Q. Reference: Page 89, Lines 24-25

"This sort of data was previously included by Professor Berkowitz and myself in estimates of risk premiums over preferred stock yields."

If the answer to Request for Information NP-CA-47 is a confirmation, please explain why the same default and liquidity issues that Dr. Booth raises with respect to corporate bond yields would not create similar issues with respect to estimating the risk premium over preferred stock yields?

A. They would, but when Dr. Berkowitz and Booth used a preferred share based risk premium it was estimated over many years so that the illiquidity evened out over the business cycle estimates. If he were able to estimate the model at the current point in time he would look at the behaviour of preferred share yields much as he has done for the corporate bond yields to see whether they were biased in any way.