Exhibit B-1: Market Value of Common Equity

Average Market Value of Common Equity

Proxy Group	2007	2008	2009	2010	2011
Ms. McShane's Sample of U.S. Electric & Gas Utilities	$ 8,635,745,776	$ 8,337,426,095	$ 7,973,471,397	$ 9,407,240,716	$ 12,033,589,073
Hypothetical Small Utility Group	$ 107,034,244	$ 103,694,491	$ 109,255,501	$ 123,277,433	$ 179,695,508

Proxy Group	2011 Duff & Phelps Portfolio Rank by Size	Smoothed Premium over CAPM	Spread Over Hypothetical Small Utility Group	2011 Duff & Phelps Interpolated Premium (1)	Spread Over Hypothetical Small Utility Group	SBBI - 2012 Decile by Size	Size Premium (Return in Excess of CAPM)	Spread Over Hypothetical Small Utility Group
Ms. McShane's Sample of U.S. Electric & Gas Utilities	5 - 6	3.30%	3.71%	1.76%	5.13%	2	0.78%	3.67%
Hypothetical Small Utility Group	24 - 25	7.01%		6.89%		9 - 10	4.45%	

Notes: (1) 13.223% - 2.809% * Log(Market Value) (from page 12).

Exhibit B-2: Book Value of Common Equity

Average Book Value of Common Equity

Proxy Group	2007	2008	2009	2010	2011	2011 Duff & Phelps Portfolio Rank by Size	Smoothed Premium over CAPM	Spread Over Hypothetical Small Utility Group	2011 Duff & Phelps Interpolated Premium (1)	Spread Over Hypothetical Small Utility Group
Ms. McShane's Sample of U.S. Electric & Gas Utilities	$ 5,979,532,417	$ 6,344,478,250	$ 6,766,889,750	$ 7,304,485,000	$ 7,621,501,917	4	2.35%	3.42%	2.29%	3.39%
Hypothetical Small Utility Group	$ 74,112,271	$ 78,907,739	$ 92,722,466	$ 95,721,815	$ 113,810,572	24 - 25	5.77%		5.68%	

Notes: (1) 9.502% - 1.859% * Log(Book Value) (from page 13).

Exhibit B-3: Average Net Income

Average Net Income

Proxy Group	2007	2008	2009	2010	2011	2011 Duff & Phelps Portfolio Rank by Size	Smoothed Premium over CAPM	Spread Over Hypothetical Small Utility Group	2011 Duff & Phelps Interpolated Premium (1)	Spread Over Hypothetical Small Utility Group
Ms. McShane's Sample of U.S. Electric & Gas Utilities	$ 768,680,417	$ 738,663,750	$ 628,055,083	$ 853,138,583	$ 782,387,833	5	2.54%	4.08%	2.45%	4.06%
Hypothetical Small Utility Group	$ 4,700,907	$ 4,128,801	$ 6,481,393	$ 5,666,016	$ 7,422,089	24 - 25	6.62%		6.51%	

(1) Excludes AWK Net Income due to negative net income for years 2007-2009.

Notes: (1) 8.261% - 2.010% * Log(Net Income) (from page 14).

Exhibit B-4: Market Value of Invested Capital

Average Market Value of Invested Capital (MVIC)

Proxy Group	2007	2008	2009	2010	2011	2011 Duff & Phelps Portfolio Rank by Size	Smoothed Premium over CAPM	Spread Over Hypothetical Small Utility Group	2011 Duff & Phelps Interpolated Premium (1)	Spread Over Hypothetical Small Utility Group
Ms. McShane's Sample of U.S. Electric & Gas Utilities	$ 15,552,289,193	$ 16,132,030,845	$ 16,219,726,397	$ 18,089,207,550	$ 21,284,766,823	4 - 5	1.62%	5.10%	1.56%	4.97%
Hypothetical Small Utility Group	$ 163,034,244	$ 164,361,158	$ 169,922,168	$ 193,610,766	$ 257,028,841	24 - 25	6.72%		6.53%	

Notes: (1) 12.766% - 2.588% * Log(MVIC) (from page 15).

Exhibit B-5: Total Company Assets

Average Total Assets (Invested Capital)

Proxy Group	2007	2008	2009	2010	2011	2011 Duff & Phelps Portfolio Rank by Size	Smoothed Premium over CAPM	Spread Over Hypothetical Small Utility Group	2011 Duff & Phelps Interpolated Premium (1)	Spread Over Hypothetical Small Utility Group
Ms. McShane's Sample of U.S. Electric & Gas Utilities	$ 19,493,583,917	$ 21,331,797,250	$ 22,416,649,250	$ 23,582,088,583	$ 25,696,492,750	3	1.95%	4.27%	1.98%	4.06%
Hypothetical Small Utility Group	$ 167,082,152	$ 181,874,443	$ 198,696,575	$ 219,925,599	$ 247,295,990	24 - 25	6.22%		6.04%	

Notes: (1) 10.866% - 2.016% * Log(Invested Capital) (from page 16).

Exhibit B-6: Average EBITDA

Average Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)

Proxy Group	2007	2008	2009	2010	2011	2011 Duff & Phelps Portfolio Rank by Size	Smoothed Premium over CAPM	Spread Over Hypothetical Small Utility Group	2011 Duff & Phelps Interpolated Premium (1)	Spread Over Hypothetical Small Utility Group
Ms. McShane's Sample of U.S. Electric & Gas Utilities	$ 2,066,686,667	$ 1,996,840,583	$ 1,949,123,500	$ 2,393,477,667	$ 2,256,871,167	4	2.44%	4.24%	2.51%	4.03%
Hypothetical Small Utility Group	$ 15,231,418	$ 15,859,875	$ 17,994,286	$ 18,446,663	$ 22,161,286	25	6.68%		6.54%	

(1) Excludes AWK EBITDA due to negative information for 2007 and 2008.

Notes: (1) 9.236% - 2.005% * Log(EBITDA) (from page 17).

Exhibit B-7: Average Net Sales

Average Net Sales (Operating Revenue)

Proxy Group	2007	2008	2009	2010	2011	2011 Duff & Phelps Portfolio Rank by Size	Smoothed Premium over CAPM	Spread Over Hypothetical Small Utility Group	2011 Duff & Phelps Interpolated Premium (1)	Spread Over Hypothetical Small Utility Group
Ms. McShane's Sample of U.S. Electric & Gas Utilities	$ 7,494,929,833	$ 8,066,005,583	$ 7,406,086,917	$ 7,698,590,083	$ 7,663,192,667	6 - 7	3.34%	2.94%	3.31%	3.62%
Hypothetical Small Utility Group	$ 35,993,169	$ 37,945,353	$ 39,452,656	$ 42,354,827	$ 46,788,327	25	6.28%		6.93%	

Notes: (1) 9.658% - 1.635% * Log(Sales) (from page 18).

Exhibit B-8: Number of Employees

Average Number of Employees

Proxy Group	2011	2011 Duff & Phelps Portfolio Rank by Size	Smoothed Premium over CAPM	Spread Over Hypothetical Small Utility Group	2011 Duff & Phelps Interpolated Premium (1)	Spread Over Hypothetical Small Utility Group
Ms. McShane's Sample of U.S. Electric & Gas Utilities	8,569	12	3.88%	2.79%	3.91%	3.66%
Hypothetical Small Utility Group	77	25	6.67%		7.57%	

Notes: (1) 10.938% - 1.787% * Log(Employees) (from page 19).

Exhibit D-1: Operating Margin

Average Operating Margin

Proxy Group	2007	2008	2009	2010	2011	2011 Duff & Phelps Portfolio Rank by Size	Smoothed Average Risk Premium	Spread Over Hypothetical Small Utility Group	2011 Duff & Phelps Interpolated Premium (1)	Spread Over Hypothetical Small Utility Group
Ms. McShane's Sample of U.S. Electric & Gas Utilities	15.00%	14.00%	14.00%	17.00%	16.00%	7 - 8	8.06%	-2.11%	8.04%	-2.28%
Hypothetical Small Utility Group	30.68%	29.07%	29.33%	27.57%	30.49%	2	5.95%		5.76%	

Notes: (1) 1.553% - 8.150% * Log(Operating Margin) (from page 20).

