

Economic Damages Report

Personal Injury

Claimant: John Doe, Ph.D.

Report Date: September 22, 2017

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Executive Summary

Referral and Assignment

I have been referred by Mr. James B. Smith, Esq., of Smith & Jones, PLC, 123 Main Street, Smithville, Arizona 85003 to perform present value calculations of future medical care costs, lost earnings and benefits and lost earning capacities as denoted in a report titled: *Life Care Plan and Vocational Earnings Assessment* prepared for Claimant, John Doe, Ph.D.

Conclusion

The present value of future Life Care Plan medical care costs for Claimant John Doe, Ph.D., secondary to the injuries sustained on July 23, 2014 equate to **\$761,479**.

The present value of lost earnings and benefits and lost earning capacities for Claimant John Doe, Ph.D., secondary to the injuries sustained on July 23, 2014 equate to **\$2,373,070**.

The total present value of economic damages suffered by Claimant John Doe, Ph.D., secondary to the injuries sustained on July 23, 2014 equate to **\$3,134,549**.

Documents Reviewed and Considered

- 1) Claimant's tax returns for 2010 – 2016 (on CD).
- 2) Claimant's Profit and Loss statements from 2010 – 2016 (on CD).
- 3) Claimant's report: *Life Care Plan and Vocational Earnings Assessment* authored by Robert P. Tresp, Jr., MA, CRC, CLCP, LAC (print).

Present Value Methodology and Data Used

If items or services in the Claimant's Life Care Plan report denote a "per-unit" or "per-year" cost range, the average cost of these items or services was used to determine the basis (initial year) cost. Each item or service was assigned a real growth rate relevant to the type of item or service to be provided. In this case, the real growth rates of subcategories under the Consumer Price Index major category of Medical Care to include, Physicians' Services, Services by Other Medical Professionals, Non-Prescription Medications, Prescription Medications and Outpatient Hospital Services were used.

Future medical care cost calculations begin in July 2017 at age 49.06 years as denoted in the Claimant's Life Care Plan and end on March 17, 2045 at age 79.71, the Claimant's Life Expectancy Age. Real rates of growth are used in all calculations and defined as the difference between historical (nominal) growth rates for the individual Consumer Price Index (CPI-U) subcategories of Medical Care and the rate of growth for All Goods and Services (All Items) derived from the Consumer Price Index, All Urban Consumers – Current Series (CPI-U).

For example, the real rate of growth of 0.68% used for Physicians' Services is derived from the 20 year (1997 - 2016) historical average of annual rates of inflation (nominal rate) for Physician's Services (2.84%) less the 20 year (1997 - 2016) historical average of annual rates of inflation for All Goods and Services (2.16%) derived from the Consumer Price Index, All Urban Consumers - Current Series (CPI-U). If some items or services are to be provided within the year, no growth or discount rates (0.00%) are required to be applied.

The Claimant's life expectancy date is based on statistical probability. For the purposes of this Economic Report, Life Table for White Males: United States, 2013, published by the United States Department of Health and Human Services, Centers for Disease Control and Prevention, "National Vital Statistics Reports", Volume 66, Number 3, April 11, 2017, titled "United States Life Tables, 2013", by Elizabeth Arias, Ph.D., Melonie Heron, Ph.D. and Jiaquan Xu, M.D. is used to project the Claimant's expected age and date at death.

According to the Claimant's report: *Life Care Plan and Vocational Earnings Assessment* authored by Robert P. Tremp, Jr., MA, CRC, CLCP, LAC, the Claimant has suffered a 20% loss of earning capacity due to injury. Therefore, in this Economic Report, present value calculations of past and future lost earnings, benefits and lost earning capacity are presented. Due to the Claimant's earnings, benefits and earning capacity are derived from his business, the Claimant's pre-incident past and future earnings in cash, benefits and cash earning capacity are determined by the Claimant's annual receipt of Officer's Compensation, plus annual booked Asset Depreciation and/or Amortization (non-cash expenses) and the annual Net Cash Earnings generated by the Claimant's business. Collectively, the denoted sources of earnings are referred to as the Claimant's annual Cash Earnings.

