Insight beyond the rating.

Schooner Trust, Series 2007-7

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Structure Summary

Commercial Mortgage Pass-Through Certificates

Class Description	Rating Action	Class Amount	Subordination	Rating
A-1	Provisional Rating – Finalized	$167,000,000	10.89%	AAA
A-2	Provisional Rating – Finalized	$214,000,000	10.89%	AAA
XP	Provisional Rating – Finalized	$411,591,421	–	AAA
XC	Provisional Rating – Finalized	$427,572,194	–	AAA
B	Provisional Rating – Finalized	$9,500,000	8.67%	AA
C	Provisional Rating – Finalized	$8,600,000	6.66%	A
D	Provisional Rating – Finalized	$10,834,841	4.13%	BBB
E	Provisional Rating – Finalized	$2,137,860	3.63%	BBB (low)
F	Provisional Rating – Finalized	$3,206,791	2.88%	BB (high)
G	Provisional Rating – Finalized	$1,603,396	2.50%	BB
H	Provisional Rating – Finalized	$1,603,396	2.13%	BB (low)
J	Provisional Rating – Finalized	$1,068,930	1.88%	B (high)
K	Provisional Rating – Finalized	$1,068,931	1.63%	B
L	Provisional Rating – Finalized	$1,603,396	1.25%	B (low)
M	Provisional Rating – Finalized	$5,344,653	0.00%	NR

NR = not rated. Note: The X balance is notional.

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Transaction Overview

The collateral consists of 72 fixed-rate loans secured by 73 multi-family and commercial properties. One loan, MTS Building, representing 9.6% of the pool, is shadow-rated investment grade at BBB (low) by DBRS. Subordination for the shadow-rated loan is floored at its respective rating. For further details, refer to the Top Ten & Shadow-Rated Loan Review section on page 8.

The conduit pool was analyzed to determine the indicative conduit ratings, reflecting the long-term probability of loan default over the term and its expected loss in the event of default. When the cut-off loan balances are measured against DBRS's normalized net cash flow and its respective actual constants, DBRS identified that all loans had a term debt service coverage ratio (DSCR) above 1.10 times (x), indicating a relatively low likelihood of mid-term default. In addition, given the current low interest rate environment, DBRS applied its refinance debt service constants to the balloon amounts. No loan had a refinance DSCR below 1.00x.

A combined analysis of the shadow-rated loans and the indicative conduit loan credit enhancement results in the transaction's ratings.

Rating Considerations

Strengths

(1) One loan, representing 9.6% of the pool, is shadow-rated investment grade by DBRS.
(2) The trust should experience significant paydown over the life of the deal: 20.8% of initial collateral balance amortizes during the respective loan terms.
(3) Forty-seven loans (55.1% of the pool) provide for full or partial recourse.
(4) Based on DBRS's site inspections, 6.9% of the sample was considered to have excellent property quality and 26.9% of the sample to have above-average property quality.
(5) The properties are predominantly located in urban locations (70.0% of the pool) where access to refinancing capital may be more readily available.
(6) The pool demonstrates low likelihood of mid-term default, with no whole loan having a DBRS stressed term DSCR below 1.10x.

Challenges

(1) Three loans (7.2% of the pool) are partial recourse to a sponsor who has real estate holdings and net worth concentrated in one asset class in one metropolitan area. Given the direct correlation between asset performance and a guarantor's underlying ability to honour a guarantee, DBRS has concerns. Additional borrower concentrations are highlighted on page 4.
(2) The pool is somewhat geographically concentrated, with 50.2% of properties located in Ontario.
(3) Seven loans, 16.8% of the pool, have a DBRS-stressed loan-to-value ratio (LTV) of greater than 90%.
(4) One loan (1.6% of the pool) is secured by an automotive dealership, a special-purpose property type.

Stabilizing Factors

(1) Underlying assets supporting the guarantee are located in a market currently experiencing strong performance.
(2) Ontario is the largest province in Canada and has a highly urbanized population. In addition, the remaining pool collateral is located in seven provinces across Canada.

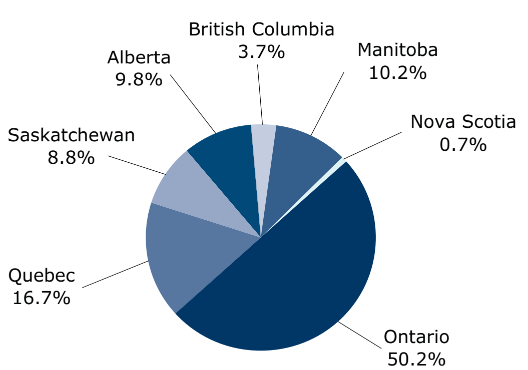
(3) One loan (9.6% of the pool) is shadow-rated BBB (low) by DBRS based on the investment-grade rating (BBB by DBRS) of the major tenant, which generates annual rental revenue sufficient to cover debt service and has a lease that expires five years beyond the loan term. Five of loans (6.3% of the pool) are secured by multi-family properties that are located in stable rental markets and provide 100% recourse to the guarantors.