Exhibit D-2: Coefficient of Variation of Operating Margin

Average Standard Deviation of Operating Margin

Proxy Group	Standard Deviation
Ms. McShane's Sample of U.S. Electric & Gas Utilities	0.0244
Hypothetical Small Utility Group	0.0125

Average Coefficient of Variation of Operating Margin (CV)

Proxy Group	Coefficient of Variation	2011 Duff & Phelps Portfolio Rank by Size	Smoothed Average Risk Premium	Spread Over Hypothetical Small Utility Group	2011 Duff & Phelps Interpolated Premium (1)	Spread Over Hypothetical Small Utility Group
Ms. McShane's Sample of U.S. Electric & Gas Utilities	16.05%	14 - 15	9.00%	-2.79%	9.00%	-2.68%
Hypothetical Small Utility Group	4.25%	24 - 25	6.21%		6.32%	

Notes: (1) 12.677% + 4.632% * Log(CV of Operating Margin) (from page 21).

Exhibit D-3: Coefficient of Variation of Return on Book Value Common Equity

Standard Deviation of Return on Book Equity

Proxy Group	Standard Deviation
Ms. McShane's Sample of U.S. Electric & Gas Utilities	0.0203
Hypothetical Small Utility Group	0.0066

Coefficient of Variation of Return on Book Equity (CV of ROE)

Proxy Group	Coefficient of Variation	2011 Duff & Phelps Portfolio Rank by Size	Smoothed Average Risk Premium	Spread Over Hypothetical Small Utility Group	2011 Duff & Phelps Interpolated Premium (1)	Spread Over Hypothetical Small Utility Group
Ms. McShane's Sample of U.S. Electric & Gas Utilities	17.68%	21	8.53%	-0.76%	8.52%	-0.47%
Hypothetical Small Utility Group	10.64%	23 - 24	7.77%		8.05%	

Notes: (1) 10.111% + 2.116% * Log(CV of ROE) (from page 22).

Morningstar (1)				Duff & Phelps (2)			
Decile	Recent Average Market Capitalization ($M)	Size Premium (Return in Excess of CAPM)	Spread from Applicable Size Premium	Portfolio Rank	Avg. Market Value ($M)	Smoothed Premium Over CAPM	Spread From Applicable Smoothed Premium Over CAPM
10	$ 91.612	6.10%		25	$ 95.000	3.78%	
5	$ 2,245.909	1.74%	4.36%	15	$ 2,289.000	7.67%	3.89%

Notes: (1) Dervied from page 7 of Exhibit PMA-8, accompanying Exhibit B2-7.
(2) From page 3 of this Attachment.

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Risk Premium Report 2012

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Companies Ranked by Market Value of Equity | **Premia over CAPM (Size Premia, RP_s)** | **Exhibit B-1**

Historical Equity Risk Premium: Average Since 1963
Data for Year Ending December 31, 2011

Portfolio Rank by Size	Average Mkt Value (in $millions)	Log of Size	Beta (SumBeta) Since '63	Arithmetic Average Return	Arithmetic Average Risk Premium	Indicated CAPM Premium	Premium over CAPM	*Smoothed Premium over CAPM*
1	127,157	5.10	0.83	11.68%	4.84%	3.56%	1.28%	*-1.12%*
2	38,311	4.58	0.95	10.39%	3.55%	4.07%	-0.52%	*0.35%*
3	24,863	4.40	0.93	11.09%	4.24%	3.99%	0.26%	*0.87%*
4	17,734	4.25	0.94	12.67%	5.83%	4.00%	1.83%	*1.29%*
5	13,109	4.12	0.99	11.92%	5.08%	4.24%	0.84%	*1.66%*
6	10,404	4.02	1.02	12.43%	5.59%	4.36%	1.24%	*1.94%*
7	8,605	3.93	1.02	13.15%	6.31%	4.34%	1.98%	*2.17%*
8	6,837	3.83	1.06	14.66%	7.82%	4.52%	3.30%	*2.45%*
9	5,515	3.74	1.08	14.83%	7.99%	4.63%	3.36%	*2.71%*
10	4,563	3.66	1.12	15.01%	8.17%	4.78%	3.39%	*2.94%*
11	3,876	3.59	1.10	14.57%	7.72%	4.71%	3.02%	*3.14%*
12	3,313	3.52	1.11	13.79%	6.95%	4.73%	2.22%	*3.33%*
13	2,918	3.47	1.11	14.14%	7.29%	4.74%	2.56%	*3.49%*
14	2,555	3.41	1.15	15.37%	8.53%	4.92%	3.61%	*3.65%*
15	2,289	3.36	1.14	17.03%	10.19%	4.88%	5.31%	*3.78%*
16	1,960	3.29	1.17	16.49%	9.65%	5.01%	4.64%	*3.97%*
17	1,680	3.23	1.20	16.09%	9.25%	5.11%	4.13%	*4.16%*
18	1,419	3.15	1.22	14.59%	7.75%	5.23%	2.52%	*4.37%*
19	1,187	3.07	1.21	16.33%	9.49%	5.18%	4.31%	*4.59%*
20	992	3.00	1.22	16.18%	9.34%	5.20%	4.14%	*4.80%*
21	804	2.91	1.26	16.94%	10.10%	5.39%	4.71%	*5.06%*
22	612	2.79	1.24	16.98%	10.13%	5.28%	4.86%	*5.39%*
23	424	2.63	1.26	16.94%	10.09%	5.40%	4.70%	*5.84%*
24	280	2.45	1.25	18.86%	12.01%	5.34%	6.68%	*6.35%*
25	95	1.98	1.28	22.82%	15.98%	5.48%	10.50%	*7.67%*

Large Stocks (Ibbotson SBBI data)	11.11%	4.27%
Small Stocks (Ibbotson SBBI data)	16.13%	9.29%
Long-Term Treasury Income (Ibbotson SBBI data)	6.84%	

Equity Risk Premium Study: Data through December 31, 2011
Data Smoothing with Regression Analysis
Dependent Variable: Premium over CAPM
Independent Variable: Log of Average Market Value of Equity

Regression Output:

Constant	13.223%
Std Err of Y Est	1.111%
R Squared	77%
No. of Observations	25
Degrees of Freedom	23
X Coefficient(s)	-2.809%
Std Err of Coef.	0.322%
t-Statistic	-8.72

*Smoothed Premium = 13.223% - 2.809% * Log(Market Value)*

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Companies Ranked by Book Value of Equity | **Premia over CAPM (Size Premia, RP_s)** | **Exhibit B-2**

Historical Equity Risk Premium: Average Since 1963
Data for Year Ending December 31, 2011

