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# Dominion Bond Rating Service Limited

## Press Release

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### DBRS Announces Ratings on Broader Preferred Share Rating Scale

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On September 23, 1998, DBRS announced plans to make improvements to our preferred share rating scale in two areas:

- (1) The scale will be broadened by adding (high) and (low) appendages for all 5 base rating categories (Pfd-1 through Pfd-5). In the past, DBRS has not used the (high) appendage in the preferred rating scale and the use of (low) was limited to a handful of unique situations related to non-cumulative issues and junior securities. In moving to the new scale, the number of potential rating categories will be increased from 5 to 15. This broader scale will enable DBRS to more finely tune our rating opinions through the rating symbol, which can only benefit our subscribers.
- (2) While implementing the new scale, we will also be adding designations to alert subscribers to issues that have unique characteristics such as instruments that are hybrids. We believe that this new approach will be beneficial in providing subscribers with a clearer and more understandable rating opinion, while still alerting holders to certain types of potential market risks.

As planned, we are releasing all preferred share ratings on our broader scale today, along with definitions for the new rating scale and the designations that will be used to alert subscribers to those issues that have hybrid and non-cumulative features. It should be understood that, where rating changes occur, they relate to the impact of implementing a broader range of rating choices under the new scale, and are thus technical in nature. As such, any rating changes should not be considered as upgrades or downgrades, but rather as definitional changes that provide more finely tuned rating information.

For all rating changes, please refer to our internet site at [www.dbrs.com](http://www.dbrs.com)

