Q. (Re: p.34, lines 14-15)
Dr. Kalymon indicates that the expected growth rate is in the range of 8.75% -10.00%.

In light of the industrials' dividend payout ratio, what is the indicated return on equity necessary to produce a sustainable growth rate of 10%.

A. As discussed on page 34, the long term payout ratio of 33% might be used as an assessment of future potential growth rates. This implies a return on book equity of between 13.06% [=8.75/(1-.33)] and 14.92%[10.00/(1-.33)]. The upper range is not supported by the historically observed returns on book values. This assessment precludes growth from sources other than reinvestment, such as changes in leverage or stock issues, which is less tenable for unregulated industrials as compared to regulated utilities.