1   Q.   Reference: Dr. Booth Evidence, Page 39, Lines 10-14: For each stock in the

2   Dow 30, please indicate whether Dr. Booth considers it to be a value stock or a

3   growth stock. Please explain how Dr. Booth categorizes stocks as being "value" or

4   "growth".

5

6   A.   Dr. Booth's judgment on all the individual stocks in the Dow30 does not play any

7   part of his testimony and he offers no personal judgment on them. The data in Schedule 3

8   of his testimony would have the empirical estimates from Estrada in the third column

9   which shows what the data indicates .

10

11   In the Fama-French model value stocks and growth stock are differentiated according to

12   their book to market ratio (inverse of the market to book ratio). Ken French's procedures

13   for classifying stocks are at:

14

15   http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html

16

17   Basically firms with high market to book ratios are classified as glamour or growth stocks

18   and firms with low market to book ratios as value stocks. Normally it is a three way sort

19   where the rankings of the top and bottom third of firms ranked by book to market are

20   used and the middle third discarded. However, different researchers use different cut offs

21   depending on the demands of the data.