For the purposes of this Economic Report, the Claimant's pre-incident earning capacity of \$652,137 was calculated by averaging the Claimant's Cash Earnings (as defined above) for the 5-year period of 2010 – 2014. The Claimant's post-incident earning capacity of \$521,710 calculates as a 20% reduction in the Claimant's earning capacity due to injury. The Claimant's post-incident actual Cash Earnings in 2015 equate to \$502,863, a 22.89% post-incident decrease from the 5-year average (2010 – 2014) of Cash Earnings generated and received by the Claimant of \$652,137. In 2016, the Claimant's post-incident actual Cash Earnings equate to \$508,283, a 22.06% post-incident decrease from the 5-year average (2010 – 2014) of Cash Earnings generated and received by the Claimant of \$652,137. Actual post-incident Cash Earnings generated by the Claimant in 2015 and 2016 supports a 20% reduction in the Claimant's earning capacity as denoted in the Claimant's *Life Care Plan and Vocational Earnings Assessment* report. Any benefits earned and received by the Claimant are already accounted for in the annual determination of the Claimant's Net Cash Earnings and are therefore not recognized as a separate loss to the Claimant due to injury.

The Claimant's aggregate pre-incident future earning capacity was calculated in this economic analysis using a worklife expectancy model that denotes the Claimant's pre-incident worklife expressed in remaining active years of labor force participation and is based on statistical probability. Characteristics for Initially Active Men with a doctorate or professional degree, from the study, "The Markov Process Model of Labor Force Activity: Extended Tables of Central Tendency, Shape, Percentile, Points, and Bootstrap Standard Errors", authored by Gary R. Skoog, James E. Ciecka and Kurt V. Krueger, denotes an active man (employed at the date of incident (DOI)) with a doctorate or professional degree has a worklife expectancy mean at age 49.06 of 19.65 years. The Claimant was 49.06 years old on the date of incident (DOI) of July 23, 2014. Therefore, this age and date is used in this case as the basis for the beginning of the Claimant's future lost earning capacity.

The Markov Process Model of Labor Force Activity (Markov Model) uses advanced transitional probability calculations with extensive surveys to determine year-to-year "transitional" states of active and inactive states of labor force participation. The statistical Markov Model is designed to identify periods of time when individuals can be expected to be active and participating in the labor market, earning wages and benefits. Factors included in the Model that influence an individual's remaining years of worklife expectancy include: current age, education level attainment, gender and current status of active or inactive states of labor force participation.

It is important to note that the Markov Model does not establish a retirement date for an individual. Rather, the purpose of the model is to identify the statistical number of remaining years of active labor force participation an individual will likely have to earn wages and benefits. Statistically, individuals will experience gaps in their labor force participation and therefore, gaps in their lifelong career earnings. The Markov Model is designed to take into account these average gaps in

labor force participation individuals typically experience, such as, disability, termination from employment, layoffs, extended illnesses and death.

But for the Claimant's motor vehicle accident injury on July 23, 2014, it is probable that the Claimant's worklife expectancy in terms of number of years the Claimant would have been active and earning full-time Cash Earnings to be 19.65 years, based on the Markov Process Model of Worklife Expectancy.

To calculate the present value of the Claimant's lost earnings and earning capacity from the date of incident (DOI) of July 23, 2014 to the Economic Report date of September 22, 2017, an interest rate of 0.06%, compounded annually, was used in this present value analysis. This interest rate is derived from the average of national savings account rates offered by banks nationally between 2014 and 2017, as published by the Federal Deposit Insurance Corporation (FDIC).

