**Q. Reference: page 80, lines 10-17**

**Dr. Booth recommends that 5% in common equity be replaced with preferred shares and states that "At the end of September 2012 BMO estimated the yield on retractable preferred at about 3.41%. These preferreds generally have a retraction feature where the investor can retract or demand payment every five years so they sell on yields relative to mid-term Canada bonds. However, unlike bonds these are similar to equity and paid out of after tax income so they therefore support the credit rating, as they do not add fixed interest."**

**Please confirm that DBRS attributes 0% equity credit to retractable preferred shares, i.e., DBRS considers "Any hybrid where holders hold a retraction call to be paid in cash" as debt and that 0% equity treatment "reflects debt where there are no equity features considered to be of any meaningful value" (DBRS Criteria: Preferred Share and Hybrid Criteria for Corporate Issuers, November 2012).**

A. Correct. If the retraction is in cash then DBRS regards them as debt equivalents. If the retraction is in terms of other preferred or common shares then DBRS regards them as equity. However, regardless of the retraction feature the dividends on preferred shares rank after interest and support the interest coverage ratio.