

- Q. At p. 24, lines 22 to 24, Dr. Kalymon states: "...my conclusion is that investors in stocks with risks comparable to those of the average company traded on the TSX should expect a risk premium in the range of 2.50 percent to 3.00 percent over the current 10 year Canada bond rates of 5.04 percent." Please provide the mathematical derivation of the range of 2.50 percent to 3.0 percent.
- A. **The determination of the 2.50 to 3.00 percent was not based on a mathematical determination. As stated in the evidence at page 25, line 1-4, this determination was based on the observed differential of equity returns over observed bond yields with provision for the known tendency for risk premiums to rise as bond rates fall.**