

1 **Q. Dr. Cleary Evidence, Page 19, Lines 9-10: Please explain fully whether it is**
2 **Dr. Cleary’s opinion that the appropriate time horizon to determine a company’s**
3 **capital structure is 2 to 3 years. In the response please state the basis for Dr.**
4 **Cleary’s opinion.**

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6 A. Dr. Cleary’s evidence referred to above on page 19, lines 9-10 states:
7 *“Certainly the economic forecast for Newfoundland and Labrador is not*
8 *encouraging for the next two to three years.”*

9
10 This statement makes no inferences about the appropriate time horizon to estimate a
11 company’s capital structure. The ensuing discussion focuses on the reasons he expects
12 NP to display resiliency over the next two years, which are expected to display below
13 average economic growth, before economic growth rebounds in 2018 and 2019.