Q. Re: Page 51 Line 20: Please provide an explanation of how differential US/Canada tax rates effect the risk premium and how this has been incorporated in your analysis.

A. In principle, the lower tax rates applicable to equity income (through the dividend tax credit and the lower capital gains tax rates) in Canada would suggest a smaller risk premium if all investors were taxable under Canadian tax laws. However, the equity market is likely to be driven by non-taxable investors (pension funds and RRSPs). In addition, foreign investors (who are particularly key in government bond markets) are not subject to the Canadian tax regime. As a result, the differential U.S./Canadian tax rates should not materially impact the size of the risk premium in Canada.