

Company	Price	Dividend	Growth	Cost of Equity
3M Co	129.67	2.64	11.5%	13.91%
Abbott Laboratories	39.35	0.94	12.3%	15.15%
Adobe Systems Inc.	33.26	0.05	12.7%	12.88%
Alberto-Culver Co -Cl B	48.82	0.42	11.3%	12.31%
Albertsons Inc	19.16	0.76	8.9%	13.52%
Alcoa Inc	21.04	0.60	11.4%	14.78%
Anheuser-Busch Cos Inc	48.42	0.78	11.8%	13.71%
Autodesk Inc	15.82	0.12	12.8%	13.70%
Automatic Data Processing	32.50	0.48	12.5%	14.26%
Avery Dennison Corp	54.21	1.44	11.4%	14.55%
Avon Products	57.73	0.84	11.6%	13.32%
Baker-Hughes Inc	28.93	0.46	13.0%	14.90%
Bard (C.R.) Inc	62.20	0.88	11.9%	13.58%
Bausch & Lomb Inc	33.91	0.52	13.3%	15.14%
Becton Dickinson & Co	33.64	0.40	11.5%	12.90%
Biomet Inc	30.03	0.10	15.0%	15.40%
Black & Decker Corp	37.89	0.48	11.3%	12.79%
Brunswick Corp	20.46	0.50	10.3%	13.17%
Carnival Corp	25.75	0.42	13.3%	15.26%
Caterpillar Inc	51.62	1.40	10.9%	14.10%
Centex Corp	60.03	0.16	14.6%	14.92%
Chevrontexaco Corp	64.24	2.80	7.3%	12.31%
Cigna Corp	49.16	1.32	10.8%	13.97%
Circuit City Stores Inc	5.48	0.07	12.7%	14.22%
Coca-Cola Co	40.93	0.88	11.1%	13.64%
Coca-Cola Enterprises	19.47	0.16	13.5%	14.49%
Colgate-Palmolive Co	55.87	0.72	11.4%	12.92%
Conagra Foods Inc	20.99	0.99	8.4%	13.88%
Cooper Industries Ltd	37.18	1.40	10.9%	15.36%
Cooper Tire & Rubber	13.17	0.42	10.7%	14.46%
Coors (Adolph) -Cl B	50.63	0.82	10.9%	12.80%
Cummins Inc	24.92	1.20	8.2%	13.79%
CVS Corp	23.70	0.23	11.8%	12.95%
Danaher Corp	68.03	0.10	14.0%	14.18%
Darden Restaurants Inc	18.69	0.08	14.6%	15.12%
Disney (Walt) Co	18.10	0.21	14.0%	15.40%
Dow Chemical	30.08	1.34	9.4%	14.62%
Dow Jones & Co Inc	37.77	1.00	11.5%	14.64%
Du Pont (E I) De Nemours	40.83	1.40	8.6%	12.57%
Eastman Chemical Co	29.69	1.76	7.2%	14.05%
Eastman Kodak Co	30.66	1.80	6.6%	13.34%
Eaton Corp	76.10	1.76	10.6%	13.32%
Ecolab Inc	50.59	0.58	12.7%	14.07%
Electronic Data Systems Corp	17.17	0.60	10.8%	14.93%
Emerson Electric Co	48.25	1.57	10.0%	13.82%
Engelhard Corp	23.26	0.40	10.8%	12.82%
Fluor Corp	35.11	0.64	11.6%	13.76%
Fortune Brands Inc	45.78	1.08	11.0%	13.78%
General Dynamics Corp	57.53	1.20	10.9%	13.36%
General Mills Inc	45.73	1.10	10.6%	13.43%
General Motors Corp	35.29	2.00	5.9%	12.36%
Gillette Co	31.28	0.65	9.9%	12.32%

