

Filing Exempt – 2nd Lowest Rating

As of Thursday 1/18/2007, the Filing Exempt process will calculate the 2nd lowest rating as a Designation for securities containing split ratings for three or more NRSROs.

For a security rated and monitored by one NRSRO, it will be assigned the equivalent NAIC Designation.

If a security is rated and monitored by two NRSROs, then the lowest rating will be assigned its equivalent NAIC Designation.

If a security is rated and monitored by three or more NRSROs, then the second lowest rating will be assigned its equivalent NAIC Designation. In the case of a security rated and monitored by three or more NRSROs, the NRSRO ratings for a security will be ordered according to their NAIC equivalents and the rating falling second lowest will be selected, even if that rating is equal to that of the first lowest.

Here are some common examples on how the 2nd lowest method will calculate FE Designations based on NAIC equivalents:

- 1) 1st Rating = NAIC1
2nd Rating = NAIC2
Designation = 2FE
- 2) 1st Rating = NAIC1
2nd Rating = NAIC2
3rd Rating = NAIC3
Designation = 2FE
- 3) 1st Rating = NAIC2
2nd Rating = NAIC2
3rd Rating = NAIC3
Designation = 2FE
- 4) 1st Rating = NAIC1
2nd Rating = NAIC2
3rd Rating = NAIC3
4th Rating = NAIC4
Designation = 3FE
- 5) 1st Rating = NAIC1
2nd Rating = NAIC1
3rd Rating = NAIC2
4th Rating = NAIC2.
Designation = 2FE

Filing Exempt – 2nd Lowest Rating

- 6) 1st Rating = NAIC2
2nd Rating = NAIC2
3rd Rating = NAIC3
4th Rating = NAIC4.
Designation = 3FE

- 7) 1st Rating = NAIC1
2nd Rating = NAIC1
3rd Rating = NAIC2
4th Rating = NAIC2
5th Rating = NAIC3.
Designation = 2FE

- 8) 1st Rating = NAIC1
2nd Rating = NAIC1
3rd Rating = NAIC1
4th Rating = NAIC1
5th Rating = NAIC2.
Designation = 1FE