lost structures.

Credit Enhancement

A vital element of a structured finance transaction is the level of credit enhancement or credit protection that is provided. Forms of credit enhancement used in DBRS-rated structured finance transactions include but are not limited to the following: the holding of cash and securities as reserve funds, letters of credit and insurance policies, overcollateralization, excess spread, subordination and, in some cases, guarantees. DBRS may consider other types of credit enhancement on a case-by-case basis. See each specific asset-class methodology for more information on the types of credit enhancement typically provided for such asset-class securitizations. In the event that the initial level or type of credit enhancement that is considered by DBRS to determine a transaction assessment or to assign or confirm the rating on any Rated Securities changes significantly prior to the maturity of the relevant Rated Securities, such changes are subject to a review by DBRS in order to determine whether there may be any negative impact on the transaction assessment or rating on the Rated Securities.

RESERVE FUNDS

Of the various forms of credit enhancement, a cash reserve is preferable to all other forms for a AAA (sf)/R-1 (high) (sf) Rated Security since it is extremely liquid, has a known value, is generally not subject to any legal ambiguity and has no credit risk. In addition to cash, certain investments that are considered highly liquid with little default risk and are held in reserve accounts in the name of the SPV[16] are acceptable as a form of credit enhancement. The investments considered acceptable by DBRS for this purpose are the same as Eligible Investments listed in the "Legal Elements of Asset-Backed Securities" section.

DBRS expects cash reserves as well as holdings in the form of collateral or securities to be held in accounts in the name of (or for the benefit of) the SPV at an Eligible Institution. See the "Segregated Collections and Other Transactions Accounts" section for a discussion regarding Eligible Institutions and the name in which reserve accounts should be held.

CREDIT ENHANCERS/LETTERS OF CREDIT

Letters of credit are considered by DBRS to be an acceptable type of credit enhancement, as they form contractual obligations between the letter of credit beneficiary (the SPV) and the letter of credit provider (the credit enhancer), independent of the conduct or status of the third party whose obligations the letter of credit is being used to (in part) satisfy (the Seller or Servicer). Insurance policies are also considered an acceptable form of credit enhancement for the same reason. The credit strength of a letter of credit or

16. See footnote 9 above.

insurance policy is based on the credit strength of the provider (as the credit enhancer), and as such, DBRS expects the provider to have a rating of at least AA (low) or R-1 (middle) by DBRS or otherwise satisfy the Rating Agency Condition. DBRS expects the transaction documents to provide that if the credit enhancer's rating drops below this threshold, a replacement credit enhancer meeting such minimum rating threshold provides replacement credit enhancement in substantially the same form within 30 calendar days of the initial credit enhancer's downgrade.

OVERCOLLATERALIZATION

Overcollateralization is the most common form of credit enhancement seen in Canadian structured finance transactions. Simply put, overcollateralization refers to the practice of issuing a lesser dollar amount of Rated Securities than the amount of the assets transferred to the SPV. This form of credit enhancement attempts to ensure that, if the assets are liquidated due to an amortization or early payout of the Rated Securities or if some of the assets do not perform as expected or decline in value, sufficient assets are still available to cover the SPV's obligations to the specified creditors (including the Security Holders). DBRS's review and analysis of the overcollateralization is included in its review of the Asset Pool and the legal aspects of transferring the assets to the SPV, including ensuring that the transfer is on a true sale basis.

EXCESS SPREAD

After overcollateralization, excess spread is the next most common form of credit enhancement used in Canadian structured finance. Excess spread refers to the difference in the yield generated by the assets and the costs and expenses relating to the Rated Securities (including funding costs and other expenses of the issuer, such as third-party service provider fees, etc.). Put more simply, this is the amount by which interest collected on the assets surpasses interest paid on the Rated Securities. Excess spread accumulates in the Collections Accounts and is applied to the transaction waterfall in accordance with the terms of the transaction documents. DBRS's review and analysis of excess spread and how it is applied is part of its general review and analysis of the Rated Securities and, where applicable, the transaction assessment.

SUBORDINATION

Subordination refers to the practice of issuing more than one class of securities, each with different rights and entitlements. Subordinate Notes are junior, or subordinate to, senior Notes, meaning that collections received from the Asset Pool are first to be used to pay more senior Notes. Only after the issuer's obligations to senior Security Holders are paid in full are collections directed to amounts payable on subordinate Notes. Subordinate Notes are more likely to suffer losses as a result of deterioration of credit quality of the Asset Pool, before those losses flow through to senior Security Holders. Subordinate Notes are rated lower than senior Notes, or may not be rated by DBRS.

GUARANTEES

There are situations in which guarantees are relevant to Canadian structured finance transactions. Guarantees are most frequently seen when the Seller is a Canadian subsidiary of a foreign and/or rated parent. The parent often guarantees the performance of the subsidiary's contractual obligations as Seller and/or Servicer to the SPV, including the subsidiary's indemnity obligations. Such performance guarantees are not intended to cover the risk of credit deterioration of the assets themselves. If a swap counterparty or liquidity provider is a Canadian subsidiary of a foreign company, a guarantee may also be considered appropriate.