(4) The property has a good location within an established auto park and benefits from an experienced sponsor/automotive dealer. In addition, the loan demonstrates solid cash flow fundamentals covering debt service during the term at 1.37x and at the balloon at 1.81x.

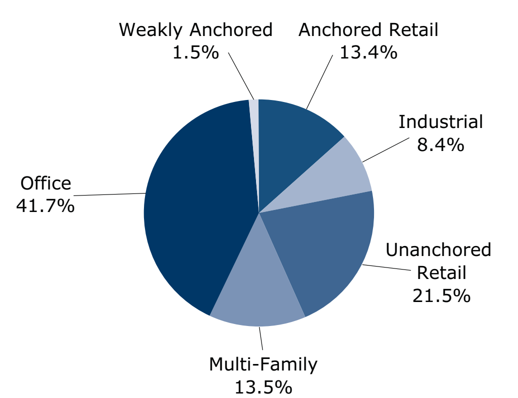
Portfolio Characteristics		Participants	
Trust amount	$427,572,194	**Issuer**	Schooner Trust
Number of loans	72	**Mortgage loan sellers**	The Toronto-Dominion Bank (49.73%)
Number of properties	73		First National Financial LP (21.61%)
Weighted-average interest rate	5.3011%		Capmark Canada Limited (19.22%)
Weighted-average remaining term	107		Laurentian Bank (9.43%)
Weighted-average remaining amortization	314	**Master servicer**	Global Servicing Solutions Canada Corp.
Weighted-average issuer DSCR	1.39x	**Special servicer**	Global Servicing Solutions Canada Corp.
Weighted-average issuer LTV	69.5%	**Custodian**	The Canada Trust Company
Weighted-average DBRS term DSCR*	1.35x	**Underwriter**	TD Securities Inc.
Weighted-average DBRS Refi DSCR*	1.39x	**Selling Agents**	Merrill Lynch Canada Inc.
Weighted-average DBRS LTV*	81.5%		RBC Dominion Securities Inc.
Largest loan concentration	9.6%		Laurentian Bank Securities Inc.
Largest three loans concentration	21.7%		
Largest five loans concentration	30.0%		
Largest ten loans concentration	41.8%		

* The loan amount used to calculate the DSCRs and LTV is reflective of the trust amount.

Geographic Concentration



Property Type Concentration



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Loan Structural Features

- **Interest Only:** One loan (9.6% of the pool) provides for interest-only payments for the first 24 months of the term.

- **Leasehold:** One loan – Centre Pointe Plaza (control number 33, 1.0% of the pool) – is secured by leasehold interest. One loan – Aviva Insurance Complex (control number 2, 7.5% of the pool) – is secured by both a fee simple interest and a leasehold interest. Both land leases have a lease term at least ten years beyond the amortization term.

- **Additional Debt:** Four loans, 7.2% of the pool, have subordinate debt in place, including one loan (2.4% of the pool) that has subordinate debt in place in the form of vendor take-back mortgage. Seven loans (17.3% of the pool) allow for subordinate debt in the future only if certain LTV and DSCR tests are met and subject to subordination and standstill agreements. The inherent risk of additional indebtedness has been factored into DBRS's sizing of each loan.

- **Seismic Risk:** No loans have a probable maximum loss (PML) over 20%.

Borrower Concentrations (> 5% of Total Pool)

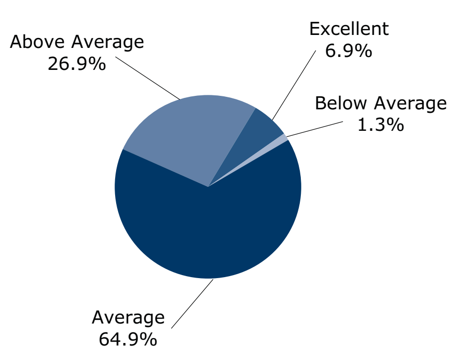
Sponsor Name	Number of Loans	(CAD millions)	% of Pool	Recourse/SAE*
Dundee Properties Limited Partnership	3	49.4	11.6%	One loan provides 100% recourse and two loans provide springing recourse to 100% in a specified event
Weidner Investment Services, Inc.	7	37.8	8.8%	Full recourse
Riaz Mamdani	3	30.7	7.2%	Partial recourse
Total		**117.9**	**27.6%**	

* SAE = single asset entity.

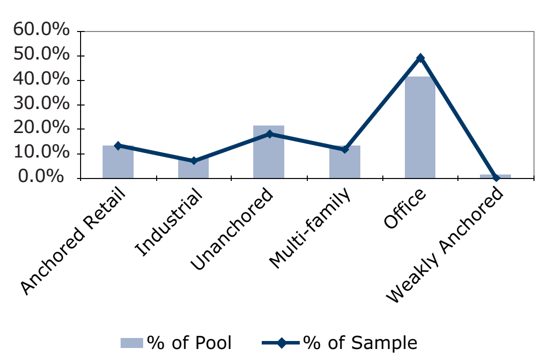
DBRS Inspection Sample

DBRS's sample contained the top 20 loans and a random sample per loan seller based on property type and geographic location. Site inspections were performed on 34 of the 73 properties (79.8% of the pool by loan balance). For 57.5% of the sample pool, DBRS completed meetings with the on-site property manager, leasing agent or a representative of the borrowing entity. The resulting property quality scores are highlighted in the diagram below.