Portfolio Rank by Size	Average Book Val. (in $millions)	Log of Size	Beta (SumBeta) Since '63	Arithmetic Average Return	Arithmetic Average Risk Premium	Indicated CAPM Premium	Premium over CAPM	*Smoothed Premium over CAPM*
1	44,190	4.65	0.81	11.98%	5.14%	3.46%	1.69%	*0.87%*
2	14,270	4.15	0.86	11.92%	5.08%	3.66%	1.42%	*1.78%*
3	9,586	3.98	0.92	13.25%	6.41%	3.91%	2.50%	*2.10%*
4	7,017	3.85	0.92	12.47%	5.63%	3.92%	1.71%	*2.35%*
5	5,120	3.71	1.02	12.96%	6.12%	4.36%	1.76%	*2.61%*
6	3,810	3.58	1.02	13.65%	6.81%	4.35%	2.46%	*2.85%*
7	3,027	3.48	1.05	13.94%	7.10%	4.47%	2.63%	*3.03%*
8	2,551	3.41	1.08	14.04%	7.20%	4.62%	2.58%	*3.17%*
9	2,147	3.33	1.12	14.53%	7.69%	4.78%	2.90%	*3.31%*
10	1,893	3.28	1.07	14.68%	7.84%	4.58%	3.25%	*3.41%*
11	1,638	3.21	1.09	14.86%	8.02%	4.65%	3.37%	*3.53%*
12	1,414	3.15	1.09	16.21%	9.37%	4.66%	4.71%	*3.65%*
13	1,249	3.10	1.11	16.20%	9.36%	4.76%	4.60%	*3.75%*
14	1,119	3.05	1.14	14.89%	8.05%	4.85%	3.20%	*3.83%*
15	1,003	3.00	1.12	17.05%	10.21%	4.77%	5.44%	*3.92%*
16	869	2.94	1.23	18.09%	11.25%	5.23%	6.01%	*4.04%*
17	755	2.88	1.21	15.94%	9.10%	5.17%	3.94%	*4.15%*
18	694	2.84	1.19	16.77%	9.93%	5.08%	4.84%	*4.22%*
19	598	2.78	1.24	14.88%	8.04%	5.31%	2.72%	*4.34%*
20	505	2.70	1.21	15.65%	8.80%	5.17%	3.63%	*4.48%*
21	414	2.62	1.22	17.56%	10.72%	5.22%	5.50%	*4.64%*
22	323	2.51	1.24	16.47%	9.63%	5.31%	4.32%	*4.84%*
23	242	2.38	1.26	16.84%	10.00%	5.36%	4.63%	*5.07%*
24	170	2.23	1.27	17.60%	10.76%	5.44%	5.31%	*5.35%*
25	62	1.79	1.26	18.54%	11.70%	5.39%	6.31%	*6.18%*

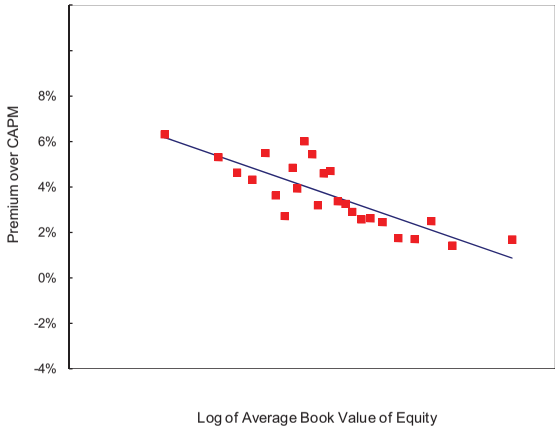
Large Stocks (Ibbotson SBBI data)	11.11%	4.27%
Small Stocks (Ibbotson SBBI data)	16.13%	9.29%
Long-Term Treasury Income (Ibbotson SBBI data)	6.84%	

Equity Risk Premium Study: Data through December 31, 2011
Data Smoothing with Regression Analysis
Dependent Variable: Premium over CAPM
Independent Variable: Log of Average Book Value of Equity

Regression Output:

Constant	9.502%
Std Err of Y Est	0.845%
R Squared	67%
No. of Observations	25
Degrees of Freedom	23
X Coefficient(s)	-1.859%
Std Err of Coef.	0.271%
t-Statistic	-6.85

*Smoothed Premium = 9.502% - 1.859% * Log(Book Value)*



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Companies Ranked by 5-Year Average Net Income | **Premia over CAPM (Size Premia, RP_s)** | **Exhibit B-3**

Historical Equity Risk Premium: Average Since 1963
Data for Year Ending December 31, 2011

Portfolio Rank by Size	Average Net Inc. (in $millions)	Log of Size	Beta (SumBeta) Since '63	Arithmetic Average Return	Arithmetic Average Risk Premium	Indicated CAPM Premium	Premium over CAPM	*Smoothed Premium over CAPM*
1	7,389	3.87	0.77	12.86%	6.02%	3.30%	2.72%	*0.49%*
2	2,193	3.34	0.87	11.84%	5.00%	3.71%	1.29%	*1.55%*
3	1,309	3.12	0.86	13.30%	6.45%	3.68%	2.78%	*2.00%*
4	960	2.98	0.90	12.91%	6.07%	3.86%	2.20%	*2.27%*
5	698	2.84	0.95	12.73%	5.89%	4.05%	1.83%	*2.54%*
6	528	2.72	0.98	12.83%	5.98%	4.17%	1.81%	*2.79%*
7	401	2.60	1.05	13.73%	6.89%	4.49%	2.40%	*3.03%*
8	312	2.49	1.10	14.19%	7.35%	4.69%	2.65%	*3.25%*
9	251	2.40	1.05	14.37%	7.53%	4.48%	3.05%	*3.44%*
10	208	2.32	1.07	14.18%	7.34%	4.58%	2.75%	*3.60%*
11	182	2.26	1.08	15.61%	8.77%	4.62%	4.14%	*3.72%*
12	159	2.20	1.08	15.73%	8.89%	4.61%	4.27%	*3.83%*
13	138	2.14	1.06	15.89%	9.05%	4.54%	4.51%	*3.96%*
14	118	2.07	1.15	14.59%	7.75%	4.91%	2.84%	*4.09%*
15	101	2.01	1.12	15.14%	8.30%	4.78%	3.52%	*4.23%*
16	88	1.94	1.13	16.67%	9.83%	4.83%	5.00%	*4.36%*
17	75	1.87	1.19	15.49%	8.65%	5.07%	3.58%	*4.50%*
18	65	1.81	1.22	17.10%	10.26%	5.19%	5.07%	*4.62%*
19	57	1.76	1.25	16.12%	9.27%	5.36%	3.92%	*4.73%*
20	45	1.66	1.23	18.34%	11.50%	5.26%	6.24%	*4.93%*
21	35	1.54	1.23	17.23%	10.38%	5.23%	5.15%	*5.16%*
22	24	1.39	1.23	16.83%	9.99%	5.27%	4.72%	*5.47%*
23	17	1.23	1.26	18.70%	11.85%	5.40%	6.46%	*5.79%*
24	11	1.04	1.26	18.12%	11.28%	5.36%	5.91%	*6.17%*
25	4	0.59	1.32	21.24%	14.40%	5.66%	8.74%	*7.07%*

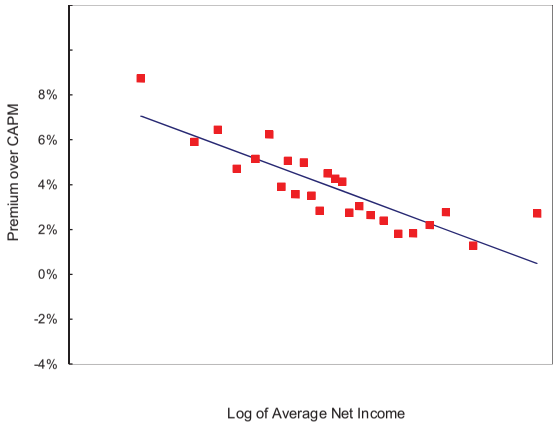
Large Stocks (Ibbotson SBBI data)	11.11%	4.27%
Small Stocks (Ibbotson SBBI data)	16.13%	9.29%
Long-Term Treasury Income (Ibbotson SBBI data)	6.84%	

Equity Risk Premium Study: Data through December 31, 2011
Data Smoothing with Regression Analysis
Dependent Variable: Premium over CAPM
Independent Variable: Log of Average 5-Year Average Net Income

Regression Output:

Constant	8.261%
Std Err of Y Est	0.914%
R Squared	74%
No. of Observations	25
Degrees of Freedom	23
X Coefficient(s)	-2.010%
Std Err of Coef.	0.250%
t-Statistic	-8.03

*Smoothed Premium = 8.261% - 2.010% * Log(Net Income)*



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Companies Ranked by Market Value of Invested Capital | **Premia over CAPM (Size Premia, RP_s)** | **Exhibit B-4**

Historical Equity Risk Premium: Average Since 1963
Data for Year Ending December 31, 2011

