Q. Referring to footnote 34 at page 57 of 67, please provide all evidence that you are aware of that "investors accept the analysts' views."

A. A study conducted on analysts' forecasts in 1981 found that earnings estimates are a good measure of the unobservable market earnings forecasts (Edwin J. Elton, et. al., "Expectations and Share Prices", *Management Science*, Vol. 27, Iss. 9, September 1981, p. 975-987).

Since that early study, to Ms. McShane's knowledge, the preponderance of the academic studies which have been conducted using the analysts' forecasts are based on the assumption that the consensus of analysts' forecasts correspond to what investors anticipate. There are close to 600 studies, whose abstracts are contained in the I/B/E/S Bibliography dated March 2000 (on-line at www.gsb.columbia.edu/cis/research/db/ibes/manual/bibliography.pdf), which have analyzed various aspects of the I/B/E/S forecasts. These studies have been categorized by the five factors they analyze, none of which specifically reflect attempts to determine the difference between the level of investors' growth expectations and those included in the analysts' forecasts.

Most of the studies referred to above did not analyze the longer-term earnings forecasts, but rather the near-term (quarterly or one-year forward) forecasts. A recent study, which did focus on longer-term earnings growth forecasts, concluded that investors believe the growth rates forecast by analysts for the long-term will persist for 6-9 years. ("How Does the Market Interpret Analysts' Long-Term Growth Forecasts?", Steven A. Sharpe, Working Paper, Federal Reserve Board, July 2002).

It is of particular note that, despite the recent criticisms of analysts' performance, stock prices continue to react positively or negatively when companies announce earnings higher or lower than predicted by the consensus of analysts.