For the purposes of this Economic Report and present value analysis, the real discount rate used of 1.05% is derived from the average yield rate of the 20 year (1997 - 2016) historical average yields of United States Treasury, 1 Year, 5 Year, and 10 Year Treasury Notes (3.21%) less an average inflation rate derived from the 20 year (1997 - 2016) historical averages of the All Goods and Services (All Items) rate of (2.16%) sourced from the Consumer Price Index, All Urban Consumers - Current Series annual rates of inflation.

Opinions expressed in this Economic Report are developed from information and data presented to the author at the time as denoted within the Report. It should be noted that I have no opinion relative to liability in this matter. Should additional information become available the undersigned reserves the right to author and submit an addendum Economic Report. The conclusion(s) expressed within this Economic Report are considered to be within industry standard to a degree of economic probability.

Very truly yours,

Case Overview

General Information

Injury Date:	7/23/2014
Report Date:	9/22/2017
Interest Rate (Past Damages) ¹ :	0.06%
Discount Rate (Future Damages) ² :	1.05%
Periodic Compounding:	Annually
Present Value Interest Calculation:	Compound Interest

Claimant Information

Gender:	Male
Race:	White
Birth Date:	6/30/1965
Age at Injury:	49.06
Projected Retirement Age ³ :	68.71
Projected Age at Death ⁴ :	79.71

¹Federal Deposit Insurance Corporation (FDIC).

²Table H-15: Board of Governors of the Federal Reserve System and Table CPI-U: CUUR0000SAO.

³Worklife expectancy calculated for all men active in the workforce with a doctorate or other professional degree. Study used: The Markov Process Model of Labor Force Activity: Extended Tables of Central Tendency, Shape, Percentile Points, and Bootstrap Standard Errors, Gary R. Skoog, James E. Ciecka and Kurt V. Krueger, Journal of Forensic Economics, 22(2), 2011.

⁴Life expectancy calculated for white men. Study used: United States Life Tables, 2013 by Elizabeth Arias, Ph.D., Melonie Heron, Ph.D., and Jiaquan Xu, M.D., Division of Vital Statistics, National Vital Statistics Reports, Volume 66, Number 3, April 11 2017.

Damages Summary

	Future Values		Present Values	
	Pre-Report	Post-Report	Pre-Report	Post-Report
Lost Cash Earnings	\$408,171	\$2,149,723	\$408,472	\$1,964,598
Lost Fringe Benefits	\$0	\$0	\$0	\$0
Subtotal: Lost Earnings and Lost Earning Capacity	\$408,171	\$2,149,723	\$408,472	\$1,964,598
Lost Household Services	\$0	\$0	\$0	\$0
Medical Expenses	\$0	\$899,867	\$0	\$761,479
Other Damages	\$0	\$0	\$0	\$0
Total Damages	\$408,171	\$3,049,590	\$408,472	\$2,726,077
Grand Total Damages	\$3,457,761		\$3,134,549	

Earnings and Earning Capacity

Projected Annual Earning Capacity without Injury

ID	From	To	Occupation	Employer	Cash Earnings	Benefits %	Pre-Report Growth	Post-Report Growth
A.1	07/23/14	03/16/34	Business Consultant	John Doe, Inc.	\$652,137*	0.00%	0.00%	0.00%

*Average annual Cash Earnings from 2010 – 2014.

Projected Annual Earning Capacity with Injury

ID	From	To	Occupation	Employer	Cash Earnings	Benefits %	Pre-Report Growth	Post-Report Growth
B.1	07/23/14	03/16/34	Business Consultant	John Doe, Inc.	\$521,710*	0.00%	0.00%	0.00%

*Denotes 20% projected Earning Capacity reduction due to injury.

