

Combining the expected dividend of \$1.28 per share and a market price range of \$20.11 to ~~\$29.00~~ \$20.00 per share produces an approximate expected dividend yield of ~~5.50~~ 6.4 percent. This is the dividend yield I used as the yield portion (D_1/P_0) in the DCF model.

Q. Please summarize the results of your expected dividend yield and growth rate analysis for the DCF return on equity for Empire.

A. The summarize DCF cost of equity estimate for Empire is presented as follows:

<u>Yield (D_1/P_0)</u>	+	<u>Growth Rate (g)</u>	=	<u>Cost of Equity (k)</u>
5.50% 6.4%	+	3.00%	=	8.50% 9.4%
5.50% 6.4%	+	4.00%	=	9.50% 10.4%

This range of return on common equity of ~~8.50~~ 9.4 to ~~9.50~~ 10.4 percent is the company specific cost of equity range for Empire (see Schedule 15).