Sampled Property Quality



Sample



DBRS Cash Flow Analysis

Cash flow re-underwriting and a cash flow stability and structural review were completed on 35 loans, representing 79.0% of the pool by loan balance.

In most cases DBRS underwrote current in-place rent, however, in some instances marked rent down to market if DBRS considered the contract rent to be unreasonably above market. Generally, most expenses were underwritten in line with historical levels. Real estate taxes and insurance premiums were inflated if a current bill was not provided, and appropriate capital expenditures and leasing costs were deducted to arrive at the DBRS net cash flow. No upside potential, such as anticipated rental increases or prospective tenant rent, was recognized unless a mitigating reserve, holdback or letter of credit was in place to cover the gap between the lease and rent commencement dates. Contractual rent bumps during the term were recognized for investment-grade tenants on long-term leases if they were still within market ranges.

DBRS's conduit sample average net cash flow variance was 2.22%.

Loan Summary – Top Ten Loans

Top Ten Loan Details

Property Name	Loan Amount	% of Pool	DBRS Shadow Rating	Issuer DSCR (x)	DBRS Term DSCR (x)	DBRS Balloon DSCR (x)	Property Quality
MTS Building	$40,900,000	9.57%	BBB(low)	1.32	1.27	1.32	Above Average
Aviva Insurance Complex	$32,000,000	7.48%	–	1.40	1.28	1.14	Average
Festival Marketplace	$20,000,000	4.68%	–	1.50	1.44	1.50	Average
Milner Professional Building	$17,970,464	4.20%	–	1.32	1.31	1.35	Above Average
300 John Street	$17,500,000	4.09%	–	1.31	1.27	1.33	Average
Deerfoot 17	$10,550,000	2.47%	–	1.15	1.13	1.18	Average
Deerfoot Court	$10,200,000	2.39%	–	1.21	1.21	1.02	Above Average
Stephenson Building	$9,976,909	2.33%	–	1.34	1.32	1.06	Average
Lord Nelson Apartments	$9,964,468	2.33%	–	1.29	1.29	1.15	Average
Trans-Canada Highway	$9,500,000	2.22%	–	1.56	1.53	1.44	Average
Total	**$178,561,841**	**41.76%**		**1.35**	**1.30**	**1.27**	

Top Ten Loan Details

Property Name	Property Type	City	Province	Year Built	SF / Units	Loan per SF / Units ($)	Balloon Loan per SF / Units ($)
MTS Building	Office	Winnipeg	Manitoba	1975	274,709	149	128
Aviva Insurance Complex	Office	Toronto	Ontario	various	437,667	73	60
Festival Marketplace	Anchored Retail	Stratford	Ontario	1989	208,027	96	72
Milner Professional Building	Office	Toronto	Ontario	1986	268,203	67	50
300 John Street	Anchored Retail	Thornhill	Ontario	1981	161,238	109	81
Deerfoot 17	Office	Calgary	Alberta	1981	67,073	157	118
Deerfoot Court	Office	Calgary	Alberta	1980	76,254	134	128
Stephenson Building	Office	Calgary	Alberta	1980	59,874	167	154
Lord Nelson Apartments	Multi-family	Saskatoon	Saskatchewan	1979	216	46,132	37,862
Trans-Canada Highway	Industrial	Dorval	Québec	1973	240,730	39	35

MTS Building

This non-recourse loan is secured by an office property located in downtown Winnipeg, Manitoba. The property consists of two office towers, a 23-storey Class A office building (168,534 sf) and a 13-storey Class B office building (106,175 sf), totalling 274,709 sf of net rentable area (NRA). The two buildings are connected by a ground-level corridor.

The property is fully leased. The major tenant is MTS Allstream Inc. (89% of NRA, 93% rental income with lease expiry in 2021), which is a wholly owned subsidiary of Manitoba Telecom Services Inc. (MTS; rated BBB by DBRS). This property accommodates MTS's corporate headquarters and its main business units. The lease is completely carefree to the landlord with the tenant responsible for all maintenance expenses, realty taxes and structural repair or replacement costs.

The 23-storey building was constructed in 1985 and is connected to the city's pedestrian underground concourse. The remaining space in the building is occupied by Bank of Montreal and two local businesses. The 13-storey building was constructed in 1975. It is currently fully occupied by MTS and is connected through the skywalk to MTS Allstream's central data and communication centre in the adjacent building.

The City of Winnipeg has a diverse economy supported by several sectors. The city's population of 715,446 has experienced an annual growth of 0.6% over the last five years according to FPMarkets Canadian Demographic 2007. Due to its low cost of living, central location within Canada and its affordable accommodation for business, several large corporations are headquartered here, including Great West Life, Investors Group, CanWest Communications, Cargill Foods, and MTS.