DBRS makes a case-by-case determination if a guarantee from a parent company is acceptable in relation to the rating of the Rated Securities or the transaction assessment. Factors used to make this determination include the potential amount or type of obligation the subsidiary may owe to the SPV, the credit rating of the Canadian subsidiary (if any) and the credit rating or financial condition of its parent, and an understanding of the degree of reliance the Canadian subsidiary places on assistance from its parent for financial and operational support. The form and substance of the guarantee is reviewed by DBRS to assess whether its terms are appropriate for the particular transaction assessment or rating on the Rated Securities.

In circumstances where a guarantee is provided in a transaction, DBRS may expect to see an opinion from the guarantor's counsel stating that the guarantee is an irrevocable and unconditional obligation of the guarantor, enforceable by the SPV against the guarantor. Comfort letters, keep-well agreements, indemnities and other forms of support are of questionable enforceability and value and are not considered acceptable to DBRS in a Canadian structured finance transaction.

Global Style Liquidity Agreements

When assets are transferred from a Seller to an SPV, such as accounts receivables, loans, leases or mortgages, and the SPV issues ABCP, there is typically an asset-liability mismatch between the term of the ABCP obligations and the term of the assets. This risk may also exist where the term of the assets exceeds the term of any ABS unless such risk is mitigated by a maturity extension or some other structural mechanism. In order to address this risk, DBRS expects that liquidity agreements entered into by SPVs in these circumstances meet the global liquidity standard (GLS liquidity).[17] The purpose of this liquidity is to ensure that there is no payment disruption to the Security Holders where the Notes have a shorter maturity date than the assets that back those Notes. This liquidity is not considered to be the equivalent of credit enhancement. For a discussion on what DBRS considers to be "enhanced liquidity" akin to credit enhancement or "full wrap liquidity", each of which has as its purpose the specific intention of covering all risks inherent in a transaction or series of Notes, please see Schedule D, *The DBRS Approach to Rating Canadian ABCP Supported by Enhanced Liquidity*, and Schedule E, *The DBRS Approach to Rating Canadian ABCP Supported by Full Wrap Liquidity*, respectively, each of which can be found in DBRS's *Rating Canadian ABCP* methodology at www.dbrs.com. Also see Schedule C, *The DBRS Approach to Rating Canadian ABCP Supported by Program Wide Credit Enhancement*, of DBRS's *Rating Canadian ABCP* methodology for a discussion on "program-wide credit enhancement" terms that are considered to be acceptable by DBRS.

DBRS expects GLS liquidity providers to have minimum ratings of at least AA (low) or R-1 (middle) by DBRS or otherwise satisfy the Rating Agency Condition. For more details on DBRS's expectations with respect to GLS liquidity, please see *The DBRS Approach to Global Liquidity Standard* attached as Schedule B to DBRS's *Rating Canadian ABCP* at www.dbrs.com.

17. Note that the terms of GLS liquidity are different than the terms of Enhanced Liquidity or Full Wrap Liquidity applicable in the context of ABCP. Please see the *Rating Canadian ABCP* methodology at www.dbrs.com for more details regarding these types of liquidity.

Québec Perfection – Sales of Receivables

In Québec, the legislation governing perfection of a security interest and the sales of receivables are significantly different from the PPSAs in force in the common-law provinces and territories. Registrations cannot be made before the close of a transaction in Québec, and the method of perfecting a sale of assets by registration or rendering it enforceable against third parties is subject to greater legal debate because there is a lack of clear legislative provisions and an absence of clarifying case law. The uncertainty relates to the concept of a universality of claims (described in more detail below). When the claims or receivables sold do not constitute a universality of claims, perfection is only possible by providing notice of the sale to the Québec obligors, thereby allowing the SPV to protect its rights in the assets against third parties, including a trustee in bankruptcy. In addition, Québec law may apply to a sale of assets notwithstanding if it is made under the laws of a non- Québec jurisdiction.

THE QUÉBEC CIVIL CODE

In Québec, the legislation governing the sale of receivables is, in general, the Civil Code of Québec (Civil Code). The Civil Code may apply to a sale of assets where (1) Obligors are located in Québec, (2) collections on the assets are payable at a location or to an account situated or maintained in Québec or (3) the Seller's chief executive office is located in Québec. Any such assets are collectively referred to as "Québec Assets".

DBRS QUÉBEC GUIDELINES

The following section sets forth DBRS principles based guidelines with respect to Québec Assets. If the amount of Québec Assets is minimal in the context of the particular Asset Pool being reviewed, DBRS may not consider all of these steps necessary in some exceptional cases.

Universality of Claims versus Notification

A universality of claims is a concept that is unique to Québec law. The Civil Code does not provide any definition of universality, but the legal community agrees that it is essentially a grouping or category of identifiable claims or other assets. However, the lack of a definition, combined with the lack of any case law, has led to variations in the treatment of this Québec issue by leading Québec law firms, resulting in differing structural protections for any given transaction. DBRS believes that the following statements have received acceptance among the legal community in Québec:

- If a universality of claims exists, registration of an appropriate form with respect to the sale of the Québec Assets in the Register of Personal and Movable Real Rights (the Registre des droits personnels et réels mobiliers) in Québec is sufficient under Québec law to render the SPV's interest in the Québec Assets remote from the bankruptcy of the Seller.
- If a universality of claims does not exist, the only way to ensure that the sale of Québec Assets is bankruptcy remote is to provide notification to each of the Obligors of Québec Assets (Québec Obligors) or to obtain their consent to the sale.