Pre-Report Actual and Projected Lost Earnings and Lost Earning Capacity

Period	From	To	Cash Earnings	Benefits	Total Uninjured	Cash Earnings	Benefits	Total Injured	Loss	Present Value
1	07/23/14	12/31/14	\$289,442	\$0	\$289,442 ¹	\$268,736	\$0	\$268,736 ⁵	\$20,706	\$20,743
2	01/01/15	12/31/15	\$652,137	\$0	\$652,137 ²	\$502,863	\$0	\$502,863 ⁶	\$149,274	\$149,453
3	01/01/16	12/31/16	\$652,137	\$0	\$652,137 ³	\$508,283	\$0	\$508,283 ⁷	\$143,854	\$143,940
4	01/01/17	09/21/17	\$471,683	\$0	\$471,683 ⁴	\$377,346	\$0	\$377,346 ⁸	\$94,336	\$94,336
Total	07/23/14	09/21/17	\$2,065,399	\$0	\$2,065,399	\$1,657,228	\$0	\$1,657,228	\$408,171	\$408,472

¹Projected Earning Capacity without injury in 2014 at damages-year date fraction of 0.4434.

²Projected Earning Capacity without injury in 2015 at full year.

³Projected Earning Capacity without injury in 2016 at full year.

⁴Projected Earning Capacity without injury in 2017 at report-year date fraction of 0.7226.

⁵Actual Cash Earnings with injury in 2014 at damages-year date fraction of 0.4434.

⁶Actual Cash Earnings with injury in 2015 at full year.

⁷Actual Cash Earnings with injury in 2016 at full year.

⁸Projected Cash Earnings with injury in 2017 at report-year date fraction of 0.7226.

Post-Report Projected Lost Earning Capacity

Period	From	To	Cash Earnings	Benefits	Total Uninjured	Cash Earnings	Benefits	Total Injured	Loss	Present Value
1	09/22/17	12/31/17	\$180,454	\$0	\$180,454	\$144,364	\$0	\$144,364	\$36,091	\$35,987
2	01/01/18	12/31/18	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$128,699
3	01/01/19	12/31/19	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$127,362
4	01/01/20	12/31/20	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$126,039
5	01/01/21	12/31/21	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$124,729
6	01/01/22	12/31/22	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$123,433
7	01/01/23	12/31/23	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$122,150
8	01/01/24	12/31/24	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$120,881
9	01/01/25	12/31/25	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$119,625

Period	From	To	Cash Earnings	Benefits	Total Uninjured	Cash Earnings	Benefits	Total Injured	Loss	Present Value
10	01/01/26	12/31/26	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$118,382
11	01/01/27	12/31/27	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$117,152
12	01/01/28	12/31/28	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$115,935
13	01/01/29	12/31/29	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$114,730
14	01/01/30	12/31/30	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$113,538
15	01/01/31	12/31/31	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$112,358
16	01/01/32	12/31/32	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$111,190
17	01/01/33	12/31/33	\$652,137	\$0	\$652,137	\$521,710	\$0	\$521,710	\$130,427	\$110,035
18	01/01/34	12/31/34	\$134,001	\$0	\$134,001	\$107,201	\$0	\$107,201	\$26,800	\$22,375
19	01/01/35	12/31/35	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	01/01/36	12/31/36	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	01/01/37	12/31/37	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22	01/01/38	12/31/38	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23	01/01/39	12/31/39	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24	01/01/40	12/31/40	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	01/01/41	12/31/41	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	01/01/42	12/31/42	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
27	01/01/43	12/31/43	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
28	01/01/44	12/31/44	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
29	01/01/45	03/17/45	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	09/22/17	03/17/45	\$10,748,647	\$0	\$10,748,647	\$8,598,925	\$0	\$8,598,924	\$2,149,723	\$1,964,598

Medical Expenses

Summary of Medical Expenses

Start	End	Type ¹	Description	Amount	Growth ²	Occurs
07/23/14	03/17/45	E	Office Visits	\$450.00	0.68%	Annually
07/23/14	03/17/45	E	Physical Therapy	\$5,280.00	0.14%	Annually
07/23/14	03/17/45	E	Ibuprofen 800 mg	\$123.30	0.66%	Annually
07/23/14	03/17/45	E	Flexeril 10 mg	\$64.88	1.55%	Annually
07/23/14	03/17/45	E	MRI	\$3,220.00	3.70%	Custom
07/23/14	03/17/45	E	Radio-frequency Ablation	\$12,500.00	3.70%	Custom
07/23/14	03/17/45	E	Medial Branch Blocks	\$5,750.00	3.70%	Annually

¹E = Expense, R = Reimbursement

²Source: United States Department of Labor, Bureau of Labor Statistics, CPI-U, and Current Series IDs: CUUR0000SEMC01, CUUR0000SEMC04, CUUR0000SEMF01, CUUR0000SEMF02, CUUR0000SERF01, and CUUR0000SAO.

