

1 **Q. At p. 37, Mr. McDonald states, “We considered the debt ratings to be an objective**
2 **indication of total risk. Since we did not find significant differences in total risk**
3 **between our proxy group and the Company, we did not make any further**
4 **adjustments to our results.” Please reconcile this statement with the statement at p.**
5 **6, lines 319 – 320 under the heading “credit ratings” – “. . . However we caution that**
6 **bond ratings are not necessarily a good indication of the risks face (sic) by a**
7 **company’s equity holders.”**

8
9 **A. Mr. MacDonald’s use of the word “objective” should be interpreted as to meaning that**
10 **Moody’s and DBRS’s debt ratings are prepared independently without influence from the**
11 **issuer. That is, the debt ratings issued by Moody’s and DBRS are an independent**
12 **indication of total risk.**

13
14 Furthermore, we note that although DBRS and Moody’s debt ratings are
15 independent/objective indicators of total risks, the debt ratings are issued from a debt
16 holder perspective and not from an equity holder. The risks faced by bond holders are not
17 necessarily the same as equity holders.