Accordingly, DBRS expects the transaction documents in a Canadian structured finance transaction to provide for the following with respect to transfers of Québec Assets:

(1) **Registrations:** DBRS expects registration to be made for each sale of Québec Assets between a Seller and an SPV, regardless of whether it can be said with certainty that a universality of claims has been created. Where it can be said with certainty that a universality of claims exists, DBRS expects the description of the universality of claims to appear in the registration. Even if there is no consensus on the existence of a universality of claims, DBRS expects a registration (cautionary filing) to be made. DBRS expects registrations to be made with respect to Québec Assets as soon as possible after closing and in any event, within 14 calendar days of closing. DBRS also expects appropriate registrations relating to the

transfer of certain rights under installment sales contracts, leasing contracts or leases, to be made within 14 calendar days of closing, if required.

(2) **Legal Opinion:** DBRS expects an opinion from Québec counsel to be provided (naming DBRS as an addressee) stating one of the following:

If Québec laws are applicable, (i) the Québec Assets would constitute a universality of claims and upon registration in the appropriate offices (with a follow-up report, if necessary, confirming the making of those registrations), the SPV's interest in the Québec Assets are remote from the bankruptcy of the Seller or (ii) where legal counsel is not prepared to provide (i) above, a cautionary filing has been made or submitted for registration and a follow-up report confirming the registration is delivered.

DBRS expects opinions relating to Québec registrations to be delivered within 30 calendar days following closing (which allows sufficient time for searches, confirmations and corrections to the registrations to be conducted, received or made).

(3) **Notice to Québec Obligors of Sale of Québec Assets:** If Québec law may apply to the structured finance transaction and it is unclear whether the elements of commonality required to create a universality of claims are present, DBRS expects the transaction documents to provide for the Seller (at the Seller's expense) to notify Québec Obligors of the assignment or sale of Québec Assets when the rating of the Seller (or other relevant party, such as the performance guarantor) drops below investment grade (BBB (low)) by DBRS. If the Seller's obligations are not rated, notification should occur prior to closing.

Once the notification rating trigger has been breached, DBRS expects the transaction documents to provide that the Seller (or the Servicer or Custodian on the Seller's behalf) gives notice to all Québec Obligors of the transfer of Québec Assets to the SPV between 30 and 60 calendar days from the occurrence of the trigger event. This notice period may be extended in certain circumstances where it may not be reasonably possible to notify all Québec Obligors in that time frame, provided that DBRS is provided with at least ten business days' prior written notice and more importantly, provided that DBRS considers the extended time frame acceptable under the circumstances, and provided that the extension is not likely to result in any adverse effect on the rights of the SPV or the Security Holders.

Appendix A: Summary of DBRS Structured Finance Legal Criteria

Summary of Criteria for Transaction Parties

Transaction Party	Minimum Rating	Replacement	Other
Issuer Trustee	Not applicable, but needs to initially satisfy DBRS.	Subject to at least 10 business days' prior written notice to DBRS prior to replacement beginning to act in such capacity.	• Independent of and acts at arm's length from the Seller. • Legally entitled to act in all relevant provinces and territories. • Standard of care: To act as a reasonably prudent person in similar circumstances and in the best interests of the trust and the Security Holders. • Limitation of liability of the Issuer Trustee and the indemnity by the trust excludes the Issuer Trustee's gross negligence, willful misconduct, bad faith, fraud and breach of standard of care. • No commingling of trust's funds with Issuer Trustee's funds. • Handing over assets, records, documents, files and/or software upon the Issuer Trustee's replacement not subject to payment in full of outstanding fees or expenses to the Issuer Trustee.
Indenture Trustee	Not applicable, but needs to initially satisfy DBRS.	Subject to at least 10 business days' prior written notice to DBRS prior to replacement beginning to act in such capacity.	• Independent of and acts at arm's length from the Seller. • Legally entitled to act in all relevant provinces and territories. • Standard of care: To act as a reasonably prudent person in similar circumstances and in the best interests of the trust and the Security Holders. • Limitation of liability of the Indenture Trustee and the indemnity by the trust excludes the Indenture Trustee's gross negligence, willful misconduct, bad faith, fraud and breach of standard of care. • Remains responsible for its obligations and liable for the acts or omissions of any delegate, notwithstanding any delegation of its duties. • No commingling of trust's funds with Indenture Trustee's funds. • Subject to non-petition and limited recourse clauses. • Handing over assets, records, documents, files and/or software upon the Indenture Trustee's replacement or enforcement of the transaction security, etc., not subject to payment in full of outstanding fees or expenses to the Indenture Trustee.
Financial Services Agent (or Administrative Agent)	Not applicable, but needs to initially satisfy DBRS.	Subject to satisfaction of RAC; if an extraordinary resolution is sought to approve the replacement, prior written notice to DBRS of proposed Security Holder meeting to consider appointment of replacement so that DBRS can conduct its ratings impact analysis, and prompt written notice to DBRS of replacement if approved.	• Limitation of liability of the Financial Services Agent and the indemnity by the trust excludes the Financial Services Agent's negligence, willful misconduct, bad faith, fraud and breach of standard of care. • Provides an indemnity to the trust for its negligence, willful misconduct, bad faith, fraud and breach of standard of care. • Remains responsible for its obligations and liable for the acts or omissions of any delegate, notwithstanding any delegation of its duties. • Subject to non-petition and limited recourse clauses.