Portfolio Rank by Size	Average MVIC (in $millions)	Log of Size	Beta (SumBeta) Since '63	Arithmetic Average Return	Arithmetic Average Risk Premium	Indicated CAPM Premium	Premium over CAPM	*Smoothed Premium over CAPM*
1	160,355	5.21	0.80	11.63%	4.78%	3.40%	1.38%	*-0.71%*
2	47,342	4.68	0.87	10.72%	3.88%	3.71%	0.17%	*0.67%*
3	31,039	4.49	0.90	11.32%	4.47%	3.84%	0.64%	*1.14%*
4	23,167	4.36	0.94	12.28%	5.44%	4.02%	1.42%	*1.47%*
5	17,696	4.25	0.98	12.48%	5.63%	4.18%	1.45%	*1.77%*
6	13,017	4.11	1.00	12.14%	5.30%	4.28%	1.02%	*2.12%*
7	11,020	4.04	0.99	13.94%	7.10%	4.23%	2.87%	*2.30%*
8	9,148	3.96	1.06	14.41%	7.57%	4.54%	3.02%	*2.51%*
9	7,542	3.88	1.10	13.70%	6.86%	4.69%	2.17%	*2.73%*
10	6,185	3.79	1.10	15.25%	8.41%	4.69%	3.72%	*2.95%*
11	5,272	3.72	1.11	14.48%	7.64%	4.76%	2.88%	*3.13%*
12	4,471	3.65	1.05	14.82%	7.97%	4.50%	3.47%	*3.32%*
13	3,802	3.58	1.15	14.81%	7.97%	4.93%	3.04%	*3.50%*
14	3,267	3.51	1.17	15.37%	8.53%	5.01%	3.52%	*3.67%*
15	2,920	3.47	1.17	15.40%	8.56%	4.98%	3.58%	*3.80%*
16	2,517	3.40	1.20	16.43%	9.59%	5.14%	4.45%	*3.96%*
17	2,179	3.34	1.23	17.22%	10.38%	5.27%	5.11%	*4.13%*
18	1,878	3.27	1.17	16.65%	9.81%	5.00%	4.81%	*4.29%*
19	1,485	3.17	1.22	14.83%	7.99%	5.21%	2.78%	*4.56%*
20	1,247	3.10	1.25	15.53%	8.69%	5.33%	3.36%	*4.75%*
21	1,012	3.01	1.28	16.22%	9.37%	5.45%	3.93%	*4.99%*
22	743	2.87	1.25	16.98%	10.14%	5.35%	4.79%	*5.34%*
23	561	2.75	1.27	18.48%	11.64%	5.40%	6.24%	*5.65%*
24	390	2.59	1.26	18.06%	11.22%	5.37%	5.84%	*6.06%*
25	121	2.08	1.27	22.10%	15.26%	5.44%	9.82%	*7.37%*

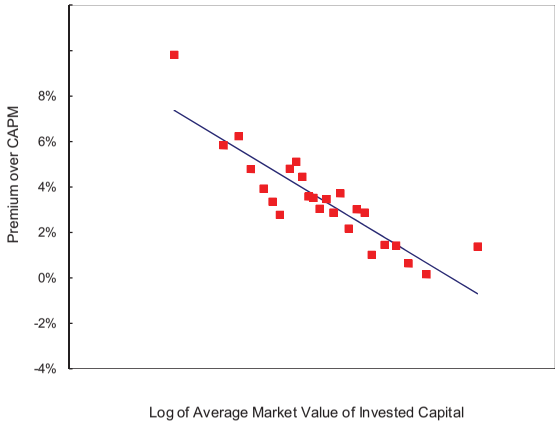
Large Stocks (Ibbotson SBBI data)	11.11%	4.27%
Small Stocks (Ibbotson SBBI data)	16.13%	9.29%
Long-Term Treasury Income (Ibbotson SBBI data)	6.84%	

Equity Risk Premium Study: Data through December 31, 2011
Data Smoothing with Regression Analysis
Dependent Variable: Premium over CAPM
Independent Variable: Log of Average MVIC

Regression Output:

Constant	12.766%
Std Err of Y Est	0.987%
R Squared	78%
No. of Observations	25
Degrees of Freedom	23
X Coefficient(s)	-2.588%
Std Err of Coef.	0.287%
t-Statistic	-9.03

*Smoothed Premium = 12.766% - 2.588% * Log(MVIC)*



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Companies Ranked by Total Assets | **Premia over CAPM (Size Premia, RP_s)** | **Exhibit B-5**

Historical Equity Risk Premium: Average Since 1963
Data for Year Ending December 31, 2011

Portfolio Rank by Size	Average Assets (in $millions)	Log of Size	Beta (SumBeta) Since '63	Arithmetic Average Return	Arithmetic Average Risk Premium	Indicated CAPM Premium	Premium over CAPM	*Smoothed Premium over CAPM*
1	123,660	5.09	0.80	12.29%	5.45%	3.41%	2.04%	*0.60%*
2	38,161	4.58	0.83	12.13%	5.29%	3.56%	1.74%	*1.63%*
3	26,523	4.42	0.92	12.73%	5.89%	3.92%	1.98%	*1.95%*
4	19,486	4.29	0.91	12.63%	5.79%	3.88%	1.92%	*2.22%*
5	13,835	4.14	0.94	13.77%	6.93%	4.01%	2.92%	*2.52%*
6	10,131	4.01	0.95	13.86%	7.02%	4.05%	2.98%	*2.79%*
7	8,108	3.91	1.06	14.47%	7.63%	4.52%	3.11%	*2.99%*
8	6,824	3.83	1.05	14.08%	7.23%	4.48%	2.75%	*3.14%*
9	5,652	3.75	1.09	13.47%	6.63%	4.66%	1.97%	*3.30%*
10	4,883	3.69	1.10	14.08%	7.24%	4.70%	2.54%	*3.43%*
11	4,179	3.62	1.12	14.34%	7.50%	4.77%	2.74%	*3.57%*
12	3,660	3.56	1.11	15.50%	8.66%	4.72%	3.94%	*3.68%*
13	3,066	3.49	1.15	15.48%	8.64%	4.90%	3.74%	*3.84%*
14	2,573	3.41	1.12	15.63%	8.79%	4.78%	4.01%	*3.99%*
15	2,222	3.35	1.16	16.01%	9.17%	4.97%	4.21%	*4.12%*
16	1,932	3.29	1.19	16.70%	9.86%	5.08%	4.78%	*4.24%*
17	1,734	3.24	1.19	17.14%	10.30%	5.08%	5.22%	*4.34%*
18	1,532	3.19	1.22	17.18%	10.33%	5.23%	5.11%	*4.44%*
19	1,251	3.10	1.23	16.18%	9.34%	5.26%	4.08%	*4.62%*
20	985	2.99	1.25	16.04%	9.20%	5.33%	3.87%	*4.83%*
21	801	2.90	1.25	15.88%	9.04%	5.33%	3.71%	*5.01%*
22	663	2.82	1.25	17.16%	10.32%	5.35%	4.98%	*5.18%*
23	515	2.71	1.26	17.86%	11.02%	5.38%	5.64%	*5.40%*
24	343	2.54	1.26	17.90%	11.06%	5.37%	5.69%	*5.75%*
25	118	2.07	1.28	20.95%	14.11%	5.46%	8.64%	*6.69%*

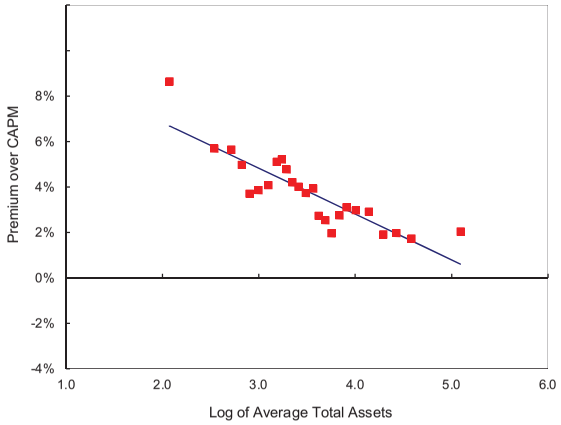
Large Stocks (Ibbotson SBBI data)	11.11%	4.27%
Small Stocks (Ibbotson SBBI data)	16.13%	9.29%
Long-Term Treasury Income (Ibbotson SBBI data)	6.84%	

