

1 **Q. CA-PUB-43 Reference pages 34-37: Use of U.S. Estimates in Canada: Please**
2 **indicate where Mr. MacDonald has downwardly adjusted the analyst forecasts for**
3 **their well-known optimism bias? If he has not adjusted them please cite all papers**
4 **he has relied on for assuming that such forecasts are unbiased.**

5
6 A. Mr. MacDonald has not adjusted the analyst forecasts for optimism bias. The references
7 to support optimism bias appear in general to centre on the time period before the Global
8 Settlement between the US Attorney General for New York and a number of investment
9 banks in 2003. A criticism of analyst forecasts during the 1990s was that equity analysts
10 at investment banks faced internal pressure to inflate forecasts and ratings to help their
11 employers win business. Mr. MacDonald is not aware of any research specifically
12 questioning the *Value Line* dividend estimates used in the DCF model. Mr. MacDonald
13 notes that *Value Line* is an independent research firm that is compensated directly for its
14 research through a subscription model.