Summary of Criteria for Transaction Parties

Transaction Party	Minimum Rating	Replacement	Other
			• Handing over assets, records, documents, files and/or software upon the Financial Services Agent's replacement or enforcement of the transaction security, etc., not subject to payment in full of outstanding fees or expenses to the Financial Services Agent.
Custodian	Not applicable, but needs to initially satisfy DBRS.	Subject to at least 10 business days' prior written notice to DBRS prior to replacement beginning to act in such capacity.	• Independent of and acts at arm's length from the Seller. • Legally entitled to act in all relevant provinces and territories where it intends to hold assets, records or investments. • Limitation of liability of the Custodian excludes its negligence, willful misconduct, bad faith and fraud. • Remains responsible for its obligations and liable for the acts or omissions of any delegate notwithstanding any delegation of its duties. • Subject to non-petition clause. • Handing over assets, records, documents, files and/or collateral upon the Custodian's replacement or enforcement of the transaction security, etc., not subject to payment in full of outstanding fees or expenses to the Custodian.
Servicer	Not applicable, but needs to initially satisfy DBRS.	Subject to a rating confirmation.	• Servicer termination events are expected to include at least the following (see cure periods in the following table): 1. Failure to pay, deposit or remit. 2. Breach of representation or warranty. 3. Breach of covenant. 4. Bankruptcy or insolvency (including performance guarantor, if appropriate). 5. Ratings triggers/financial covenants or tests. • Remains responsible for its obligations, notwithstanding any delegation, and be liable for the acts or omissions of any delegate. • Provide indemnities as indicated in the following table. • Unless the commingling risk is otherwise mitigated in a way that is satisfactory to DBRS and commensurate to the rating or transaction assessment assigned, no commingling occurs if relevant rated entity drops below investment grade (or such other threshold as DBRS considers appropriate in the circumstances and based on the rating of the transaction and/or Notes); funds are then remitted within two business days of receipt and/or collection (see below for further details). • Subject to partial commingling conditions if transaction is revolving and relevant rating drops below applicable threshold. • Subject to non-petition and limited recourse clauses. • The cost of replacing the Servicer is to be accounted for in the transaction structure. • May need a backup servicer from time of initial rating if Servicer is not investment grade.

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Summary of Criteria for Transaction Parties

Transaction Party	Minimum Rating	Replacement	Other
Backup Servicer	Not applicable, but needs to initially satisfy DBRS.	Subject to satisfaction of RAC; if an extraordinary resolution is sought to approve the replacement, prior written notice to DBRS of proposed Security Holder meeting to consider appointment of replacement so that DBRS can conduct its ratings impact analysis, and prompt written notice to DBRS of replacement if approved.	• Remains responsible for its obligations, notwithstanding any delegation of its duties, and be liable for the acts or omissions of any delegate. • Subject to non-petition and limited recourse clauses.
Credit Enhancer	AA (low) or R-1 (middle) by DBRS or otherwise satisfies RAC. *Note: If it doesn't meet the minimum rating, RAC may be satisfied by relying on a guarantee of the Credit Enhancer's obligations, provided that the guarantor meets the minimum rating.*	AA (low) or R-1 (middle) by DBRS or otherwise satisfies RAC. *Note: If it doesn't meet the minimum rating, RAC may be satisfied by relying on a guarantee of the Credit Enhancer's obligations, provided that the guarantor meets the minimum rating.*	• If Credit Enhancer's rating drops below minimum threshold (or it no longer satisfies RAC), it is replaced by an entity that meets the minimum rating within 30 calendar days. • Subject to non-petition and limited recourse clauses. • Legal successors, assignees and transferees (other than due to a downgrade) meet minimum ratings threshold (or otherwise satisfy RAC) and succession, assignment and/or transfer is on the same terms (i.e., no tax consequences, etc.).
GLS Liquidity Provider	AA (low) or R-1 (middle) by DBRS or otherwise satisfies RAC. *Note: If it doesn't meet the minimum rating, RAC may be satisfied by relying on a guarantee of the Liquidity Provider's obligations, provided that the guarantor meets the minimum rating.*	AA (low) or R-1 (middle) by DBRS or otherwise satisfies RAC. *Note: If it doesn't meet the minimum rating, RAC may be satisfied by relying on a guarantee of the Liquidity Provider's obligations, provided that the guarantor meets the minimum rating.*	• See The DBRS Approach to Global Liquidity Standard attached as Schedule B to DBRS's *Rating Canadian ABCP* methodology at www.dbrs.com for further details.
Eligible Institution/ Account Bank	AA (low) or R-1 (middle) by DBRS or otherwise satisfies RAC. *Note: If the Eligible Institution doesn't satisfy the minimum rating, RAC may be satisfied by relying on a guarantee of the Eligible Institution's obligations, provided that the guarantor meets the First Ratings Threshold.*	AA (low) or R-1 (middle) or otherwise satisfies RAC.	• Account is in the name of the SPV/issuer, subject to exceptions as long as risks are mitigated in a way satisfactory to DBRS. • If the Account Bank's rating drops below the minimum rating threshold (and it can no longer satisfy RAC), it is replaced by an account bank that meets the minimum rating threshold (or otherwise satisfies RAC) within 30 calendar days. • Subject to non-petition clause and limited recourse language. • Legal successors, assignees and transferees (other than due to a downgrade) meet minimum rating threshold (or otherwise satisfies RAC) and succession, assignment and/or transfer is on the same terms (i.e., no tax consequences, etc.).

