Q. Page 38: What weight, if any, does Mr. Coyne think that forecasts of market risk premiums from third parties should be given in determining the appropriate market risk premiums? If any consideration is appropriate what third party forecasts should be considered in Mr. Coyne's opinion?

A. Mr. Coyne believes that using either forward-looking or historical market data to develop the market risk premium, as discussed on page 39 of his report, is preferable to relying on investor surveys or forecasts of the market risk premium. Investor surveys (such as the one published by CFO Magazine and Duke University) and forecasts (such as that published by the Philadelphia Federal Reserve) often do not ask investors what their expected market risk premium is, but instead calculate the market risk premium based on questions regarding the expected return on the market less the government bond yield. The survey question is often unclear as to whether the expected market return includes dividends or just capital appreciation.

In addition, New York University Finance Professor Dr. Aswath Damodoran, who has published extensively on the question of how to estimate the equity risk premium, wrote in March 2013[1] about his concerns with using investor surveys to estimate the equity risk premium. Dr. Damodoran ultimately concluded that "it is also likely that these survey premiums will be more reflections of the recent past than good forecasts of the future."[2]

[1] Aswath Damodoran, *Equity Risk Premiums (ERP): Determinants, Estimation, and Implications – The 2013 Edition*, Updated March 2013, at 19-20.

[2] *Ibid*., at 20.