## NEW PREFERRED SHARE SCALE

COMPANY NAME	SECURITY RATED	OLD	NEW	TREND
Agrium Inc.	Preferred Securities ("COPrS")	Pfd-3	Pfd-3 (high) y	Stable
Alcan Aluminium Limited	All Classes Preferred Shares	Pfd-2	Pfd-2 (low)	Stable
AllBanc Split Corp. (Split Share Rating)	5.10% Non-Cum. Pref. Shares	Pfd 2 (high) n	Pfd-2 (high) n	Stable
Bank of Montreal	Cumulative Preferred Shares	Pfd-1	Pfd-1	Stable
Bank of Montreal	Non-Cumulative Preferred Shares	Pfd-1 (low)	Pfd-1 n	Stable
Bank of Nova Scotia	Cumulative Preferred Shares	Pfd-1	Pfd-1	Stable
Bank of Nova Scotia	Non-Cumulative Preferred Shares	Pfd-1 (low)	Pfd-1 n	Stable
BC Gas Utility Ltd.	Cumulative Preferred Shares	Pfd-3	Pfd-3 (high)	Stable
BC TEL	Preferred Shares	Pfd-2	Pfd-2 (high)	Stable
BCE Inc.	All Classes Preferred Shares	Pfd-2	Pfd-2	Stable
Bell Canada	All Series Preferred Shares	Pfd-2	Pfd-2 (high)	Stable
Bombardier Inc.	Preferred Shares	Pfd-2	Pfd-2	Stable
Canada Trustco Mortgage Co. & Canada Trust Co.	Third Preference Shares - Non cumulative	Pfd-1 (low)	Pfd-1 n	Stable
Canadian Imperial Bank of Commerce	Cumulative Preferred Shares	Pfd-1	Pfd-1	Stable
Canadian Imperial Bank of Commerce	Non-Cumulative Preferred Shares	Pfd-1 (low)	Pfd-1 n	Stable
Canadian Utilities Ltd.	Cum.&Cum. Retractable Preferred Shares	Pfd-1	Pfd-1 (low)	Stable
CanCap Preferred Corporation (Split Share Rating)	5.40% Cum. Pref. Shares	Pfd-1	Pfd-1	Stable
CanUtilities Holdings Ltd.	Cummulative Preferred Shares	Pfd-1	Pfd-1 (low)	Stable
Caribbean Utilities Company, Ltd.	Cumulative Retractable Preferred Shares	Pfd-2	Pfd-2 (low)	Stable
Cominco Ltd.	Series A & B, Preferred Shares	Pfd-3	Pfd-3	Stable
Consumers' Gas Company Ltd., The	Cum.&Cum. Retractable Preferred Shares	Pfd-2	Pfd-2 (high)	Stable
Co-operators General Insurance Company	Non-Cum.Redem.Class E Pref. Shares	Pfd-2 (low)	Pfd-2 (low) n	Stable
Crown Life Insurance Co.	Class 1 Series A, Preferred Shares	Pfd-3	Pfd-3 (low)	Stable
CRS Preferred NT Ltd.	Senior Dividend Shares	Pfd-1	Pfd-1	Stable
CRS II Preferred NT Trust	Senior Dividend Units	Pfd-1	Pfd-1	Stable
CT Financial Services Inc.	Sr Preference Shares	Pfd-1	Pfd-1 (low)	Stable
CT Financial Services Inc.	Non-Cumulative Preference Shares	Pfd-1 (low)	Pfd-1 (low) n	Stable
Desjardins-Laurentian Financial Corporation	Non-Cumulative Class A, Pref Shs	Pfd-3 (low)	Pfd-3 (low) n	Stable
Dofasco Inc.	4% Cum. Rdm. Preferred Shares	Pfd-2	Pfd-2 (low)	Stable
Domtar Inc.	Preferred Shares	Pfd-4	Pfd-4 (high)	Stable
Echo Bay Mines Ltd.	Capital Securities	Pfd-5	Pfd-5 (low) y	Stable
EdperBrascan Corporation	Preferred Shares	Pfd-3	Pfd-3 (high)	Stable
Empire Company Limited	Preferred Shares	Pfd-2	Pfd-2 (low)	Stable
Falconbridge Limited	Preferred Shares	Pfd-3	Pfd-3 (high)	Stable
Gentra Inc.	Cumulative Redeemable Preference Shares	Pfd-3	Pfd-3 (low)	Stable
Global Telecom Split Share Corp. (Split Share Rating)	Preferred Shares	Pfd-2	Pfd-2	Stable
Great-West Life Assurance Company, The	Cumulative Preferred Shares	Pfd-1	Pfd-1	Stable
Great-West Life Assurance Company, The	Non-Cumulative Preferred Shares	Pfd-1 (low)	Pfd-1 n	Stable
Great-West Lifeco Inc.	Series A,B & C Non-Cumulative 1st Pref	Pfd-1 (low)	Pfd-1 (low) n	Stable
Gulf Canada Resources Ltd.	Series 1 & 2 Senior Preferred Shares	Pfd-5	Pfd-5 (high)	Stable
Hollinger Inc.	Series I & II Preferred Shares	Pfd-4	Pfd-4	Stable
Hollinger International Inc.	Convertible Preferred Stock	Pfd-4	Pfd-4	Stable
Imasco Limited	Preferred Shares	Pfd-2	Pfd-2	Stable
Inco Limited	Convertible Pfd Shs	Pfd-4 p	Pfd-4 (high) p	Stable
Island Telephone Company Ltd.	All Series Preferred Shares	Pfd-3	Pfd-3 (high)	Stable
Jannock Ltd.	Second Preference Shares	Pfd-3	Pfd-3 (high)	Stable
Laurentian Bank of Canada	Cumulative Preferred Shares	Pfd-2	Pfd-2	Stable
Laurentian Bank of Canada	Non-Cumulative Preferred Shares	Pfd-2 (low)	Pfd-2 n	Stable