Summary of Criteria for Transaction Parties

Transaction Party	Minimum Rating	Replacement	Other
Special-Purpose Vehicle	Not applicable	Not applicable	• Independent and bankruptcy remote from Seller. • Has the following characteristics and is subject to the following restrictions: – Limited powers. – Debt limitations. – Cannot make amendments to its constitutional documents or become subject to any mergers, consolidations or reorganizations without satisfying RAC. – Tax neutral. – Maintain existence. – Organizational documents include separateness covenants. – Minimal unsecured assets. – Parties that engage in transactions with the SPV are subject to non-petition and limited recourse clauses. • If SPV is a limited partnership (LP), and in some other cases, a non-consolidation opinion was provided.

Summary of Criteria Relating to Other Key Transaction Provisions

Provision — **DBRS Legal Criteria**

Cure Periods

Maximum expected cure periods for Events of Default, amortization events, termination events, servicer termination events and other similar events are as follows:

Event	ABCP Transactions	ABS Transactions
Failure to pay, remit or deposit	Typically three but not more than five business days	Five business days
Breach of representation, warranty or covenant	30 calendar days	60 calendar days
Insolvency proceedings that haven't been stayed or dismissed	45 calendar days	60 calendar days
All other event cure periods (other than for breach of performance or ratings triggers)	30 calendar days	60 calendar days

Amendments

- Material amendments (as determined by the issuer and its counsel) to any transaction documents subject to satisfaction of RAC; if an extraordinary resolution of Security Holders is sought to approve the material amendments, DBRS receives prior written notice of the proposed Security Holder meeting (to consider whether the amendments may have any ratings impact), and prompt written notice of the amendments that are approved by Security Holders.
- DBRS receives prompt written notice of all non-material amendments (as determined by the issuer and its counsel).

Waivers or Consents

- Material waivers (as determined by the issuer and its counsel) of any Events of Default, amortization events, termination events, servicer termination events and other similar events (or consents provided by transaction parties to take any actions that are not already permitted by the transaction documents that may affect the rating) are subject to satisfaction of RAC; if an extraordinary resolution of Security Holders is sought to approve the waiver or consent, DBRS receives prior written notice of the proposed Security Holder meeting (to consider whether the waiver or consent may have any ratings impact), and prompt written notice of the waivers or consents that are approved by Security Holders.
- DBRS is named as an addressee on any opinion that indicates a waiver or consent is not material to the ability of the transaction party to meet its obligations to the Security Holders, and DBRS receives prior written notice of any such waiver or consent.
- DBRS receives prompt written notice of all non-material waivers or consents (as determined by the issuer and its counsel).

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Summary of Criteria Relating to Other Key Transaction Provisions

Assignments

- DBRS receives written notice at least ten business days' prior to an assignment of the Seller or Servicer's obligations and typically the same amount of notice prior to the assignment of any other transaction party's obligations, unless otherwise noted (in many cases, an assignment may be subject to satisfaction of RAC or the assignee may be subject to meeting minimum rating thresholds, etc. – see above for further details).
- If an event of termination, event of default or any other similar event has occurred and the issuer is assigning the assets or note backing the Rated Securities, DBRS expects prompt written notice and expects the relevant Rated Securities to be repaid in full from the proceeds, where applicable.

Mergers, Amalgamations, Consolidations or Reorganizations

- DBRS receives prompt written notice of any merger, amalgamation, consolidation or other similar reorganization of transaction parties in order to determine if there may be any ratings impact (in some cases, the legal successor of a transaction party is still subject to minimum ratings thresholds and other specific criteria – see above for further details).

Commingling

- Acceptable until the next payment date provided that the Seller/Servicer (or its parent or performance guarantor) is rated at least BBB (low) (or the equivalent short-term rating) by DBRS; once no longer investment grade, collections are remitted within two business days of receipt unless the commingling risk is fully mitigated in some other way that is satisfactory to DBRS and commensurate with the rating or transaction assessment assigned.
- For credit card transactions, the applicable ratings threshold is R-1 (low) or A (low) by DBRS, and since they are revolving transactions, they are subject to the Partial Commingling Conditions such that the Seller/Servicer may commingle collections in excess of what is required to be paid on the next payment date as long as it is rated at least BBB (low) by DBRS; once the Seller/Servicer is no longer rated BBB (low) by DBRS, no further commingling occurs.

