

Calculation of GFC Cost of Equity - Staff Proxy GroupMerrill Lynch Cost of Market¹: 10.65%Treasury Rates²

10 year 30 year

Jun-07	5.10%	5.20%
Jul-07	5.00%	5.11%
Aug-07	4.67%	4.93%
Sep-07	4.52%	4.79%
Oct-07	4.53%	4.77%
Nov-07	4.15%	4.52%

Risk Free Rate (6/07 - 11/07) 4.77%

Proxy Group Beta 0.91

Proxy Group DCF ROE 8.58%

Traditional CAPM ROE 10.12%

Zero Beta CAPM ROE 10.25%

Generic CAPM ROE 10.19%

2/3 DCF 1/3 CAPM Weighting
ROE 9.12%

Credit Quality Adjustment (0.29%)

Issuance Expense Adjustment 0.13%

RDM Risk Reduction Adjustment (0.10%)

RECOMMENDED ROE: 8.90%

Sources:

¹Merrill Lynch, *Quantitative Profiles*, November 8, 2007.²Federal Reserve Statistical Release, [FRB: Federal Reserve Statistical Release H.15 - Historical Data](#)