

**Q. Evidence of Ms. McShane Page 7**

- (a) **Would Ms. McShane agree that the US and Canadian banking systems, like the utilities, have a similarity in their business and operating environment? If not please discuss the technological differences in US vs Canadian banking.**
- (b) **Please list all the Canadian and US banks that have either failed or been taken over due to fears surrounding their future profitability over the last two years.**
- (c) **Please list all the Canadian and US utility holding companies that have either failed or been taken over due to fears surrounding their future profitability.**
- (d) **Ms. McShane discusses the fact that Newfoundland Power is regarded as “ring fenced” please discuss in detail why S&P changed their policy towards rating regulated subsidiaries that were part of utility holding companies.**
- A. (a) Yes, the business and operating environments are similar.
- (b) US banks that have either failed or been taken over due to fears surrounding their future profitability in the last two years are listed in Attachment A. There have been no Canadian bank failures in the last two years. The last bank failures in Canada were in 1985.
- (c) The following investor-owned US utility companies have either failed or been taken over due to fears surrounding their future profitability: Columbia Gas, El Paso Electric Co., Enron, Entergy New Orleans, Northwestern Corp., Pacific Gas & Electric Co., and Public Service Co. of New Hampshire. There have been no Canadian utility failures. Note that a significant percentage of the utility assets in Canada are owned by provincial and municipal governments, which provide support to those utilities.
- (d) Ms. McShane is not aware that S&P has changed its policy. Its October 1999 report *Criteria: Ring-Fencing A Subsidiary* discussed the rating policy. In that report, S&P stated that it considers, in the absence of ring-fencing, a weak parent has the ability to siphon off assets from a healthy subsidiary. Thus in rating companies, S&P looks at the consolidated operations, including the degree of insulation between a subsidiary and its parent. A subsidiary which S&P views to be effectively ring-fenced from its parent can achieve a rating up to three notches higher than a weaker parent.

**U.S.A. Banks**

**Failed or Taken Over Due to Fears in Future Profitability**

**U.S.A. Banks**

**Failed or Taken Over Due to Fears in Future Profitability**

<b>Bank</b>	<b>City</b>	<b>State</b>	<b>Date of Closing</b>
Founders Bank	Worth	IL	2-Jul-09
Millennium State Bank of Texas	Dallas	TX	2-Jul-09
First National Bank of Danville	Danville	IL	2-Jul-09
Elizabeth State Bank	Elizabeth	IL	2-Jul-09
Rock River Bank	Oregon	IL	2-Jul-09
First State Bank of Winchester	Winchester	IL	2-Jul-09
John Warner Bank	Clinton	IL	2-Jul-09
Mirae Bank	Los Angeles	CA	26-Jun-09
MetroPacific Bank	Irvine	CA	26-Jun-09
Horizon Bank	Pine City	MN	26-Jun-09
Neighborhood Community Bank	Newnan	GA	26-Jun-09
Community Bank of West Georgia	Villa Rica	GA	26-Jun-09
First National Bank of Anthony	Anthony	KS	19-Jun-09
Cooperative Bank	Wilmington	NC	19-Jun-09
Southern Community Bank	Fayetteville	GA	19-Jun-09
Bank of Lincolnwood	Lincolnwood	IL	5-Jun-09
Citizens National Bank	Macomb	IL	22-May-09
Strategic Capital Bank	Champaign	IL	22-May-09
BankUnited, FSB	Coral Gables	FL	21-May-09
Westsound Bank	Bremerton	WA	8-May-09
America West Bank	Layton	UT	1-May-09
Citizens Community Bank	Ridgewood	NJ	1-May-09
Silverton Bank, NA	Atlanta	GA	1-May-09
First Bank of Idaho	Ketchum	ID	24-Apr-09
First Bank of Beverly Hills	Calabasas	CA	24-Apr-09
Michigan Heritage Bank	Farmington Hills	MI	24-Apr-09
American Southern Bank	Kennesaw	GA	24-Apr-09
Great Basin Bank of Nevada	Elko	NV	17-Apr-09
American Sterling Bank	Sugar Creek	MO	17-Apr-09
New Frontier Bank	Greeley	CO	10-Apr-09
Cape Fear Bank	Wilmington	NC	10-Apr-09
Omni National Bank	Atlanta	GA	27-Mar-09
TeamBank, NA	Paola	KS	20-Mar-09
Colorado National Bank	Colorado Springs	CO	20-Mar-09
FirstCity Bank	Stockbridge	GA	20-Mar-09
Freedom Bank of Georgia	Commerce	GA	6-Mar-09

*Requests for Information*

Security Savings Bank	Henderson	NV	27-Feb-09
Heritage Community Bank	Glenwood	IL	27-Feb-09
Silver Falls Bank	Silverton	OR	20-Feb-09
Pinnacle Bank of Oregon	Beaverton	OR	13-Feb-09
Corn Belt Bank & Trust Co.	Pittsfield	IL	13-Feb-09
Riverside Bank of the Gulf Coast	Cape Coral	FL	13-Feb-09
Sherman County Bank	Loup City	NE	13-Feb-09
County Bank	Merced	CA	6-Feb-09
Alliance Bank	Culver City	CA	6-Feb-09
FirstBank Financial Services	McDonough	GA	6-Feb-09
Ocala National Bank	Ocala	FL	30-Jan-09
Suburban FSB	Crofton	MD	30-Jan-09
MagnetBank	Salt Lake City	UT	30-Jan-09
1st Centennial Bank	Redlands	CA	23-Jan-09
Bank of Clark County	Vancouver	WA	16-Jan-09
National Bank of Commerce	Berkeley	IL	16-Jan-09
Sanderson State Bank	Sanderson	TX	12-Dec-08
Haven Trust Bank	Duluth	GA	12-Dec-08
First Georgia Community Bank	Jackson	GA	5-Dec-08
PFF Bank & Trust	Pomona	CA	21-Nov-08
Downey Savings & Loan	Newport Beach	CA	21-Nov-08
Community Bank	Loganville	GA	21-Nov-08
Security Pacific Bank	Los Angeles	CA	7-Nov-08
Franklin Bank, SSB	Houston	TX	7-Nov-08
Freedom Bank	Bradenton	FL	31-Oct-08
Alpha Bank & Trust	Alpharetta	GA	24-Oct-08
Meridian Bank	Eldred	IL	10-Oct-08
Main Street Bank	Northville	MI	10-Oct-08
Washington Mutual Bank	Henderson	NV	25-Sep-08
Washington Mutual Bank FSB	Park City	UT	25-Sep-08
Ameribank	Northfork	WV	19-Sep-08
Silver State Bank	Henderson	NV	5-Sep-08
Integrity Bank	Alpharetta	GA	29-Aug-08
Columbian Bank & Trust	Topeka	KS	22-Aug-08
First Priority Bank	Bradenton	FL	1-Aug-08
First Heritage Bank, NA	Newport Beach	CA	25-Jul-08
First National Bank of Nevada	Reno	NV	25-Jul-08
IndyMac Bank	Pasadena	CA	11-Jul-08
First Integrity Bank, NA	Staples	MN	30-May-08
ANB Financial, NA	Bentonville	AR	9-May-08

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Hume Bank	Hume	MO	7-Mar-08
Douglass National Bank	Kansas City	MO	25-Jan-08
Miami Valley Bank	Lakeview	OH	4-Oct-07
NetBank	Alpharetta	GA	28-Sep-07

National City was bought by PNC in October 2008

Wachovia was bought by Wells Fargo in October 2008