Partial Commingling Conditions

- In revolving transactions where the rating of the relevant party (i.e., the Servicer or performance guarantor) falls below investment grade (or such other threshold as DBRS may determine is appropriate in the circumstances and based on the rating of the transaction/Notes), the Servicer remits collections within two business days up to the amount that is required for distribution on the next settlement and/or payment date; all other funds may continue to be commingled provided that the following conditions are met:
    (1) A daily asset test is completed to ensure the amount of assets meets the minimum amount under the transaction documents; if it is breached, it is cured within a reasonable amount of time (typically, five to ten business days, depending on the circumstances).
    (2) A daily review of the amortization events is completed to ensure there is no breach of any such event between settlement and/or payment periods.
    (3) An officer's certificate is provided at the end of each month certifying that there has been no breach of the daily asset test and no amortization event has occurred during the month.
- If condition (1), (2) or (3) is not met, the revolving period ends and the amortization period begins, unless the commingling risk is fully mitigated in some other way that is satisfactory to DBRS and commensurate with the rating or transaction assessment assigned.
- If a revolving transaction has only one ratings trigger relating to commingling, where if the Servicer's (or performance guarantor's) rating falls below investment grade (BBB (low) or the short-term equivalent) by DBRS, no further commingling occurs and all collections are deposited to the Collections Account within two business days of receipt, the Partial Commingling Conditions do not apply.

Québec Perfection

- If a universality of claims exists, a universality of claims registration is filed within 14 calendar days of closing and a legal opinion is provided within 30 calendar days of closing, indicating that a universality of claims opposable against third parties exists.
- If it is unlikely that a universality of claims exists, a cautionary filing is made within 14 calendar days of closing and Québec obligors are notified of the transfer of the Québec Assets to the SPV (at the Seller's expense) when the rating of the relevant transaction party (typically, the Seller, Servicer or performance guarantor) falls below investment grade (BBB (low)) by DBRS (notice is provided between 30 and 60 calendar days following the downgrade).
- Filings relating to installment sales contracts or leasing contracts are made within 14 calendar days of closing, where appropriate.

Summary of Criteria Relating to Other Key Transaction Provisions

Eligible Investments

DBRS considers the following acceptable investments for funds held in the Collections Account or other Reserve Funds, provided that the maturity date of each investment is one business day earlier than the next settlement and/or payment date:

(1) Obligations issued or fully guaranteed as to both credit and timeliness by the Government of Canada.
(2) Short-term or long-term unsecured debt obligations issued or fully guaranteed by any province or municipality of Canada provided such investments are rated at least AA (low) or R-1 (middle) by DBRS.
(3) Deposits, banker's acceptances and subordinated debentures issued or accepted by any Canadian financial institution provided such investments are rated at least AA (low) or R-1 (middle) by DBRS.
(4) Commercial paper, secured bonds and senior unsecured obligations of any Canadian corporation provided that such investments are rated at least AA (low) or R-1 (middle) by DBRS.
(5) ABCP issued by a conduit administered by a Canadian financial institution, provided that the ABCP is rated R-1 (high) by DBRS and is backed by global-style liquidity.
(6) Money market funds rated at least AAA by DBRS.
(7) Such other investments as may satisfy RAC.

Seller/Servicer Indemnities

The Seller (or a combination of the Seller and the Servicer, as appropriate) indemnifies the SPV against the following:

- An asset that is not an eligible asset (as defined in the relevant Asset Purchase Agreement or other transaction document) when transferred to the SPV (DBRS expects this to result in at least a repurchase of the related assets).
- Any adverse claims on the assets.
- An asset that is transferred to the SPV that causes the Obligor's concentration limit to be exceeded.
- Any breach of covenant by the Seller or the reliance by the SPV on a false or erroneous representation or warranty.
- A failure on the part of the Seller to comply with laws that apply to the assets.
- The commingling by the Seller or Servicer of funds belonging to the SPV with funds of the Seller or Servicer (this indemnity may be given by the Servicer directly).
- Product liability claims involving the assets (if applicable).
- The failure on the part of the Seller to have a perfected security interest in the underlying asset (or for the Servicer to maintain a perfected security interest in the transferred assets in favour of the SPV, where applicable).
- The Servicer's failure to perform its duties as required in the transaction documents.
- Taxes of any kind that may be imposed on the SPV in connection with the acquisition of assets from the Seller or its continuing ownership of the assets.
- Any set-off, defense or counterclaim raised by an Obligor to the payment of amounts owing with respect to an asset.
- Any claims made in relation to disclosure of personal information in connection with the sale of the assets to the SPV.

Real Property Transaction

- An irrevocable power of attorney is granted by the Seller in favour of the SPV to allow the SPV to transfer the mortgage in the related registry or land titles office when necessary, typically when the Seller (or its parent or performance guarantor) is no longer investment grade; alternatively, the mortgages can be transferred into the name of a Custodian, especially if the Seller (or its parent or performance guarantor) is unrated or not investment grade at closing.
- The properties are not subject to any prior encumbrances or liens.
- There are no orders against the property relating to environmental matters.
- Adequate property insurance is in place with the Seller (and/or SPV or Indenture Trustee) named as first-loss payee.