Several major capital investments in the downtown area are currently underway, including the Manitoba Hydro Headquarters, the Waterfront Drive Projects, and the Birks Building retrofit for the provincial government. The office market is considered stable, with little movement in occupancy or rents.

The property's average in-place rent of $13.72 psf net for the Class A building is considered slightly below the market level of $14.00 psf, and $12.50 psf net for the Class B building is in line with the market level.

The borrowing entity is beneficially owned by Electra Real Estate Limited and Harbor Group International but is controlled by Crown Realty Partners (CRP), which manages the property but does not have an ownership interest. CRP is owned and operated by experienced real estate professionals. CRP currently owns and/or manages over 2.8 million sf of commercial real estate space. The two equity partners, Electra Real Estate Limited and Harbor Group International, are well-capitalized international real estate companies with large operations and expertise.

DBRS Viewpoint

The property benefits from a premium location in downtown Winnipeg. Although the office market is not robust in Winnipeg, the subject property should be able to maintain its current stable performance because of its long-term leased anchor tenant, MTS. MTS generates annual rental revenue sufficient to cover debt service. DBRS shadow-rated the loan BBB (low) to recognize MTS's lease structure (five years beyond the loan term) and the recent downgrade of MTS's corporate long-term liabilities from BBB (high) to BBB.

Downside Risk

- The property lacks on-site parking.

Stabilizing Factors and Upside Potential

- There are ample public parking facilities located in close proximity of the property.

Aviva Insurance Complex

The collateral is a mixed-use commercial complex constructed between 1967 and 1989. Total rentable area of the complex is 437,647 sf consisting of an 87,161 sf single-storey industrial building and three office buildings (totalling 349,803 sf) ranging from two to seven storeys including ground floor retail components. Also included in the collateral are two multi-level parkades with a total of 683 parking stalls. Additionally, there are 584 surface parking spaces available, a portion of which is located on a leasehold parcel, which has a lease term until 2055 for $1 per annum and the borrower has the right to purchase the site at any time during the lease term at a cost of $1.

The property is currently 100% leased with Aviva Canada Inc. (Aviva) occupying 72% of overall NRA and generating 71.8% of overall rental revenue with a lease expiry in 2016. The industrial space is fully occupied by Pfizer Canada (19.9% of overall NRA and 13.7% of overall rental revenue with lease expiry in 2007). Aviva is one of the leading Property and Casualty insurance groups in Canada, and is a wholly owned subsidiary of UK-based Aviva plc, the world's fifth largest insurance group. Pfizer Inc. (Pfizer), founded in 1849, is a publicly traded, research-based global pharmaceutical company with 2006 annual revenue over $48 billion and net income over $19 billion.

The remaining space is leased to Bank of Nova Scotia, a restaurant, and several professional offices and small retail spaces.

The property is located in the east end of Toronto, on the north-west corner of Eglinton Avenue East and Birchmount Road. The neighbourhood is an established commercial district which features high density residential buildings as well as modern commercial and retail uses along Eglinton Avenue.

The current office market vacancy for Scarborough is 7.8% with an average asking rate of $11.00 psf according to Altus InSite. Aviva currently pays $6.27 and $6.94 psf for its occupied space, which is considered in-line with the comparables of $6.00 psf to $13.50 psf as per the appraiser but lower than the average market rate. The industrial market vacancy is 4.7% with an average asking rate of $4.51 psf according to Cushman & Wakefield LePage. Pfizer's in-place rent of $4.75 is considered in-line with the market rate by the appraiser.

The sponsor of the borrower is Dundee Properties Limited Partnership (DPLP), which is owned by Dundee REIT. Dundee REIT has a net worth of more than $600 million and has holdings across most property types, including office, industrial and retail.

DPLP is also the property manager and provides a full springing recourse guarantee for the term of the loan in the event of default at any time where the space currently occupied by Aviva is generating base rent less than $2,170,000 per annum.

DBRS Viewpoint

The property is an attractive mixed-use complex that appears to be appropriately maintained. Although there are a few major capital items due over the loan term, the major tenant, Aviva, which is the vendor of the transaction, is responsible for up to $3.5 million of curtain wall repairs. Additionally, the property benefits from a strong tenant mix and management from DPLP.

Downside Risk

- Pfizer's lease will expire in September 2007.

Stabilizing Factors and Upside Potential

- The tenant has been on-site since 1987 and owns the adjoining property to the northwest. Additionally, the tenant has built two enclosed walkways to connect its owned building to the subject property, which indicates its commitment to the site.
- The in-place rent is at market.
- The property is a functional generic industrial space that is readily leasible.

Festival Marketplace

The subject property consists of a 208,027 sf enclosed mall located in Stratford, Ontario. Festival Marketplace is well located in the eastern end of Stratford, considered to be the main retail node of the area. The sponsor, Tanurb, A Partnership (the Sponsor), developed the property in 1989.