Equity Risk Premium Study: Data through December 31, 2011
Data Smoothing with Regression Analysis
Dependent Variable: Premium over CAPM
Independent Variable: Log of Average Total Assets

Regression Output:

Constant	10.866%
Std Err of Y Est	0.786%
R Squared	76%
No. of Observations	25
Degrees of Freedom	23
X Coefficient(s)	-2.016%
Std Err of Coef.	0.234%
t-Statistic	-8.63

*Smoothed Premium = 10.866% - 2.016% * Log(Invested Capital)*



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Companies Ranked by 5-Year Average EBITDA | **Premia over CAPM (Size Premia, RP_s)** | **Exhibit B-6**

Historical Equity Risk Premium: Average Since 1963
Data for Year Ending December 31, 2011

Portfolio Rank by Size	Average EBITDA (in $millions)	Log of Size	Beta (SumBeta) Since '63	Arithmetic Average Return	Arithmetic Average Risk Premium	Indicated CAPM Premium	Premium over CAPM	*Smoothed Premium over CAPM*
1	17,806	4.25	0.79	12.65%	5.81%	3.36%	2.45%	*0.71%*
2	5,164	3.71	0.84	12.31%	5.47%	3.58%	1.89%	*1.79%*
3	3,436	3.54	0.88	12.80%	5.96%	3.77%	2.19%	*2.15%*
4	2,446	3.39	0.91	13.01%	6.17%	3.88%	2.29%	*2.44%*
5	1,776	3.25	0.98	13.33%	6.49%	4.21%	2.28%	*2.72%*
6	1,307	3.12	0.92	13.76%	6.92%	3.94%	2.99%	*2.99%*
7	1,034	3.01	1.03	14.00%	7.16%	4.38%	2.78%	*3.19%*
8	856	2.93	1.06	14.20%	7.36%	4.51%	2.84%	*3.36%*
9	701	2.85	1.11	13.31%	6.47%	4.75%	1.72%	*3.53%*
10	600	2.78	1.09	13.72%	6.88%	4.67%	2.21%	*3.67%*
11	531	2.73	1.01	15.01%	8.16%	4.33%	3.84%	*3.77%*
12	473	2.67	1.10	16.17%	9.33%	4.68%	4.65%	*3.87%*
13	404	2.61	1.07	16.32%	9.48%	4.58%	4.90%	*4.01%*
14	344	2.54	1.15	16.55%	9.71%	4.93%	4.78%	*4.15%*
15	295	2.47	1.15	15.30%	8.46%	4.91%	3.55%	*4.28%*
16	258	2.41	1.18	16.02%	9.17%	5.05%	4.12%	*4.40%*
17	223	2.35	1.19	17.48%	10.64%	5.08%	5.56%	*4.53%*
18	193	2.28	1.20	16.72%	9.88%	5.14%	4.74%	*4.66%*
19	160	2.20	1.24	16.75%	9.91%	5.29%	4.62%	*4.82%*
20	135	2.13	1.26	15.68%	8.84%	5.37%	3.46%	*4.96%*
21	110	2.04	1.23	17.25%	10.41%	5.26%	5.15%	*5.14%*
22	86	1.94	1.22	18.34%	11.50%	5.23%	6.27%	*5.36%*
23	66	1.82	1.24	17.87%	11.02%	5.30%	5.73%	*5.59%*
24	46	1.66	1.27	18.13%	11.29%	5.44%	5.84%	*5.90%*
25	15	1.18	1.30	20.40%	13.56%	5.57%	7.99%	*6.86%*

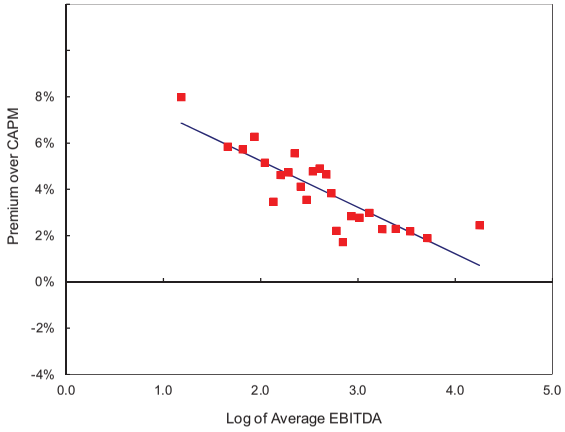
Large Stocks (Ibbotson SBBI data)	11.11%	4.27%
Small Stocks (Ibbotson SBBI data)	16.13%	9.29%
Long-Term Treasury Income (Ibbotson SBBI data)	6.84%	

Equity Risk Premium Study: Data through December 31, 2011
Data Smoothing with Regression Analysis
Dependent Variable: Premium over CAPM
Independent Variable: Log of Average 5-Year Average EBITDA

Regression Output:

Constant	9.236%
Std Err of Y Est	0.859%
R Squared	73%
No. of Observations	25
Degrees of Freedom	23
X Coefficient(s)	-2.005%
Std Err of Coef.	0.255%
t-Statistic	-7.87

*Smoothed Premium = 9.236% - 2.005% * Log(EBITDA)*



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Companies Ranked by Sales | **Premia over CAPM (Size Premia, RP_s)** | **Exhibit B-7**

Historical Equity Risk Premium: Average Since 1963
Data for Year Ending December 31, 2011

Portfolio Rank by Size	Average Sales (in $millions)	Log of Size	Beta (SumBeta) Since '63	Arithmetic Average Return	Arithmetic Average Risk Premium	Indicated CAPM Premium	Premium over CAPM	*Smoothed Premium over CAPM*
1	96,115	4.98	0.88	12.65%	5.81%	3.78%	2.03%	*1.51%*
2	31,630	4.50	0.97	12.79%	5.95%	4.14%	1.81%	*2.30%*
3	17,780	4.25	0.99	13.07%	6.23%	4.24%	1.99%	*2.71%*
4	13,028	4.11	1.00	15.07%	8.23%	4.27%	3.96%	*2.93%*
5	10,325	4.01	1.02	14.69%	7.85%	4.36%	3.48%	*3.10%*
6	8,222	3.91	1.02	14.83%	7.99%	4.35%	3.65%	*3.26%*
7	6,558	3.82	1.08	15.25%	8.41%	4.62%	3.79%	*3.42%*
8	5,281	3.72	1.06	13.70%	6.86%	4.54%	2.32%	*3.57%*
9	4,576	3.66	1.10	14.50%	7.66%	4.68%	2.98%	*3.67%*
10	4,014	3.60	1.12	14.91%	8.07%	4.77%	3.30%	*3.77%*
11	3,332	3.52	1.11	15.11%	8.27%	4.75%	3.51%	*3.90%*
12	2,825	3.45	1.10	16.53%	9.68%	4.71%	4.97%	*4.02%*
13	2,370	3.37	1.21	17.48%	10.64%	5.16%	5.48%	*4.14%*
14	2,020	3.31	1.13	16.66%	9.82%	4.81%	5.01%	*4.25%*
15	1,806	3.26	1.12	16.39%	9.55%	4.80%	4.74%	*4.33%*
16	1,605	3.21	1.15	14.94%	8.10%	4.90%	3.20%	*4.42%*
17	1,386	3.14	1.16	17.17%	10.33%	4.93%	5.40%	*4.52%*
18	1,178	3.07	1.21	16.58%	9.73%	5.18%	4.56%	*4.64%*
19	1,005	3.00	1.25	14.31%	7.47%	5.34%	2.13%	*4.75%*
20	849	2.93	1.17	17.40%	10.56%	5.01%	5.55%	*4.87%*
21	702	2.85	1.18	16.60%	9.76%	5.05%	4.71%	*5.00%*
22	552	2.74	1.25	16.78%	9.94%	5.35%	4.59%	*5.18%*
23	441	2.64	1.24	17.74%	10.90%	5.30%	5.60%	*5.34%*
24	323	2.51	1.24	17.38%	10.54%	5.29%	5.25%	*5.56%*
25	117	2.07	1.25	19.61%	12.77%	5.34%	7.43%	*6.28%*