LEED NT Corp. (Split Share Rating)	Equity Dividend Shares	Pfd-2	Pfd-2 (high) n	
Loblaw Companies Ltd.	First Preferred Shares	Pfd-2	Pfd-2 (high)	Stable
London Insurance Group Inc.	Cumulative Preferred Shares	Pfd-1	Pfd-1 (low)	Stable
London Insurance Group Inc.	Non-Cumulative Pref. Shares (Ser.D&E)	Pfd-1 (low)	Pfd-1 (low) n	Stable
MacMillan Bloedel Limited	Preferred Shares, Class B	Pfd-3	Pfd-3	Stable
Maritime Life Assurance Company	Cumulative Redeemable 1st Pref Shs	Pfd-2	Pfd-2	Stable
Maritime Telegraph & Telephone Co. Ltd.	All Classes Preferred Shares	Pfd-2	Pfd-2	Stable
MCM Split Share Corp. (Split Share Rating)	5.50% Preferred Shares	Pfd-2	Pfd-2	Stable
Multibank Financial Corp. (Split Share Rating)	Preferred Shares	Pfd-1	Pfd-1	Stable
National Bank of Canada	Cumulative Preferred Shares	Pfd-2	Pfd-2 (high)	Stable
National Bank of Canada	Non-Cumulative Preferred Shares	Pfd-2 (low)	Pfd-2 (high) n	Stable
Newfoundland Light & Power Co. Ltd.	Cumulative Preferred Shares	Pfd-2	Pfd-2	Stable
Noranda Forest Inc.	Class A, Preferred Shares	Pfd-3	Pfd-3	Stable
Noranda Inc.	Senior Preferred Shares	Pfd-3	Pfd-3 (high)	Stable
Northern Telecom Limited	Class A, Rdm. Preferred Shares	Pfd-2	Pfd-2 (high)	Stable
Northern Telecom Limited	Class A, Non-cum Rdm. Pref. Shares	Pfd-2 (low)	Pfd-2 (high) n	Stable
Nova Scotia Power Inc.	Cumulative Preferred Shares	Pfd-2	Pfd-2 (low)	Stable
Pacific Northern Gas Ltd.	Cumulative Preferred Shares	Pfd-3	Pfd-3 (high)	Stable
Placer Dome Inc.	Preferred Securities	Pfd-3	Pfd-3 (high) y	Stable
Power Corporation of Canada	Cum. Redeem. First Pref Shares, 1986 Series	Pfd-2	Pfd-2 (high)	Stable
Power Financial Corporation	Cumulative First Pfd Shares (Ser.A)	Pfd-1	Pfd-1 (low)	Stable
Power Financial Corporation	Non-Cum. First Pfd Shs. (Ser.B,C&D)	Pfd-1 (low)	Pfd-1 (low) n	Stable
Premium Income Corporation (Split Share Rating)	5.75% Cum. Pref. Shares	Pfd-2	Pfd-2	Stable
Quebecor Printing Inc.	Cum. Redeem. Pref. Shares	Pfd-2	Pfd-2 (low)	Stable
Royal Bank of Canada	Cumulative Preferred	Pfd-1	Pfd-1	Stable
Royal Bank of Canada	Non-Cumulative Preferred Shares	Pfd-1 (low)	Pfd-1 n	Stable
Russel Metals Inc.	Series C, \$30 million Pfd Shs	Pfd-4	Pfd-4	Stable
Scotia Mortgage Invest. Corp. "BOOMS" (BNS)	Non-cumulative Preferred Shares Class A	Pfd-1 (low)	Pfd-1 n	Stable
Scotia Split Corp. (Split Share Rating)	Preferred Shares	Pfd-2	Pfd-2 (high) n	Stable
Shaw Communications Inc.	Series A Cdn Originated Pfd Secur.	Pfd-3	Pfd-3 (low) y	Stable
Shaw Communications Inc.	Series B Capital Securities	Pfd-3	Pfd-3 (low) y	Stable
Split Yield Corporation (Split Share Rating)	Class I Cumulative Preferred Shares	Pfd-1	Pfd-1 (low)	Stable
Split Yield Corporation (Split Share Rating)	Class II Cumulative Preferred Shares	Pfd-3	Pfd-3 (low)	Stable
Stelco Inc.	Preferred Shares	Pfd-3	Pfd-3	Stable
TD Mortgage Investment Corporation	Higher Yielding Bank Related Securities	Pfd-1 (low)	Pfd-1 n	Stable
Telco Split Corp. (Split Share Rating)	5.25% Non-Cum. Preferred Shares	Pfd-2 (low)	Pfd-2 n	Stable
Teleglobe Inc.	1st, 2nd & 3rd Preferred Shares	Pfd-2	Pfd-2 (low)	Stable
Texaco Capital LLC (guar. by Texaco Inc.)	Deferred Preferred Shares, Series C	Pfd-2	Pfd-2 y	Stable
Thirty-Five Split Corp.	5.10% Cumulative Preferred Shares	Pfd-3	Pfd-3	Stable
Thomson Corp.,The	Preferred Shares	Pfd-2	Pfd-2	Stable
Toronto-Dominion Bank, The	Cumulative 1st Preferred Shares	Pfd-1	Pfd-1	Stable
Toronto-Dominion Bank, The	Non-Cumulative 1st Preferred Shares	Pfd-1 (low)	Pfd-1 n	Stable
TransAlta Utilities Corp.	Cumulative & Redeemable 1st Pfd Shs	Pfd-1	Pfd-1 (low)	Stable
TransCanada Capital (guar. by TCPL)	Pref. Securities ("TOPrS")	Pfd-2	Pfd-2 y	Stable
TransCanada PipeLines Limited	First Preferred Shares	Pfd-2	Pfd-2 (low)	Stable
TransCanada PipeLines Limited	Preferred Securities ("COPrS")	Pfd-2	Pfd-2 y	Stable
Trilon Financial Corporation	Cumulative Pfd Shares, (Cl. I, Series A)	Pfd-2	Pfd-2 (low)	Stable
Trilon Financial Corporation	Cum. Jr Pfd Shares (Cl. II, Ser 3&4)	Pfd-2 (low)	Pfd-3 (high)	Stable
Union Gas Limited	Cum.&Cum. Retractable Preferred Shares	Pfd-2	Pfd-2	Stable
United Grain Growers Ltd.	Series A, Convertible Preferred Shs	Pfd-4	Pfd-4 (high)	Stable
Westcoast Energy Inc.	Cumulative Preferred Shares	Pfd-2	Pfd-2 (low)	Stable
Weston (George) Ltd.	Preferred Shares	Pfd-2	Pfd-2	Stable
Xerox Capital LLC (guar. by Xerox Corp.)	Deferred Preferred Shares, Series A	Pfd-2	Pfd-2	Stable