Anchors at the subject include Sears and Sport Chek. The property is shadow anchored by Canadian Tire Store, which is attached and accessible from within the mall. Other tenants include Mark's Work Wearhouse and Reitman's, as well as multiple smaller local and regional retailers. Zeller's was a tenant at the subject until 2004 when it moved to a nearby building. Upon their departure, Sears expanded their store area to include the vacant Zeller's space and extended their lease through 2020. Based on sales, Sears performs as one of the top three in the nation. In-line sales are strong, reported at over $330 psf.

Stratford is located 96 kilometres southwest from Toronto. Although Stratford is considered a secondary market, the subject is the dominant retail centre and is located on the primary east-west road in Stratford.

Current occupancy is 92.6%, an increase over the 2005 occupancy of 87.6%. Also, over 10% of the NRA expired during 2006, all of which was renewed, a strong indication of the subject's appeal to retailers. A portion of the proceeds of the loan will be used to purchase the adjacent leased land and construct a new building for Winners to occupy. The new improvements will become part of the security; however, no income has been underwritten to account for the potential Winners space.

The Sponsor currently has ownership interests in seven properties, six of which are retail, including two properties in Ontario and four in the U.S. The loan is non-recourse.

DBRS Viewpoint

The subject is the only enclosed mall in Stratford with the closest comparable property in Kitchener, approximately 30 kilometres to the east. Festival Marketplace benefits from its national draws including Sears, which recently extended its lease by 20 years and more than doubled its space. The performance of the mall is expected to remain strong given its dominance in the market and its ability to attract and retain tenants. In addition to Sears' expansion, two new leases, representing 7.6% of the NRA, were signed in Q4 2006.

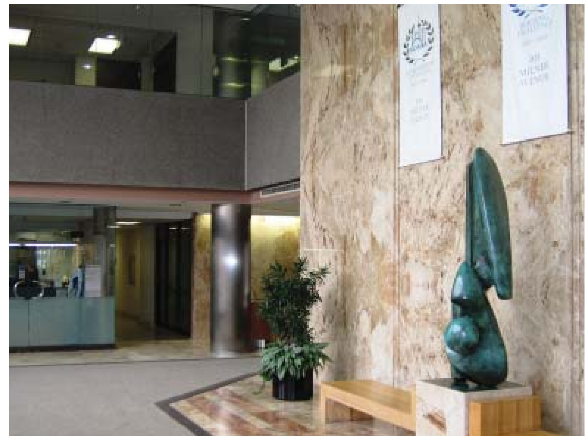
Downside Risks

- Construction on a new Wal-Mart Power Centre is scheduled to be completed in 2008.
- Stratford is a tertiary market.

Stabilizing Factors and Upside Potential

- The subject is the only enclosed mall in the area and benefits from its location on Highway 7/8. Winners' desire to locate at the subject and Canadian Tire's planned expansion from 85,000 sf to 105,000 sf confirm the viability of the subject.
- Although Stratford only has 30,000 residents, according to the appraiser, the subject serves a trade area approaching 75,000.

Milner Professional Building



The collateral is composed of a Class B office building located in Scarborough, approximately 10 kilometres northeast of downtown Toronto, Ontario. The subject is a ten-storey building with 268,203 sf, constructed in 1986, which also provides 811 surface parking spaces and ground floor retail. The loan sponsors have recently purchased the subject with approximately $9.75 million of fresh equity.

The subject is currently 88% leased by 33 tenants. The six largest tenants occupy 170,947 sf (63.7%) of the NRA.

Major Tenants

Name	SF	% NRA	% Base rent	Lease Expiry
CIBC Intria	54,968	20.5	12.9	7/31/15
Mac's Convenience	34,167	12.7	8.7	3/31/17
Ministry of Environment	27,998	10.4	8.1	4/30/08
CUPE	27,489	10.2	12.8	8/31/12
Royal Doulton	16,037	6.0	3.9	3/31/14
Business Development Bank	10,288	3.8	6.4	10/31/09

DBRS currently rates CIBC at A (high) and the Ministry of the Environment at AAA. The remaining tenants include a mixture of financial services and local office tenants. Currently, 11,447 sf of the 31,907 sf that are vacant are contiguous space, according to Altus InSite.

Scarborough is located in the northeast quadrant of the GTA. According Altus InSite, Class B buildings in this submarket are, on average, 7.8% vacant with an asking base rent of $11.00 psf as compared to 12% and $9.00 at the subject. Although the subject is operating slightly below market in both categories, it has been well maintained and should continue to attract tenants.

The loan is non recourse; indemnities are provided by ADH Investments, a company owned by Andrea Dan-Hytman.

DBRS Viewpoint

Although 87% of the leases expire prior to balloon, the expiries are staggered throughout the loan term. Two investment-grade tenants comprise approximately 35% of the NRA. The borrower has infused over 35% equity into the recent purchase of the building.