Pre-Report of Medical Expenses

No Pre-Report Medical Expenses data entered for the Claimant.

Post-Report of Medical Expenses

Period	From	To	Expenses	Present Value
1	09/22/17	12/31/17	\$0	\$0
2	01/01/18	12/31/18	\$15,174	\$14,973
3	01/01/19	12/31/19	\$25,209	\$24,616
4	01/01/20	12/31/20	\$29,751	\$28,750
5	01/01/21	12/31/21	\$12,575	\$12,025
6	01/01/22	12/31/22	\$31,304	\$29,625
7	01/01/23	12/31/23	\$28,549	\$26,737
8	01/01/24	12/31/24	\$17,501	\$16,220
9	01/01/25	12/31/25	\$29,978	\$27,495
10	01/01/26	12/31/26	\$35,623	\$32,333
11	01/01/27	12/31/27	\$14,260	\$12,809
12	01/01/28	12/31/28	\$37,547	\$33,375
13	01/01/29	12/31/29	\$34,120	\$30,014
14	01/01/30	12/31/30	\$20,378	\$17,739
15	01/01/31	12/31/31	\$35,891	\$30,919
16	01/01/32	12/31/32	\$42,909	\$36,581
17	01/01/33	12/31/33	\$16,340	\$13,785
18	01/01/34	12/31/34	\$45,298	\$37,819
19	01/01/35	12/31/35	\$41,031	\$33,901
20	01/01/36	12/31/36	\$23,940	\$19,574

Period	From	To	Expenses	Present Value
21	01/01/37	12/31/37	\$43,229	\$34,978
22	01/01/38	12/31/38	\$51,953	\$41,600
23	01/01/39	12/31/39	\$18,909	\$14,984
24	01/01/40	12/31/40	\$54,916	\$43,063
25	01/01/41	12/31/41	\$49,610	\$38,498
26	01/01/42	12/31/42	\$28,352	\$21,773
27	01/01/43	12/31/43	\$52,336	\$39,774
28	01/01/44	12/31/44	\$63,183	\$47,519
29	01/01/45	03/17/45	\$0	\$0
Total	09/22/17	03/17/45	\$899,867	\$761,479

Data Citations

Estimates of Present and Future Medical Care Costs

Tremp, Jr., Robert P. *Life Care Plan and Vocational Earnings Assessment*, January 23, 2015. Print.

Employment Status, Pre- and Post-Injury

Tremp, Jr., Robert P. *Life Care Plan and Vocational Earnings Assessment*, January 23, 2015. Print.

Earnings and Benefits, Pre- and Post-Injury

Tremp, Jr., Robert P. *Life Care Plan and Vocational Earnings Assessment*, January 23, 2015. Print.

Earning Capacity, Pre- and Post-Injury

Tremp, Jr., Robert P. *Life Care Plan and Vocational Earnings Assessment*, January 23, 2015. Print.

Worklife Expectancy

Skoog, Gary, James Ciecka and Kurt Krueger. "The Markov Process Model of Labor Force Activity: Extended Tables of Central Tendency, Shape, Percentile Points, and Bootstrap Standard Errors." *Journal of Forensic Economics*, Vol. 22, Number 2, August 2011. Print.

Life Expectancy

http://www.cdc.gov/nchs/data/nvsr/nvsr66/nvsr66_03.pdf

Arias, Elizabeth, Melonie Heron and Jiaquan Xu. *National Vital Statistics Reports: United States Life Tables, 2013*. Centers for Disease Control and Prevention. Volume 66, Number 3, April 11 2017. Print.

