

1 **Volume 2: Cost of Capital: Expert Opinion of James Coyne- Capital Structure and Risk**
2 **Profile**

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4 **Q. Can C&T confirm that the global settlement referenced on page 38 dealt with**
5 **analyst fraud not the optimism bias. Is C&T aware of any academic publications on**
6 **analyst bias after the 2010 paper referenced on page 38?**

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8 A. As discussed on page 37 of Concentric's *Cost of Capital* report, Volume 2, the 2002
9 Global Settlement was reached to address concerns over the interaction between the
10 investment banking function and the research analyst function. Restrictions were
11 introduced that limited the interaction between analysts and investment bankers, thus
12 removing any financial incentive for analysts to produce upwardly-biased (i.e., overly
13 optimistic) growth rate forecasts or stock price targets. The 2010 article published in the
14 Financial Analyst Journal studied the effect of the Global Settlement on analyst forecast
15 bias, as discussed on page 38 of Concentric's *Cost of Capital* report. Concentric is not
16 aware of subsequent research. Please see the responses to Requests for Information
17 PUB-NP-111, PUB-NP-112, and PUB-NP-113 for Concentric's response to concerns
18 regarding analyst bias.