Downside Risk

- The subject is underperforming the market. Current vacancy is 12%, greater than the market vacancy of 7.8%

Stabilizing Factors and Upside Potential

- As additional collateral, the borrower will deposit $20,000 per month, capped at $1 million, into a reserve account that can be used for leasing costs and capital improvements throughout the loan term. Additionally, Class B properties in this submarket are outperforming, on average, all of Scarborough, the east end of Toronto and the GTA.

300 John Street

The loan is secured by a 161,238 sf mixed-use complex located in Markham, Ontario. The property features two retail buildings (Buildings B and C) and one office complex (Building A) that features two stories of retail below four stories of office space.

The complex is 99% leased by 56 tenants, including national retailers Food Basics and Shoppers Drug Mart. Food Basics (the parent company, Metro Inc., is rated BBB by DBRS), located on the ground level of office Building A, represents 24% of the total NRA and 19% of the annual rent and its lease expires in August 2011. Shoppers Drug Mart (rated A (low) by DBRS) (10% of the NRA, 19% of the annual rent) has recently relocated from Building A to Building B with a new lease that expiries in March 2021. No other tenant occupies more than 3% of the NRA. The office spaces in Building A are primarily occupied by medical professionals. The third structure, building C, is a historical residential dwelling that was reportedly constructed in 1855 and was converted to a restaurant in the early 1980s. It is currently occupied by a Mediterranean restaurant until October 2015.

The collateral is located in the southwest area of Markham, approximately 10 kilometres northeast of downtown Toronto. The immediate neighbourhood is mainly residential in nature with an adjacent townhome development project currently under construction. According to Altus InSite the overall office availability rate within the submarket is 9.2%.

The loan is sponsored by Mr. Jeffrey Wynn who is the principal of The Wynn Group of Companies, a Toronto-based property owner/manager with 3,000 apartment units and approximately 2.0 million sf of commercial properties under management. Mr. Wynn has provided a 100% personal guarantee to the loan.

DBRS Viewpoint

The property benefits from strong retail anchor tenants and an excellent location within a growing residential area. The medical nature of office tenants serves the local residents well and works cohesively with the Shoppers Drug Mart on site.

Downside Risks

• 86% of the leases expire during the loan term, including 33.5% in 2011.

Stabilizing Factors and Upside Potential

• Other than 2011, no other year has more than 13.4% of the NRA expiring. The roll in 2011 includes the complex's largest tenant, Food Basics. Food Basics has been in occupancy since 1981 and extended their lease for five years in September 2006, an indication of their desire to stay at the subject property. Food Basics also spent $1 million on upgrades to their space over the course of 2006, shortly before they extended their lease.

Deerfoot 17

The collateral is a seven-storey, Class B, suburban office building located in Calgary, Alberta. The 67,073 sf building was constructed in 1981 and contains both underground and surface parking spaces for 193 cars.

The subject is currently 92.0% occupied by eight tenants, of which the three largest represent 43% of the NRA. The remaining tenants are a mixture of local professionals.

Major Tenants

Name	% NRA	% Base Rent	Lease Expiry
Fujitsu Microelectronics	17.3	20.7	7/31/11
Call Genie, Inc.	15.9	18.5	9/30/11
Merchant Law Group	9.4	10.9	3/31/12

According to Altus InSite, the subject is located in the Northeast Node of Calgary. Although multiple construction projects are underway in Calgary to accommodate the boom in the oil sands industry, based on location and asking rents, they will not compete directly with the subject. Class B properties in the Northeast Node have seen the average vacancy drop from 6.4% in Q1 2006 to 3.3% at the end of 2006.

The loan is sponsored by Riaz Mamdani, a very active owner of real estate in Calgary, with 35 properties in Alberta included in his portfolio. Mr. Mamdani reports significant net worth and will guarantee up to $2.5 million of the loan amount, or approximately 24% of the initial loan balance.

DBRS Viewpoint

The success of the Calgary office market should mitigate any potential rollover concerns associated with the expiries of 95% of the leases during the loan term. DBRS recognizes the new supply in the downtown core, but does not consider it to threaten Class B suburban space. The property has a dated appearance; however, the subject has been able to attract and retain tenants given its excellent location.

Downside Risks

- 95% of the leases expire during the loan term, including 33.8% in 2011.

Stabilizing Factors and Upside Potential

- During the 12 months before the potential heavy rollover in 2011, $20,833 will be collected monthly and accumulate to $11.23 psf to be used for TI/LC costs associated with lease maturities.
- According to Altus InSite, the average asking rents for the subject's class and submarket are $14.44 psf, approximately $4 to $6 greater than 20.1% of the NRA. Each below-market lease has a lease expiry prior to year-end 2010, providing potential upside.

Deerfoot Court

The subject is a 76,254 sf suburban Class B office building located in Calgary, Alberta. The property was constructed in 1980, and is in good overall condition. The three-storey building is currently 92.7% occupied by a mix of regional and local professional office users.

The largest three tenants represent 71% of the space and include: IHS Energy (36% of the NRA, 41% of total rent, expires 12/31/2008); Cybersurf Corp. (17% of the total NRA, 15% of total rent, expires 12/30/2007); and ACS Engineering (17% of the total NRA, 13% of total rent, expires 3/31/2011).