Growth Rates of Future Medical Care Costs

<http://www.bls.gov/data/>

United States Department of Labor - Bureau of Labor Statistics - Consumer Price Index - All Urban Consumers (CPI-U) Tables: CPI-U, CUUR0000SAO - All Goods and Services, CUUR0000SEMC01 - Physicians' Services, CUUR0000SEMC04 - Services by Other Medical Professionals, CUUR0000SEMF02 - Non-Prescription Medications, CUUR0000SEMF01 - Prescription Medications and CUUR0000SERF01 - Outpatient Hospital Services.

Interest Rate

<http://www.fdic.gov/>

Federal Deposit Insurance Corporation (FDIC), weekly national average of savings account rates for the years 2014 – 2016.

Discount Rate

<http://www.federalreserve.gov/>

Board of Governors of the Federal Reserve System, Economic Research and Data, Table: H-15.

Understanding This Report

Calculation of Economic Loss

The Damages Summary on page 5 shows the calculated economic loss sustained by the Claimant as a result of the injury. The total loss is calculated from the following losses:

- The Cash Earnings, both past and future, that the Claimant would have earned had the injury not occurred;
- The Fringe Benefits that would have accompanied that Cash Earnings stream;
- The Household Services, both past and future, that the Claimant would have performed without the injury;
- Any Medical Expenses that have resulted from the injury, or can be predicted to occur in the future;
- Any other damages or expenses that have resulted from the injury, or can be predicted to occur in the future.

These losses are offset by:

- The Claimant's Cash Earnings, both past and future, following the injury;
- The Fringe Benefits accompanying that Cash Earnings stream;
- The Household Services that the Claimant is able to perform with the injury.

The Damages Summary applies these offsets to the corresponding losses and shows net loss amounts for Cash Earnings, Fringe Benefits, and Household Services. For example, the Lost Cash Earnings line reports net losses to the Claimant's Cash Earnings. In each column the amount shown is the Cash Earnings the Claimant would have earned *without* the injury *minus* the Cash Earnings the Claimant has earned or will earn *with* the injury.

The losses are divided into Pre-Report and Post-Report periods. Pre-Report amounts occur from the injury date (7/23/2014) to the Report date (9/22/2017). Post-Report amounts occur from the Report date (9/22/2017) to the end of the Claimant's Worklife and Life Expectancy dates (3/16/2034 and 3/17/2045 respectively) The Pre-Report and Post-Report totals are summed to calculate the Grand Total Damages.

Future Values vs. Present Values

The Damages Summary (see page 5) is divided into future values and present values:

- *Future values* are the unadjusted actual damage amounts starting in the past and extending into the future.
- *Present values* are the time-adjusted values of the payment stream, taking into account (a) the interest obtained from investing payments occurring in the past; and (b) the interest required to achieve payments occurring in the future.

Calculation of Present Values

Present values are calculated relative to the Report date (9/22/2017). The present value of a payment in the past is the amount that payment would have yielded on the Report date had it been invested on the date it would have been made. The present value of a payment in the future is the amount on the Report date invested with compound interest that would have yielded the payment at its future date.

Accounting for Inflation

Future Cash Earnings and Medical Expenses are projected using the constant dollar method, meaning that dollars in the future are assumed to have the same average purchasing power as dollars today. While that is unlikely to be true, there are advantages to ignoring inflation, and it can be done without distorting the results of the damages calculations. First and foremost, ignoring inflation eliminates the considerable challenge of predicting future inflation rates. And although inflation

itself is difficult to predict, the pervasive role it plays in our economy makes inflation a component of all the time-related economic variables in the damages calculations: Cash Earnings growth, growth of medical and other costs, and discount and interest rates. This means that inflation can be ignored by entering those variables net of inflation, which simplifies the process of forecasting future cash flows.