Insight beyond the rating.

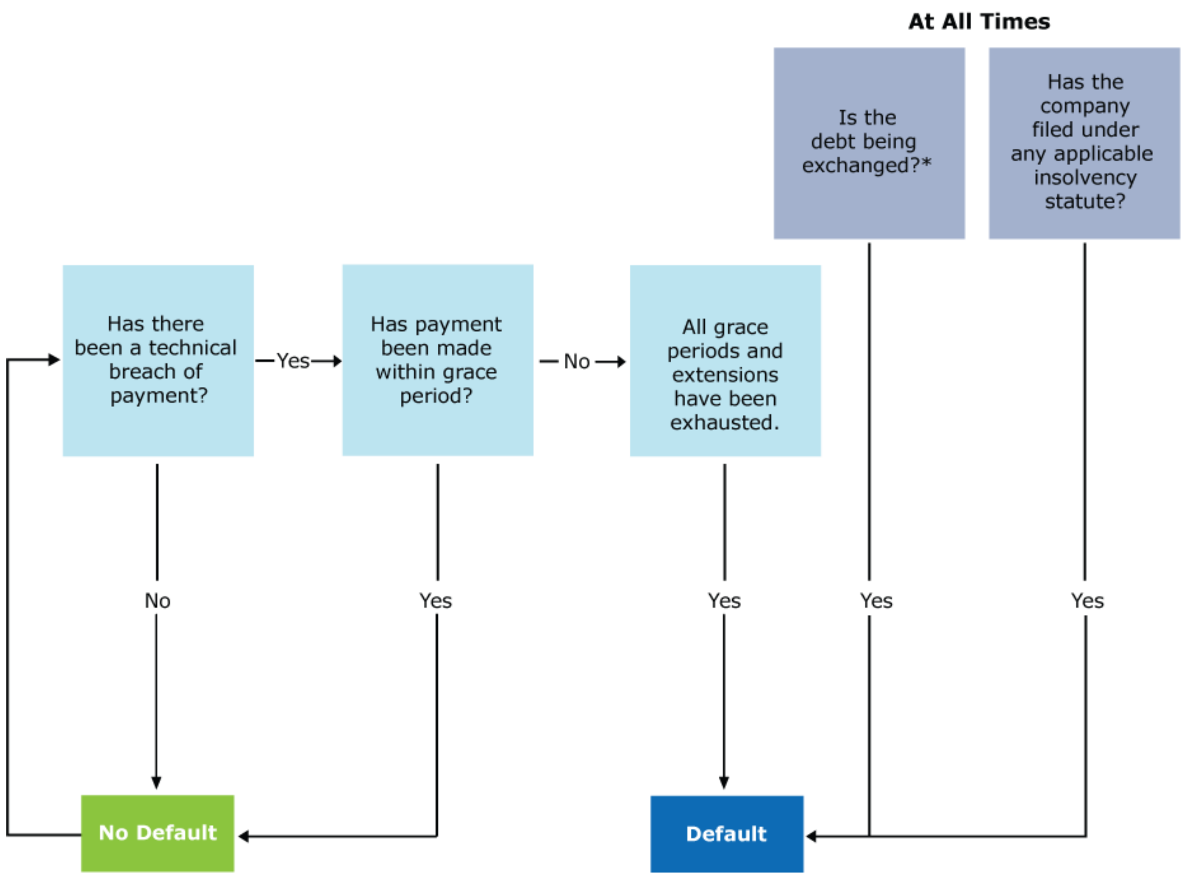
Default Definition

Default rating status is represented by ‘D’ on rating scales and generally defined as: A security rated ‘D’ implies the issuer has not met a legally scheduled payment, the issuer has made it clear that it will miss such a payment in the near future, or in certain cases, that there has been a distressed exchange. In some cases, a ‘D’ rating may not be assigned under a bankruptcy announcement scenario, as allowances for grace periods may exist in the underlying legal documentation. Once assigned, the ‘D’ rating will continue as long as the missed payment continues to be in arrears, and until such time as the rating is discontinued or reinstated.

With respect to preferred share securities, the non payment of a dividend will only be considered as a “default” if the non payment constitutes default per the legal documents. As such, the non payment of a dividend does not necessarily give rise to the assignment of a ‘D’ rating.

There may be cases where the action of assigning a default rating status (‘D’) to a security or class of securities of an issuer may be taken, but other securities or classes of securities of the same issuer are not considered to be in default as the issuer continues to meet its obligations in respect of those securities or classes of securities in a timely manner. Where an issuer rating is assigned default status, any related recovery rating will be discontinued.

The following flow chart illustrates the basic factors used to determine when to downgrade a security to default status, or ‘D’. However, a security may be downgrade to ‘D’ at any time when it determined that such a downgrade would be appropriate, such as when a bankruptcy filing or any other action that would result in a default is imminent. Further, additional factors to those set out in the flow chart may be considered when reviewing any security for the purposes of a possible downgrade to default status.



* On terms that are disadvantageous to bondholders and bondholders are being compelled to consent to an exchange because failure to do so would likely lead to the company's inability to pay.