The property has been under-managed for the past several years by the previous owner, as evidenced by the in-place average rent of $12.91 psf compared with the market level of $18.00 psf net and the subject's physical vacancy of 7.4% compared with market vacancy of 3.4%. The subject's below-market performance offers upside potential in rental revenues and occupancy.

In addition to the first mortgage (subject loan of $10.2 million), there is a Vender Take Back (VTB) of $3.8 million in-place in favour of the vendor. A provision stipulates to allow the vendor, an experienced Calgary-based real estate professional, to gain control of the borrower in the event of a default under the VTB. Although the property will be managed by an affiliate of the borrower, the vendor will have the right to approve all new leases at the property. In addition, the vendor will provide a rental subsidy guarantee to provide minimum rental income of $18.00 psf net for the entire building over the three-year loan period and a partial recourse guarantee in the amount of $3,500,000.

The property is located in a mature business park within the South Airways community of Calgary in close proximity to the Deerfoot/32nd Avenue NE interchange. South Airways is located approximately 5 kilometres northeast of the Calgary CBD.

DBRS Viewpoint

The property is situated in proximity to the Deerfoot/32nd Avenue NE interchange, a location that affords good visibility in the market and access to the site. The subject is an attractive asset with attractive landscaping and an interior atrium. Performance is expected to improve under new ownership. Although there is a rental guarantee of $18.00 psf by the guarantor for the loan term, DBRS underwrote to in-place rent.

The loan is well structured on a three-year loan term in hopes of capturing potential rental revenue increases at balloon given that several of the current below-market leases will roll in a likely high-rent environment.

Downside Risks

- The subject is greatly underperforming both in occupancy and in-place rent psf in a currently booming office market.
- The loan has low refinance debt-service coverage of 1.02x.

Stabilizing Factors and Upside Potential

- The property's previous ownership was inexperienced in managing commercial office space and the new management should be able to achieve higher rents as the existing leases roll during the term.
- The borrower has cash equity of $8.6 million invested in the transaction.

Stephenson Building

The collateral is a seven-storey, Class B building located in the Beltline District of Calgary. The building was constructed in 1980 and comprises 59,874 sf of rentable office space. The improvements also include a three-level underground parking garage that can accommodate 119 vehicles.

The property is fully leased to nine tenants, the largest of which is Krupp Canada (Krupp), a subsidiary of the German firm ThyssenKrupp. Krupp has been a tenant at the subject since 1996 and renewed for another ten years in June 2006. At the time of renewal, Krupp increased their space by 4,200 sf and increased their rent from $10 psf to $15 psf. They now represent 38.7% of NRA and 43% NRI.

The second largest tenant is the Aboriginal Arts Development Awards (AADA), a provincial office for Her Majesty the Queen, which occupies 33% of the NRA through 2009 with a five-year renewal option. AADA has been a tenant since 1996. The remaining tenants include financial services and local office tenants.

Calgary's economy is very much tied to the price of energy. In recent years, the city's population has swelled as has the demand for office space. Calgary has some of the lowest availability rates for downtown office space in the world. The Beltline submarket represents the area directly south of the Calgary downtown core. Beltline vacancy is minimal, dropping from 1.3% to 0.7% in the fourth quarter of 2006.

The loan is sponsored by an experienced Calgary real estate investor/operator who provides 50% recourse to the loan. With this $10 million loan the sponsor will be cashing out approximately $3.85 million. The high-net-worth sponsor has a Calgary real estate portfolio of 35 buildings.

DBRS Viewpoint

The building features quality tenants. Although rollover is high with over 60% of the leases expiring during the loan term, the lease rollover offers upside in rental revenues as the average in-place rent of $13.45 psf is less than market range of $15-$20 psf. DBRS underwrote to leases in place.

As significant new supply joins the market in the next three years, older properties will face a challenge to maintain the current high occupancy levels. However, despite its age, the subject property should compete well within the Beltline office sub-market given its attractive architectural features and capable owner/manager.

The property is an attractive building and appears to be well maintained according to DBRS's site inspection.

Downside Risks

• There is a significant cash-out to the borrower equating to over 35% of the loan amount.

Stabilizing Factors and Upside Potential

• The average rent of $13.45 psf is below market, offering the opportunity for increased revenues and asset appreciation.

Lord Nelson Apartments

The subject property is a 216-unit apartment complex located in Saskatoon, Saskatchewan. The units are configured in two four-storey buildings constructed between 1978 and 1979. The unit mix consists of 14 bachelor, 59 one-bedroom, and 143 two-bedroom units. Property amenities include outdoor tennis courts, a swimming pool, whirlpool, sauna, and exercise/fitness room.

The subject is located in Saskatoon's West node, which according to CMHC has an average vacancy of 2.3%. Vacancy for two-bedroom units, which account for the majority of the subject units, is slightly higher at 2.8%. At the time of DBRS's inspection, occupancy at the complex was 96%, according to the property manager.