## DBRS PREFERRED SHARE RATING SCALE

As is the case with all DBRS rating scales, preferred share ratings are meant to give an indication of the risk that the borrower will not fulfil its full obligations in a timely manner, with respect to both dividends and principal commitments. DBRS ratings do not take factors such as pricing or market risk into consideration. Ratings are expected to be used by purchasers as one part of their investment process. Every DBRS rating is based on quantitative and qualitative considerations that are relevant for the borrowing entity.

<b>Pfd-1</b>	Superior Credit Quality	<b>Pfd-4</b>	Speculative
<b>Pfd-2</b>	Satisfactory Credit Quality	<b>Pfd-5</b>	Highly Speculative
<b>Pfd-3</b>	Adequate Credit Quality	<b>"D"</b>	In Arrears

### Pfd-1

Preferred shares rated Pfd-1 are of **superior credit quality**, and are supported by entities with strong earnings and balance sheet characteristics. Pfd-1 generally corresponds with companies whose senior bonds are rated in the AAA or AA categories. As is the case with all rating categories, the relationship between senior debt ratings and preferred share ratings should be understood as one where the senior debt rating effectively sets a ceiling for the preferred shares issued by the entity. However, there are cases where the preferred share rating could be lower than the normal relationship with the issuer's senior debt rating.

### Pfd-2

Preferred shares rated Pfd-2 are of **satisfactory credit quality**. Protection of dividends and principal is still substantial, but earnings, the balance sheet, and coverage ratios are not as strong as Pfd-1 rated companies. Generally, Pfd-2 ratings correspond with companies whose senior bonds are rated in the "A" category.

### Pfd-3

Preferred shares rated Pfd-3 are of **adequate credit quality**. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adversities present which detract from debt protection. Pfd-3 ratings generally correspond with companies whose senior bonds are rated in the higher end of the BBB category.

### Pfd-4

Preferred shares rated Pfd-4 are **speculative**, where the degree of protection afforded to dividends and principal is uncertain, particularly during periods of economic adversity. Companies with preferred shares rated Pfd-4 generally coincide with entities that have senior bond ratings ranging from the lower end of the BBB category through the BB category.

### Pfd-5

Preferred shares rated Pfd-5 are **highly speculative** and the ability of the entity to maintain timely dividend and principal payments in the future is highly uncertain. The Pfd-5 rating generally coincides with companies with senior bond ratings of "B" or lower. Preferred shares rated Pfd-5 often have characteristics which, if not remedied, may lead to default.

### "D"

This category indicates preferred shares that are **in arrears** of paying either dividends or principal.

("high", "low") grades are used to indicate the relative standing of a credit within a particular rating category. The lack of one of these designations indicates a rating that is essentially in the middle of the category. In order to alert subscribers to the fact that in a default situation there is a potentially higher risk of loss with a non-cumulative security, DBRS uses the "n" designation. This method essentially alerts subscribers to the potential risk that would arise in a default scenario without penalizing the base rating, where the key focus is to measure credit risk and the likelihood of default. DBRS has chosen to provide the same type of alert for hybrid instruments using the "y" designation. For more information on both of these appendages, the subscriber is referred to the section entitled "Additional Rating Information".

