Filing Exempt – 2\textsuperscript{nd} 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.

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

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

\textbf{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 2\textsuperscript{nd} lowest method will calculate FE Designations based on NAIC equivalents:

1) \begin{align*}
1\text{st} \text{ Rating} &= \text{NAIC1} \\
2\text{nd} \text{ Rating} &= \text{NAIC2} \\
&\textbf{Designation} = 2FE
\end{align*}

2) \begin{align*}
1\text{st} \text{ Rating} &= \text{NAIC1} \\
2\text{nd} \text{ Rating} &= \text{NAIC2} \\
3\text{rd} \text{ Rating} &= \text{NAIC3} \\
&\textbf{Designation} = 2FE
\end{align*}

3) \begin{align*}
1\text{st} \text{ Rating} &= \text{NAIC2} \\
2\text{nd} \text{ Rating} &= \text{NAIC2} \\
3\text{rd} \text{ Rating} &= \text{NAIC3} \\
&\textbf{Designation} = 2FE
\end{align*}

4) \begin{align*}
1\text{st} \text{ Rating} &= \text{NAIC1} \\
2\text{nd} \text{ Rating} &= \text{NAIC2} \\
3\text{rd} \text{ Rating} &= \text{NAIC3} \\
4\text{th} \text{ Rating} &= \text{NAIC4} \\
&\textbf{Designation} = 3FE
\end{align*}

5) \begin{align*}
1\text{st} \text{ Rating} &= \text{NAIC1} \\
2\text{nd} \text{ Rating} &= \text{NAIC1} \\
3\text{rd} \text{ Rating} &= \text{NAIC2} \\
4\text{th} \text{ Rating} &= \text{NAIC2} \\
&\textbf{Designation} = 2FE
\end{align*}
6) 1\textsuperscript{st} Rating = NAIC2
2\textsuperscript{nd} Rating = NAIC2
3\textsuperscript{rd} Rating = NAIC3
4\textsuperscript{th} Rating = NAIC4.
\textbf{Designation} = 3FE

7) 1\textsuperscript{st} Rating = NAIC1
2\textsuperscript{nd} Rating = NAIC1
3\textsuperscript{rd} Rating = NAIC2
4\textsuperscript{th} Rating = NAIC2
5\textsuperscript{th} Rating = NAIC3.
\textbf{Designation} = 2FE

8) 1\textsuperscript{st} Rating = NAIC1
2\textsuperscript{nd} Rating = NAIC1
3\textsuperscript{rd} Rating = NAIC1
4\textsuperscript{th} Rating = NAIC1
5\textsuperscript{th} Rating = NAIC2.
\textbf{Designation} = 1FE