The property is well located in west Saskatoon's Fairhaven residential neighbourhood, southeast of the intersection of 22nd Street and Circle Drive. The surrounding area is primarily residential with public schools and transit located nearby.

The borrower, Weidner Investment Services, Inc. (Weidner), has been developer, owner and manager of rental properties in the U.S. and Canadian markets since 1977. The subject was purchased on an individual basis as part of a seven property multi-family portfolio consisting of over 1,000 units located throughout Saskatchewan. Weidner's Canadian portfolio consists mainly of properties in the major western cities of Winnipeg, Edmonton, Calgary and Saskatoon. Weidner is run by its founder and 100% owner W. Dean Weidner. Weidner's portfolio consists of 103 properties and the company has significant net worth relative to loan size. Weidner provides 50% recourse for this deal.

DBRS Viewpoint

DBRS inspected the property and found it to be well maintained and in good condition. The current owners have raised rents to increase revenues and are renovating older units as they are vacated to keep the building up to market standards. The subject has no age restrictions, but tenants tend to be older, which bodes well for the management's ability to maintain the quality of the units.

Downside Risks

- The borrower's attempts to raise rents may keep vacancy higher than market average.
- The property is of older vintage, built in the late 1970s.

Stabilizing Factors and Upside Potential

- Weidner is an established owner and manager of rental properties with experience in the western Canadian market. Weidner provides 50% recourse on the loan.
- Combined capital expenditures of $149,800 in 2004 and 2005 (~$350/unit) have kept the units well maintained.

Trans-Canada Highway

The collateral is two, multi-tenant industrial buildings located in Dorval, Québec, and an additional 84,000 sf of undeveloped land. The additional parcel of land can be re-leased upon the completion of pyrite remediation at one of the buildings or upon the lender's receipt of an LOC in the amount of $800,000. At closing, there will be approximately $3.2 million of cash equity remaining in the transaction.

Building #1 – 2052-2080 Trans-Canada Highway: The 91,186 sf building was built in 1973 and has a clear height of 18 feet. The building is 100% occupied by five tenants, the largest two being Pierre Brunelle with 32% of rentable area expiring in July 2007 and Pyramide Produits with 37% of rentable area expiring in June 2009. These two tenants pay $4.91 and $3.75 psf, respectively.

Building #2 – 2100-2198 Trans-Canada Highway: The 149,544 sf building was built in 1974 and was renovated in 1989. The industrial section has a clear height of 18 feet to 24 feet. The building is 90% occupied by six tenants, the largest being AVS Technologies, with 39% of rentable area expiring in October 2013. AVS pays $7.04 psf.

The Phase II environmental report indicated a problem with the presence of pyrite in the backfill beneath the concrete slab at both properties. The existence of pyrite in the underlying fill does not represent environmental issues, however, it does erode concrete slab integrity when it comes in contact with water. To mitigate this problem, reserves have been taken to remediate the soil and repair the slab as tenants roll over. A reserve to complete this work and cover lost rent during the time of repairs has been fully taken. A fixed-price contract from a major concrete contractor is in place to remedy the problem. Building #1 will require remediation immediately and Building #2 will require remediation within the next eight years.

The subject is located in an industrial area of Dorval, in the West Island submarket of the Greater Montreal Area. The property is very well located with high visibility and exposure along the Trans-Canada Highway. The Montreal-Pierre Elliott Trudeau International Airport is approximately ten kilometres from the subject. The CN and CP rail lines are nearby as well and add to the functionality of the property.

The loan sponsor is a partnership between Sabino Grassi (10%) and GE Capital Real Estate Canada (90%). The two parties have been investing in industrial and office properties since 2001. Mr. Grassi serves as the carve-out guarantor. Mr. Grassi's management company, Metevier-Grassi, manages over 1.5 million sf of industrial/commercial space, all in the Montreal area.

DBRS Viewpoint

Both buildings are very well located in the GMA's West Island submarket in an established industrial district, and benefit from excellent highway exposure and visibility on the Trans-Canada Highway. Rents are below market at building #1 because of the foundation issues caused by the presence of pyrite. In additional to the escrow for remediation work, the lender has required a TI/LC reserve of more than $3 psf to cover the re-tenanting of spaces vacated for pyrite remediation.

Downside Risks

- Though both buildings are in need of pyrite remediation work, only the funds to cover work for the property at 2052-2080 have been escrowed.

Stabilizing Factors and Upside Potential

- In addition to the holdbacks for remediation, the borrower has $5 million cash equity invested in the transaction at closing.
- Guarantor is fully responsible for any and all costs related to pyrite remediation/removal for the entire property of Building #2 throughout the loan term.

Surveillance

DBRS will perform monthly analytics, surveying the portfolio for delinquencies, prepayments, loan trigger events and corresponding DSCR volatility.

In addition, DBRS will publish performance update reports summarizing credit issues and the impact on the outstanding ratings of this transaction.

Note: All figures are in Canadian dollars unless otherwise noted.