Company	Price	Dividend	Growth	Cost of Equity
Grainger (W W) Inc	44.63	0.72	11.4%	13.30%
Heinz (H J) Co	29.61	1.62	7.8%	14.14%
Hilton Hotels Corp	12.47	0.08	14.1%	14.87%
Honeywell International Inc	22.53	0.75	11.3%	15.25%
IMS Health Inc	14.73	0.08	12.4%	13.04%
Ingersoll-Rand Co Ltd	41.29	0.68	11.8%	13.75%
Intl Flavors & Fragrances	32.21	0.60	10.5%	12.68%
ITT Industries Inc	56.24	0.64	12.2%	13.55%
Johnson Controls Inc	77.24	1.44	12.4%	14.62%
KB Home	47.55	0.30	12.7%	13.45%
Kellogg Co	31.66	1.01	8.7%	12.40%
Kerr-McGee Corp	41.18	1.80	7.8%	12.85%
Limited Brands Inc	13.69	0.30	12.8%	15.42%
Liz Claiborne Inc	31.65	0.22	12.5%	13.33%
Lockheed Martin Corp	47.49	0.48	11.7%	12.89%
Marathon Oil Corp	23.52	0.92	9.0%	13.56%
Mattel Inc	22.02	0.05	13.1%	13.37%
May Department Stores Co	20.64	0.95	7.9%	13.22%
McCormick & Co	24.50	0.44	10.3%	12.40%
McGraw-Hill Companies	57.94	1.08	12.1%	14.32%
Meredith Corp	40.68	0.38	11.5%	12.60%
Microsoft Corp	25.19	0.08	13.8%	14.18%
New York Times Co -Cl A	45.06	0.54	11.0%	12.41%
Nike Inc -Cl B	52.96	0.56	13.6%	14.87%
Nordstrom Inc	16.68	0.40	10.2%	13.01%
Northrop Grumman Corp	85.31	1.60	13.1%	15.35%
Nucor Corp	40.01	0.80	11.7%	14.07%
Occidental Petroleum Corp	30.43	1.04	10.6%	14.63%
Omnicom Group	58.59	0.80	13.2%	14.84%
Pall Corp	20.69	0.36	13.2%	15.29%
Parker-Hannifin Corp	39.93	0.76	11.1%	13.34%
Penney (J C) Co	18.75	0.50	9.7%	12.81%
Pepsico Inc	40.84	0.60	11.3%	13.03%
Pitney Bowes Inc	33.53	1.20	10.4%	14.62%
Radioshack Corp	22.99	0.22	12.9%	14.04%
Rockwell Automation	21.73	0.66	11.0%	14.59%
Rohm & Haas Co	31.25	0.84	9.6%	12.73%
Sears Roebuck & Co	26.48	0.92	8.8%	12.83%
Sherwin-Williams Co	27.36	0.62	9.9%	12.55%
Snap-On Inc	27.14	1.00	10.0%	14.33%
Tribune Co	47.39	0.44	12.7%	13.81%
Tyco International Ltd	14.35	0.05	14.0%	14.42%
United Technologies Corp	60.92	0.98	12.0%	13.91%
UST Inc	29.24	2.00	5.9%	13.73%
VF Corp	38.41	1.00	9.5%	12.53%
Vulcan Materials Co	32.63	0.98	11.7%	15.27%
Wal-Mart Stores	54.52	0.30	14.0%	14.66%
Waste Management Inc	21.06	0.01	13.2%	13.26%
Wendy's International Inc	27.91	0.24	12.9%	13.93%
Winn-Dixie Stores Inc	13.41	0.20	11.9%	13.67%
Wrigley (Wm) Jr Co	57.06	0.82	11.2%	12.89%
Wyeth	39.13	0.92	11.5%	14.29%
Market Weighted Average				13.95%

Source: Standard & Poor's Compustat Database. Price is average of April 2003 high and low prices. Dividend is the annual dividend rate as reported by Compustat. Growth rate is the I/B/E/S mean estimate of long-term growth rate as reported by Compustat.

Notes: In applying the DCF Model to the S&P Industrials, I included in the DCF analysis only those companies in the S&P Industrial group which have a reported stock price, pay a dividend, have a positive growth rate, have at least three analysts' long-term growth estimates, and have at least one common share outstanding. To be conservative, I also eliminated those 25% of companies with the highest and lowest DCF results, those companies with cost of equity results equal to or below the April 2003 average yield on Moody's A-rated industrial bonds or equal to or above 20%. The weighted average DCF result for all four quartiles of the S&P Industrials was 14.18%. Elimination of the 1st and 4th quartiles of the S&P Industrials had a negligible effect on the market value capital structure.

Notation:

- d_0 = Quarterly Dividend (annual dividend divided by 4).
- P_0 = Average of the monthly high and low stock prices April 2003.
- FC = Flotation costs expressed as a percent of gross proceeds (5 percent).
- g = I/B/E/S mean forecast of future earnings growth April 2003.
- k = Cost of equity using the quarterly version of the DCF Model as shown by the formula below:

$$k = \left[\frac{d_0(1+g)^{\frac{1}{4}}}{P_0} + (1+g)^{1/4} \right]^4 - 1$$