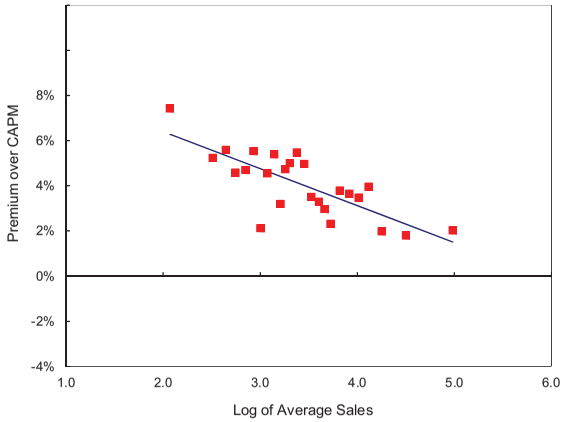
Large Stocks (Ibbotson SBBI data)	11.11%	4.27%
Small Stocks (Ibbotson SBBI data)	16.13%	9.29%
Long-Term Treasury Income (Ibbotson SBBI data)	6.84%	

Equity Risk Premium Study: Data through December 31, 2011
Data Smoothing with Regression Analysis
Dependent Variable: Premium over CAPM
Independent Variable: Log of Average Sales

Regression Output:

Constant	9.658%
Std Err of Y Est	0.931%
R Squared	58%
No. of Observations	25
Degrees of Freedom	23
X Coefficient(s)	-1.635%
Std Err of Coef.	0.287%
t-Statistic	-5.69

*Smoothed Premium = 9.658% - 1.635% * Log(Sales)*



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Companies Ranked by Number of Employees | **Premia over CAPM (Size Premia, RP_s)** | **Exhibit B-8**

Historical Equity Risk Premium: Average Since 1963
Data for Year Ending December 31, 2011

Portfolio Rank by Size	Average Number of Employees	Log of Size	Beta (SumBeta) Since '63	Arithmetic Average Return	Arithmetic Average Risk Premium	Indicated CAPM Premium	Premium over CAPM	*Smoothed Premium over CAPM*
1	289,679	5.46	0.99	12.74%	5.90%	4.24%	1.66%	*1.17%*
2	91,950	4.96	1.03	12.88%	6.04%	4.40%	1.64%	*2.07%*
3	53,139	4.73	1.06	13.91%	7.07%	4.53%	2.54%	*2.49%*
4	39,272	4.59	1.11	14.68%	7.84%	4.72%	3.12%	*2.73%*
5	30,712	4.49	1.10	14.67%	7.83%	4.69%	3.13%	*2.92%*
6	25,312	4.40	1.13	15.93%	9.09%	4.81%	4.28%	*3.07%*
7	19,857	4.30	1.06	13.64%	6.80%	4.54%	2.25%	*3.26%*
8	16,919	4.23	1.08	14.11%	7.27%	4.62%	2.65%	*3.38%*
9	14,250	4.15	1.16	15.66%	8.82%	4.97%	3.85%	*3.51%*
10	12,039	4.08	1.13	16.42%	9.58%	4.82%	4.76%	*3.64%*
11	10,323	4.01	1.18	16.29%	9.45%	5.04%	4.41%	*3.76%*
12	8,873	3.95	1.10	16.63%	9.78%	4.71%	5.08%	*3.88%*
13	7,705	3.89	1.15	14.87%	8.03%	4.91%	3.13%	*3.99%*
14	6,610	3.82	1.16	14.77%	7.93%	4.95%	2.98%	*4.11%*
15	5,740	3.76	1.17	16.36%	9.52%	5.00%	4.52%	*4.22%*
16	5,067	3.70	1.13	15.47%	8.62%	4.84%	3.79%	*4.32%*
17	4,367	3.64	1.21	14.96%	8.12%	5.16%	2.96%	*4.43%*
18	3,548	3.55	1.20	16.79%	9.95%	5.14%	4.81%	*4.59%*
19	2,866	3.46	1.14	15.34%	8.50%	4.86%	3.64%	*4.76%*
20	2,331	3.37	1.18	15.49%	8.65%	5.03%	3.62%	*4.92%*
21	1,943	3.29	1.18	17.41%	10.57%	5.06%	5.51%	*5.06%*
22	1,558	3.19	1.19	17.15%	10.31%	5.08%	5.23%	*5.23%*
23	1,161	3.06	1.21	17.53%	10.68%	5.18%	5.50%	*5.46%*
24	733	2.86	1.21	18.67%	11.83%	5.15%	6.68%	*5.82%*
25	243	2.39	1.24	19.85%	13.00%	5.28%	7.72%	*6.67%*

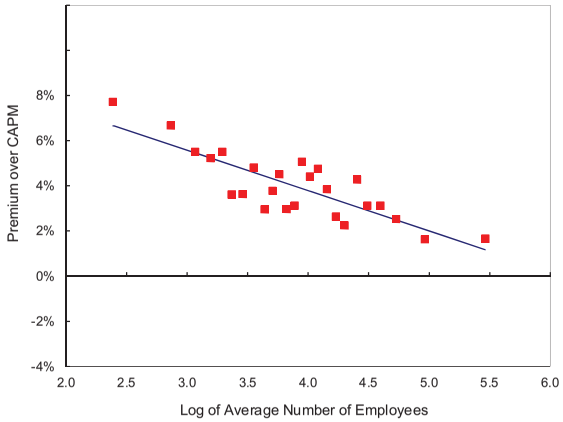
Large Stocks (Ibbotson SBBI data)	11.11%	4.27%
Small Stocks (Ibbotson SBBI data)	16.13%	9.29%
Long-Term Treasury Income (Ibbotson SBBI data)	6.84%	

Equity Risk Premium Study: Data through December 31, 2011
Data Smoothing with Regression Analysis
Dependent Variable: Premium over CAPM
Independent Variable: Log of Average Number of Employees

Regression Output:

Constant	10.938%
Std Err of Y Est	0.846%
R Squared	69%
No. of Observations	25
Degrees of Freedom	23
X Coefficient(s)	-1.787%
Std Err of Coef.	0.251%
t-Statistic	-7.13

*Smoothed Premium = 10.938% - 1.787% * Log(Employees)*



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Companies Ranked by Operating Margin | **Premia Over the Risk-Free Rate (RP_{m+u})** | **Exhibit D-1**

Historical Equity Risk Premium: Average Since 1963
Data for Year Ending December 31, 2011

