

Q. Re: Comparability of US companies, page 19

a. Mr Cicchetti claims that US utilities are comparable because they have similar operating and regulatory environments. Would he agree that the same logic applies to US and Canadian banks in that they are all regulated under the same BIS guidelines and operate with the same technology?

b. Would Mr Cicchetti regard US and Canadian banks as equivalent in risk given that no Canadian banks have suffered any serious problems during the current recession whereas all 19 of the largest US banks have accepted TARP funding and many more have gone bankrupt requiring the biggest rescue operation on the part of the US government for 70 years? If not why not.

c. Can Mr. Cicchetti confirm that market integration simply means that capital can flow freely between two markets but that does not mean that the rate of inflation or risk is the same? If not please provide any supporting documentation and citations to the literature that indicates that nominal rates of return should be the same in two integrated markets that differ in terms of inflation, taxes and foreign exchange rate risk where there are with-holding taxes.

d. Please confirm that rating agencies simply predict the probability and consequences of default. They do not estimate fair rates of return or capital market conditions or even comment on nominal debt costs.

A. (a.) Mr. Cicchetti does not agree.

(b.) Mr. Cicchetti has not performed an analysis of the risks associated with US and Canadian banks and consequently has no opinion on the relative risks between them.

(c.) Confirmed.

(d.) Confirmed.