Q. Reference: PUB-NP-056 and PUB-NP-057

Mr. Coyne obtains DCF growth estimates in JMC-3 for the U.S., Canadian and North American proxy groups of 5.32%, 8.03% and 5.28% respectively.

a) Please verify that these growth estimates refer to analyst estimates of earnings growth in the "short-term" (i.e., less than 5 years ahead).

b) Please explain why Mr. Coyne believes it is reasonable to use these short-term forecasts in the constant-growth DCF model, which is based upon the assumption that growth will remain at the estimated growth rate "to infinity."

A. a) The growth rates from Zacks, First Call and SNL are for a period of five years, while the growth rates published by Value Line are for a period of three-to-five years.

b) It is common practice among financial professionals to use analyst EPS growth rates as a surrogate for long-term growth in the Constant Growth DCF model. Mr. Coyne notes the limiting assumptions of the constant growth DCF model on page 23 of Concentric's report, and has provided the results of both a constant growth DCF model and a multi-stage DCF model for the Canadian, U.S., and North American proxy groups. He further notes that his recommended ROE of 9.5% is just below the average of the multi-stage DCF results for all three proxy groups.