Portfolio Rank	Average Operating Margin	Log of Average Op Margin	Number as of 2011	Beta (SumBeta) Since '63	Average Unlevered Beta	Standard Deviation of Returns	Geometric Average Return	Arithmetic Average Return	Arithmetic Average Risk Premium	Arithmetic Average Unlevered Risk Premium	*Smoothed Average Risk Premium*	Average Debt/ MVIC
1	37.52%	-0.43	66	0.88	0.68	16.85%	11.63%	12.93%	6.09%	5.25%	*5.02%*	25.26%
2	28.90%	-0.54	47	0.82	0.62	17.37%	9.78%	11.20%	4.36%	3.50%	*5.95%*	27.96%
3	24.61%	-0.61	63	0.85	0.65	17.35%	11.81%	13.23%	6.39%	5.53%	*6.52%*	26.59%
4	21.97%	-0.66	48	0.94	0.74	16.87%	11.48%	12.87%	6.03%	5.21%	*6.92%*	23.00%
5	19.54%	-0.71	52	0.99	0.81	18.32%	12.82%	14.40%	7.56%	6.81%	*7.33%*	19.78%
6	17.98%	-0.75	53	1.06	0.89	17.75%	12.64%	14.12%	7.28%	6.57%	*7.63%*	17.35%
7	16.57%	-0.78	50	1.10	0.92	19.07%	13.16%	14.87%	8.02%	7.27%	*7.92%*	17.82%
8	15.33%	-0.81	53	1.11	0.93	20.03%	12.63%	14.47%	7.63%	6.83%	*8.19%*	18.32%
9	14.32%	-0.84	55	1.16	0.95	20.08%	14.49%	16.33%	9.49%	8.61%	*8.43%*	19.33%
10	13.34%	-0.87	43	1.16	0.95	20.78%	13.48%	15.45%	8.61%	7.70%	*8.68%*	20.10%
11	12.52%	-0.90	64	1.17	0.96	20.67%	12.65%	14.59%	7.74%	6.83%	*8.91%*	20.07%
12	11.65%	-0.93	48	1.19	0.95	20.31%	13.00%	14.90%	8.06%	7.07%	*9.16%*	21.33%
13	11.15%	-0.95	43	1.21	0.97	21.28%	13.08%	15.22%	8.38%	7.39%	*9.32%*	21.02%
14	10.59%	-0.98	45	1.18	0.95	21.82%	13.53%	15.86%	9.01%	8.00%	*9.50%*	21.80%
15	10.00%	-1.00	60	1.25	0.99	23.77%	14.92%	17.46%	10.62%	9.51%	*9.70%*	22.52%
16	9.37%	-1.03	49	1.19	0.93	22.22%	15.68%	17.95%	11.11%	9.99%	*9.93%*	23.95%
17	8.60%	-1.07	63	1.26	0.97	23.99%	14.86%	17.54%	10.70%	9.46%	*10.24%*	25.04%
18	7.89%	-1.10	61	1.24	0.95	24.37%	15.70%	18.40%	11.56%	10.35%	*10.54%*	24.97%
19	7.27%	-1.14	58	1.29	0.98	24.96%	15.25%	18.14%	11.30%	9.95%	*10.83%*	26.38%
20	6.70%	-1.17	58	1.26	0.94	24.03%	16.07%	18.70%	11.86%	10.47%	*11.12%*	28.03%
21	6.17%	-1.21	55	1.27	0.94	24.47%	17.63%	20.25%	13.41%	12.00%	*11.41%*	28.23%
22	5.49%	-1.26	84	1.23	0.91	25.28%	15.90%	18.76%	11.92%	10.53%	*11.82%*	28.76%
23	4.59%	-1.34	82	1.31	0.94	26.53%	16.56%	19.80%	12.96%	11.39%	*12.46%*	30.37%
24	3.53%	-1.45	70	1.28	0.92	26.29%	16.49%	19.63%	12.79%	11.25%	*13.38%*	30.59%
25	2.01%	-1.70	102	1.29	0.93	28.71%	16.63%	20.26%	13.42%	11.88%	*15.38%*	30.25%

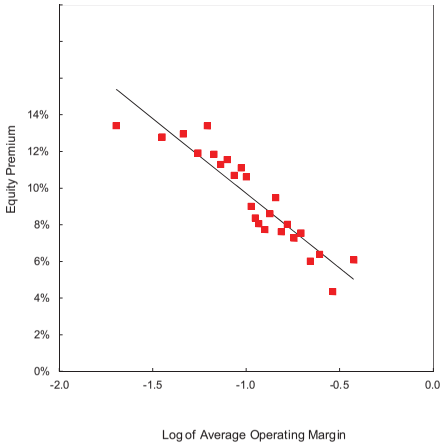
Large Stocks (Ibbotson SBBI data)	9.68%	11.11%	4.27%
Small Stocks (Ibbotson SBBI data)	13.34%	16.13%	9.29%
Long-Term Treasury Income (Ibbotson SBBI data)	6.82%	6.84%	

Equity Risk Premium Study: Data through December 31, 2011
Data Smoothing with Regression Analysis
Dependent Variable: Average Premium
Independent Variable: Log of Average Operating Margin

Regression Output:

Constant	1.553%
Std Err of Y Est	0.987%
R Squared	86%
No. of Observations	25
Degrees of Freedom	23
X Coefficient(s)	-8.150%
Std Err of Coef.	0.688%
t-Statistic	-11.84

*Smoothed Premium = 1.553% - 8.150% * Log(Operating Margin)*



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Companies Ranked by CV(Operating Margin) | **Premia Over the Risk-Free Rate (RP_{m+u})** | **Exhibit D-2**

Historical Equity Risk Premium: Average Since 1963
Data for Year Ending December 31, 2011

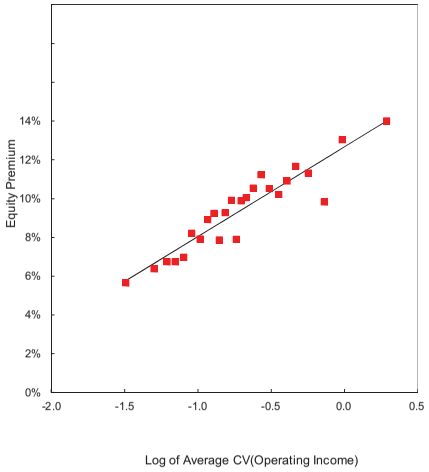
Portfolio Rank	Average CV(OpInc%)	Log of Average CV(OpInc%)	Number as of 2011	Beta (SumBeta) Since '63	Average Unlevered Beta	Standard Deviation of Returns	Geometric Average Return	Arithmetic Average Return	Arithmetic Average Risk Premium	Arithmetic Average Unlevered Risk Premium	*Smoothed Average Risk Premium*	Average Debt/ MVIC
1	193.89%	0.29	131	1.46	1.13	31.04%	16.65%	20.85%	14.01%	12.61%	*14.01%*	24.07%
2	96.48%	-0.02	84	1.39	1.05	28.67%	16.32%	19.88%	13.04%	11.59%	*12.60%*	26.38%
3	72.88%	-0.14	69	1.34	1.01	25.15%	13.77%	16.68%	9.83%	8.40%	*12.04%*	26.99%
4	56.59%	-0.25	84	1.35	1.01	26.21%	14.98%	18.16%	11.32%	9.89%	*11.53%*	26.84%
5	46.33%	-0.33	62	1.28	0.98	25.40%	15.52%	18.51%	11.67%	10.38%	*11.13%*	25.62%
6	40.44%	-0.39	75	1.29	0.98	26.25%	14.67%	17.75%	10.91%	9.57%	*10.86%*	26.45%
7	35.53%	-0.45	71	1.26	0.96	23.89%	14.41%	17.07%	10.23%	8.93%	*10.60%*	26.10%
8	30.71%	-0.51	65	1.26	0.97	23.61%	14.78%	17.37%	10.53%	9.28%	*10.30%*	25.17%
9	26.92%	-0.57	60	1.18	0.91	22.84%	15.61%	18.08%	11.24%	10.07%	*10.04%*	25.12%
10	23.81%	-0.62	64	1.16	0.90	22.12%	15.21%	17.39%	10.55%	9.43%	*9.79%*	24.69%
11	21.33%	-0.67	55	1.16	0.90	21.16%	14.85%	16.90%	10.06%	8.94%	*9.57%*	24.70%
12	19.64%	-0.71	55	1.15	0.88	20.52%	14.82%	16.74%	9.89%	8.76%	*9.40%*	25.28%
13	18.29%	-0.74	43	1.12	0.88	19.40%	12.96%	14.75%	7.91%	6.89%	*9.26%*	23.56%
14	16.90%	-0.77	48	1.11	0.87	20.87%	14.77%	16.76%	9.92%	8.90%	*9.10%*	23.68%
15	15.33%	-0.81	54	1.10	0.87	19.25%	14.40%	16.12%	9.28%	8.29%	*8.90%*	23.12%
16	13.97%	-0.85	46	1.07	0.84	20.38%	12.80%	14.72%	7.87%	6.89%	*8.72%*	23.65%
17	12.87%	-0.89	42	1.01	0.80	18.51%	14.53%	16.08%	9.24%	8.33%	*8.55%*	23.35%
18	11.65%	-0.93	51	1.02	0.81	19.49%	14.03%	15.77%	8.92%	8.02%	*8.35%*	22.83%
19	10.32%	-0.99	44	0.99	0.78	18.43%	13.17%	14.77%	7.92%	7.04%	*8.11%*	23.40%
20	9.07%	-1.04	46	0.99	0.80	17.51%	13.61%	15.06%	8.22%	7.40%	*7.85%*	21.72%
21	7.99%	-1.10	46	0.90	0.72	16.94%	12.48%	13.83%	6.99%	6.21%	*7.59%*	22.74%
22	6.97%	-1.16	40	0.90	0.71	16.06%	12.38%	13.59%	6.75%	5.95%	*7.32%*	23.55%
23	6.14%	-1.21	40	0.89	0.70	16.83%	12.25%	13.59%	6.75%	5.95%	*7.06%*	23.71%
24	5.02%	-1.30	48	0.86	0.68	16.61%	11.95%	13.23%	6.38%	5.65%	*6.66%*	22.68%
25	3.22%	-1.49	49	0.81	0.66	15.35%	11.36%	12.50%	5.66%	5.02%	*5.76%*	20.98%
Large Stocks (Ibbotson SBBI data)							9.68%	11.11%	4.27%			
Small Stocks (Ibbotson SBBI data)							13.34%	16.13%	9.29%			
Long-Term Treasury Income (Ibbotson SBBI data)							6.82%	6.84%				