## ADDITIONAL RATINGS INFORMATION

In general, DBRS credit ratings are focused on providing a measure of the issuer's ability to meet its obligations in a timely manner. As such, there are numerous market and other risks that can impact the holder of debt and preferred share instruments that are not captured in the rating. Some are well understood and generic, such as the pricing risk related to changes in interest rates. Other terms and covenants are less clear. DBRS believes that there are two general areas where key terms are present that are important for the holder to be aware of, but which do not normally translate into any increase in the probability of default. These areas relate to non-cumulative preferred shares and hybrid instruments as discussed below. DBRS believes that both of these areas fall under market risk, not credit risk.

### NON-CUMULATIVE RISK - "n"

In the past several years, DBRS had designated all non-cumulative preferred shares as "low" to alert subscribers to the fact that non-cumulative shares have a higher risk of loss once dividend payments have been missed. In the future, "high" and "low" designations will be used on preferred share ratings to indicate the relative standing of a credit within a particular rating category, and we will no longer use "low" to alert holders to the non-cumulative nature of the shares. Rather, the "n" designation will be attached to all ratings for securities that are non-cumulative. The risk with non-cumulative securities is essentially no different than with cumulative securities unless there is a default situation, in which case, the non-cumulative shares have the added risk of missing dividend payments that have no potential of being made up in the future. However, non-cumulative shares do not have a higher risk of default than do equivalently ranking cumulative shares of the same issuer. We believe that the risk added under the non-cumulative covenant is a market risk and not a credit risk. This supports our view that the ratings on equally ranking cumulative and non-cumulative securities should be the same, with the "n" used to alert subscribers to the additional potential for missed dividend payments that exists with non-cumulative issues, if default should occur. After several years of using our present scale, our conclusion is that trying to provide all of this information with one rating symbol is confusing to the market. We believe that it is more valuable to our subscribers if the rating symbol simply provides our base evaluation of the credit, along with information that alerts the holder to any unique covenants that can add market risk.

### HYBRID INSTRUMENTS - "y"

While DBRS credit ratings are focused on providing a measure of the issuer's ability to meet its obligations in a timely manner, there are situations where securities carry unique covenants that can add a variety of risks that are not captured in the DBRS rating. By definition, hybrids are instruments that combine certain characteristics of debt and equity and have been issued under various acronyms such as LYONS, PERCS, COPrS, TOPrS, PRYDES, MIDS and MIPS. In some cases, holders of these instruments have agreed that under set circumstances, the Company may repay certain obligations with more of the security or with another security, such as common equity. In other cases, the terms allow the Company to defer interest or dividend payments for a period of time. While these are obviously important considerations for the holder to understand, they normally do not cause any change in the likelihood of default and, as such, DBRS has chosen not to penalize the instrument for the special features associated with the hybrid. In order to alert hybrid holders of the unique factors inherent in the security, DBRS will attach the "y" appendage to the rating. Note that DBRS will not be adding the "y" to issues that simply have more normal soft retraction or conversion features.

### MARKET RISK - "m"

DBRS ratings represent an evaluation that is based on only credit related factors and not market risk factors. The most obvious example of a market risk factor would be the potential impact that changing interest rates could have on a fixed pay security. While the absence of market risk considerations in DBRS credit ratings should be well understood by investors who use DBRS as part of their investment process, there are cases where DBRS desires to draw attention to market risk for a given security, because the potential for volatility from market risk factors greatly exceeds what would be considered normal. DBRS uses "n" and "y" to highlight certain specific market risks. Where there are other cases of exceptionally high market risk or unusual circumstances, DBRS attaches the letter "m" (market risk) to a rated security. Given the understanding that market risk is present in every investment decision, it is important to note that the absence of "m" does not indicate that there will be no volatility of returns related to non-credit factors.

### RATING BASED ON PUBLIC INFORMATION - "p"

Non public information, projections and meetings with senior management are typically an important part of the rating process. In certain circumstances, this data is not available to DBRS. In these cases, DBRS uses "A" to alert subscribers to the fact that the rating has been assigned without the benefit of these information sources, but has been done on a best efforts basis based only on public information.