Summary of Minimum Legal Opinion Matters to Be Addressed[1]

Opinion Subject	Opinion to Be Provided
Seller Existence and Capacity, Etc.	• The Seller: – Exists as a legal entity. – Has all the necessary powers and authority to enter into the transaction and to perform its obligations under the transaction documents. – Has duly authorized, executed and delivered the relevant agreements.
SPV Existence and Capacity, Etc. (If the SPV Is Not a Third-Party Conduit)	• The SPV and its agents/administrators: – Has been created and exists under the laws of the applicable jurisdiction. – Has the necessary power and authority to enter into the transaction and to perform its obligations under the transaction agreements. – Has duly authorized, executed and delivered the relevant agreements. • If an opinion setting out the above cannot be delivered with respect to the SPV's agents or administrators (such as the Issuer Trustee, Indenture Trustee or Custodian), DBRS may accept an officer's certificate from such entity attesting to the above.
Enforceability	Each of the transaction documents that has been entered into by the Seller and the SPV is a legal, valid and binding obligation of the Seller or SPV, as applicable, and enforceable against the Seller or SPV, as applicable, in accordance with their terms.
True Sale	• The relevant agreements validly and effectively transfer to the SPV all of the Seller's right, title and interest to the assets being sold. • The transfer of the assets constitutes a true sale and the Seller has not retained an interest in the assets that have been sold. • The assets and their proceeds do not form part of the Seller's estate under applicable bankruptcy and insolvency legislation. • Creditors of the Seller, including a trustee in bankruptcy, cannot look to the assets to satisfy a claim against the Seller. • No other formalities are required to complete the transfer. • Officer's certificate from the Seller attesting to various matters that are relied upon or assumed for purposes of providing the true sale opinion.
BIA and Fraudulent Conveyance/ Preference	• The transfer of assets from the Seller to the SPV will not be set aside by a court under the BIA, CCAA or any other applicable bankruptcy, insolvency, fraudulent conveyance or preferential assignment legislation. • The SPV would be entitled to enforce its interest in the transferred assets upon the bankruptcy of the Seller. • The SPV would not be required to pay any additional amount for the sale of assets (i.e., a court would not find that the sale was considered to have been made for an amount conspicuously less than fair market value and therefore considered void under applicable bankruptcy legislation).
Security Interest	• If the PPSA (or equivalent personal property security legislation) applies to the sale of the assets from the Seller to the SPV, all necessary or advisable searches have been conducted and filings under the PPSA (or equivalent) have been made (or will be made if pre-filing in the relevant jurisdiction is not permitted) in all relevant jurisdictions and no further filings or actions are required to protect the SPV's rights in the assets. • There are no prior-registered interests against the assets under the PPSA. If there are prior-registered interests, these registrations do not affect the SPV's interests in the assets (or the prior-registered creditor provides a written certificate indicating the extent and scope of their interests (which will not affect the interests of the SPV) or consents to a subordination of the prior-registered interests). • The Security Holders and specified creditors have a valid security interest in the property and assets of the SPV. • Where appropriate or advisable, similar opinions are given for all relevant jurisdictions.
Bulk Sales	If bulk sales legislation may be applicable, DBRS may expect to see a legal opinion (with DBRS named as an addressee) that states at least one of the following: (1) The legislation has been complied with, (2) an exemption from the act has been granted by a court of competent jurisdiction or (3) bulk sales legislation is not applicable.
Non-Consolidation (If Applicable)	A court would not apply the doctrine of substantive consolidation to consolidate the assets and liabilities of the SPV (or its partners) with the assets and liabilities of the Seller.
Reserve Accounts/Bank Accounts Not in the Name of the SPV	If the reserve account, collateral account or Collections Account is, in exceptional circumstances, not in the name of the SPV, DBRS expects to see a legal opinion (with DBRS named as an addressee) from counsel to the Seller stating that the SPV has taken a properly perfected first-priority security interest over the account(s) and has access to the funds, notwithstanding any bankruptcy or insolvency of the Seller (or whichever entity is named on the account(s)).

Guarantee If a guarantee is provided in relation to a party's obligation to the SPV, DBRS expects an opinion from counsel to the guarantor or Seller, as applicable, stating that the guarantee is enforceable by the SPV against the guarantor as may be required.

Québec-Related Assets

- Either: (1) The SPV's interests constitute a universality of claims and the relevant filing has been made to perfect and protect the SPV's interests against third parties, *OR* (2) upon notification to the Québec obligors of the Québec Assets transferred to the SPV, the SPV's interests will be perfected and will be protected against third parties, and a cautionary filing has been made or submitted for registration and a follow-up report confirming the registration is delivered.

Appendix B: Glossary of Terms

ABCP: Asset-backed commercial paper issued by way of a structured finance transaction backed by (or secured by) an Asset Pool (including ABS), with a term of 364 calendar days or less.

ABS: Asset-backed securities issued by way of a structured finance transaction backed by (or secured by) an Asset Pool, with a term of greater than 364 calendar days.

Asset Pool: A pool of assets (which typically includes associated cash flows and related contractual rights) that are transferred to, and subsequently owned by, an SPV (whether on a discrete or revolving basis), which are held as security for the Notes (used interchangeably with collateral pool).

Asset Purchase Agreement: Contractual agreement between a Seller and an SPV whereby assets are transferred to the SPV and consideration is paid by the SPV to the Seller in return for such assets.

BIA: Bankruptcy and Insolvency Act (Canada).

CCAA: Companies' Creditors Arrangement Act (Canada).

Collections Account: Accounts (including collections, reserves and other transaction funds accounts) held in the name of and controlled by an SPV (or Custodian, collateral trustee or other party acting on behalf of the specified creditors (other than the Seller/Originator or Servicer, in most cases), as the case may be) in which funds are held for the benefit of the specified creditors, including Security Holders.