Equity Risk Premium Study: Data through December 31, 2011
Data Smoothing with Regression Analysis
Dependent Variable: Average Premium
Independent Variable: Log of Average CV(Operating Margin)

Regression Output:

Constant	12.677%
Std Err of Y Est	0.760%
R Squared	87%
No. of Observations	25
Degrees of Freedom	23
X Coefficient(s)	4.632%
Std Err of Coef.	0.368%
t-Statistic	12.59

*Smoothed Premium = 12.677% + 4.632% * Log(CV Op. Margin)*



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Companies Ranked by CV(ROE) | **Premia Over the Risk Free-Rate (RP_{m+u})** | **Exhibit D-3**

Historical Equity Risk Premium: Average Since 1963
Data for Year Ending December 31, 2011

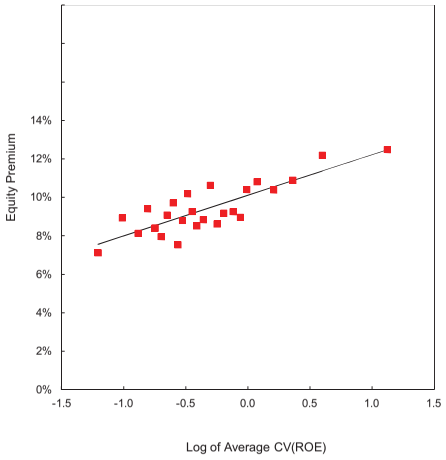
Portfolio Rank	Average CV(ROE)	Log of Average CV(ROE)	Number as of 2011	Beta (SumBeta) Since '63	Average Unlevered Beta	Standard Deviation of Returns	Geometric Average Return	Arithmetic Average Return	Arithmetic Average Risk Premium	Arithmetic Average Unlevered Risk Premium	*Smoothed Average Risk Premium*	Average Debt/ MVIC
1	1319.59%	1.12	65	1.45	1.01	31.35%	14.64%	19.33%	12.49%	10.62%	*12.48%*	32.35%
2	395.59%	0.60	74	1.43	1.03	28.02%	15.20%	19.04%	12.20%	10.49%	*11.37%*	29.91%
3	228.28%	0.36	67	1.38	1.01	27.15%	14.06%	17.74%	10.90%	9.32%	*10.87%*	28.82%
4	160.70%	0.21	84	1.32	0.97	26.05%	13.77%	17.23%	10.39%	8.92%	*10.55%*	28.34%
5	118.07%	0.07	76	1.29	0.97	25.75%	14.34%	17.66%	10.82%	9.44%	*10.26%*	26.97%
6	97.70%	-0.01	52	1.28	0.97	24.10%	14.29%	17.25%	10.41%	9.09%	*10.09%*	26.23%
7	86.58%	-0.06	55	1.26	0.96	24.01%	12.89%	15.80%	8.96%	7.68%	*9.98%*	25.84%
8	75.86%	-0.12	62	1.24	0.96	22.92%	13.39%	16.11%	9.26%	8.07%	*9.86%*	24.59%
9	63.70%	-0.20	69	1.22	0.95	21.91%	13.46%	16.02%	9.18%	8.00%	*9.70%*	24.48%
10	56.31%	-0.25	69	1.17	0.92	22.87%	12.74%	15.47%	8.63%	7.56%	*9.58%*	23.44%
11	49.84%	-0.30	52	1.15	0.91	20.79%	15.17%	17.48%	10.64%	9.60%	*9.47%*	23.21%
12	43.59%	-0.36	72	1.15	0.91	21.55%	13.28%	15.69%	8.85%	7.82%	*9.35%*	22.94%
13	38.62%	-0.41	55	1.16	0.92	18.69%	13.40%	15.36%	8.52%	7.51%	*9.24%*	22.27%
14	35.57%	-0.45	55	1.10	0.87	20.59%	13.87%	16.11%	9.27%	8.31%	*9.16%*	22.54%
15	32.55%	-0.49	51	1.13	0.91	21.27%	14.63%	17.04%	10.20%	9.22%	*9.08%*	22.07%
16	29.62%	-0.53	47	1.08	0.86	19.61%	13.58%	15.65%	8.81%	7.86%	*8.99%*	22.65%
17	27.30%	-0.56	45	1.03	0.83	18.80%	12.41%	14.39%	7.54%	6.68%	*8.92%*	21.74%
18	25.04%	-0.60	46	1.04	0.83	19.37%	14.55%	16.56%	9.72%	8.84%	*8.84%*	21.89%
19	22.32%	-0.65	48	0.98	0.79	20.12%	13.81%	15.92%	9.08%	8.26%	*8.73%*	21.98%
20	20.00%	-0.70	51	0.95	0.76	18.07%	12.99%	14.81%	7.97%	7.20%	*8.63%*	21.43%
21	17.82%	-0.75	62	0.96	0.78	18.44%	13.37%	15.25%	8.41%	7.62%	*8.53%*	21.37%
22	15.52%	-0.81	43	0.94	0.75	18.80%	14.28%	16.25%	9.41%	8.62%	*8.40%*	22.02%
23	13.02%	-0.89	56	0.88	0.71	16.89%	13.38%	14.98%	8.13%	7.40%	*8.24%*	21.78%
24	9.73%	-1.01	73	0.86	0.70	17.69%	14.04%	15.78%	8.94%	8.29%	*7.97%*	20.16%
25	6.20%	-1.21	43	0.83	0.68	16.75%	12.43%	13.97%	7.12%	6.52%	*7.56%*	19.36%
Large Stocks (Ibbotson SBBI data)							9.68%	11.11%	4.27%			
Small Stocks (Ibbotson SBBI data)							13.34%	16.13%	9.29%			
Long-Term Treasury Income (Ibbotson SBBI data)							6.82%	6.84%				

Equity Risk Premium Study: Data through December 31, 2011
Data Smoothing with Regression Analysis
Dependent Variable: Average Premium
Independent Variable: Log of Average CV(ROE)

Regression Output:

Constant	10.111%
Std Err of Y Est	0.737%
R Squared	70%
No. of Observations	25
Degrees of Freedom	23
X Coefficient(s)	2.116%
Std Err of Coef.	0.288%
t-Statistic	7.34

*Smoothed Premium = 10.111% + 2.116% * Log(CV ROE)*



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