Custodian: A bankruptcy-remote entity that holds records and/or assets (and, in some cases, legal title to those assets) and provides safekeeping and custodial services for and on behalf of specified creditors, including the Security Holders.

Declaration of Trust: Establishing document for a trust that spells out the powers and capacities of the trust and establishes the scope of its activities.

Eligible Institution: An account bank that holds a short-term rating of at least R-1 (middle) by DBRS or a long-term rating of at least AA (low) by DBRS or otherwise satisfies the Rating Agency Condition. See the subsection "Segregated Collections and Other Transaction Accounts" under the "Legal Elements of Asset-Backed Securities" section for further details.

Event of Default: Certain enumerated events in a Trust Indenture or other transaction document, the occurrence of which permit the Indenture Trustee (after any applicable cure periods) on behalf of specified creditors (including Security Holders) to take certain remedial actions to protect the rights and interests of those specified creditors.

Financial Services Agent (FSA): Agent appointed by the Issuer Trustee to carry out day-to-day and administrative functions of the SPV (sometimes also called an administrative agent).

Financial Services Agreement: Contract entered into by the Issuer Trustee and the Financial Services Agent outlining the duties and responsibilities of the Financial Services Agent.

GLS liquidity: Means liquidity that meets the global liquidity standard. See the "Global Style Liquidity Agreements" section and *The DBRS Approach to Global Liquidity Standard* attached as Schedule B to DBRS's *Rating Canadian ABCP* methodology at www.dbrs.com for more details regarding the global liquidity standard.

Indenture Trustee: Trustee appointed by the SPV to act as an agent of the Security Holders and specified creditors.

Issuer Trustee: Trustee appointed in the Declaration of Trust or trust settlement deed to carry out the activities of the trust and to hold title to the transferred assets in the case where the SPV is a trust.

Notes: Rated Securities or, in some cases, unrated ABS or ABCP.

Obligor: Underlying debtor, contractually bound to pay the Originator under the terms of the contract giving rise to the asset.

Originator: The entity that originates and owns the assets that are ultimately securitized to raise funds.

OSFI: The Office of the Superintendent of Financial Institutions.

Partial Commingling Conditions: See the Partial Commingling subsection in the "Collections Accounts" section.

PPSA: *Personal Property Security Act* in the relevant Canadian jurisdiction.

Rated Securities[18]*:* ABS or ABCP rated by DBRS.

Rating Agency Condition (RAC): DBRS indicates in writing that taking a proposed action will not, in and of itself, result in the rating(s) of the relevant Rated Securities being downgraded or withdrawn. If reference to satisfying the Rating Agency Condition relates to a proposed action that will be completed in connection with the initial assignment of a rating or transaction assessment, the Rating Agency Condition is considered to have been satisfied upon the assignment of the initial rating or transaction assessment, as the case may be. [19]

Security Holders: Owners of the Rated Securities.

Seller: The entity that sells assets to the SPV in a securitization, whether it is the Originator or it acquires assets from the Originator and then sells them to the SPV.

Servicer: The entity responsible for administering, maintaining and performing collections on the assets that have been transferred to the SPV. It is common in structured finance transactions for the Seller to act as the initial Servicer.

SPV: A special-purpose vehicle (sometimes referred to as a special-purpose entity) created for the purpose of separating asset risk from Seller risk in a Canadian structured finance transaction. The SPV typically takes the form of a trust, but can also be a limited partnership or other corporate entity, provided that it is bankruptcy remote from the Seller. The SPV can be either a bankruptcy-remote entity specifically organized to enter into transactions with a particular Seller or a bankruptcy-remote third-party entity, such as a bank-sponsored conduit. In a typical Canadian structured finance transaction, the SPV acquires assets from the Seller and advances funds to the Seller in consideration for the assets. The Seller may also sell its assts to another entity that then sells them to the SPV that issues debt in a securitization transaction.

18. In some cases, DBRS rates a different type of note or debt obligation, such as a variable-rate funding note or the probability that a credit facility will be drawn. In such cases, DBRS applies the same principles, methodologies and analysis, so the term Rated Securities is intended to refer to any type of debt obligation owing by an issuer/borrower, etc. that is rated by DBRS. The term Rated Securities in the context of this publication also includes ABS that are issued but not rated by DBRS, but which are still reviewed in the form of a transaction assessment because they are being purchased by an issuer that issues Rated Securities.
19. Note that this definition of RAC does not apply to Canadian Covered Bonds.

In the context of this publication, the term Seller is used to refer to both scenarios. The SPV subsequently issues Rated Securities backed by the transferred assets. The activities, assets and powers of an SPV are carefully circumscribed to those necessary for the structured finance transaction.

Supplemental Indenture: A document that may change or modify provisions of a Trust Indenture. Under many Trust Indentures, a Supplemental Indenture is required in order to issue securities.

Transaction assessment: Akin to assigning a rating and used in cases where the underlying transaction that is being entered into/purchased by the issuer of the Rated Securities is not directly rated by DBRS, but it is necessary for DBRS to assign what is akin to a Canadian structured finance rating for purposes of either assigning a rating to the Rated Securities or confirming whether the issuer/purchaser entering into such transaction may have an impact on the rating of its Rated Securities.

Trust Indenture: A formal document governing the issuance of debt and whose covenants provide rights and protections to Security Holders and specified creditors.

Insight beyond the rating.

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