

Prodigy Network: Democratizing Real Estate Design and Financing

The Walt Disney Company

Orlando, Florida Anaheim, California Tokyo, Japan

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Possible Solutions

1. A 10-year interest rate swap with a 10% fixed rate and a 6% floating rate (LIBOR + 3.00%) would result in a net cost of 6.00%.

2. A 10-year interest rate swap with a 10% fixed rate and a 6% floating rate (LIBOR + 3.00%) would result in a net cost of 6.00%.

Swap

Year	Fixed	Floating	Net
1	10.00%	6.00%	4.00%
2	10.00%	6.00%	4.00%
3	10.00%	6.00%	4.00%
4	10.00%	6.00%	4.00%
5	10.00%	6.00%	4.00%
6	10.00%	6.00%	4.00%
7	10.00%	6.00%	4.00%
8	10.00%	6.00%	4.00%
9	10.00%	6.00%	4.00%
10	10.00%	6.00%	4.00%

Problem: Foreign Exchange Rate Exposure

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Bullet Loan

Year	Interest	Principal	Total
1	10.00%	0.00%	10.00%
2	10.00%	0.00%	10.00%
3	10.00%	0.00%	10.00%
4	10.00%	0.00%	10.00%
5	10.00%	0.00%	10.00%
6	10.00%	0.00%	10.00%
7	10.00%	0.00%	10.00%
8	10.00%	0.00%	10.00%
9	10.00%	0.00%	10.00%
10	10.00%	10.00%	20.00%

Swap

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6	10.00%	6.00%	4.00%
7	10.00%	6.00%	4.00%
8	10.00%	6.00%	4.00%
9	10.00%	6.00%	4.00%
10	10.00%	6.00%	4.00%

Hedging Limitations

- Futures Contract
- FX Forward Contract
- Foreign-Currency Swap
- Longer Maturity
- Eurodollar Debt Issue
- Euroyen Bonds

ECU Eurobond

Year	Interest	Principal	Total
1	10.00%	0.00%	10.00%
2	10.00%	0.00%	10.00%
3	10.00%	0.00%	10.00%
4	10.00%	0.00%	10.00%
5	10.00%	0.00%	10.00%
6	10.00%	0.00%	10.00%
7	10.00%	0.00%	10.00%
8	10.00%	0.00%	10.00%
9	10.00%	0.00%	10.00%
10	10.00%	10.00%	20.00%

Risks

- Interest Rate Risk
- Basis Risk
- Exchange Rate Risk
- Credit Risk
- Maturity Risk
- Sovereign Risk

Conclusion

- Swap (French) IRR 6.19%
- ECU Eurobond IRR 6.47%
- Bullet Loan IRR 7.75%
- Swap (Dixney) IRR 7.01%

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Possible Solutions

1. Buy Disney stock with 10% cash and that money will be used to fund the project and the rest of the 10% will be used to fund the rest of the project.

2. Disney could raise the money from the stock market and use that to fund the project and the rest of the 10% will be used to fund the rest of the project.

Swap

Year	1	2	3	4
Interest	100.00	100.00	100.00	100.00
Principal				100.00
Net Cash Flow	100.00	100.00	100.00	100.00

Problem: Foreign Exchange Rate Exposure

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Bullet Loan

Year	1	2	3	4
Interest	100.00	100.00	100.00	100.00
Principal				100.00
Net Cash Flow	100.00	100.00	100.00	100.00

Swap

Year	1	2	3	4
Interest	100.00	100.00	100.00	100.00
Principal				100.00
Net Cash Flow	100.00	100.00	100.00	100.00

Hedging Limitations

	1993	1994	1995
Interest	100.00	100.00	100.00
Principal			100.00
Net Cash Flow	100.00	100.00	100.00

- Futures Contract
- FX Forward Contract
- Foreign-Currency Swap
- Longer Maturity
- Eurodollar Debt Issue
- Euroyen Bonds

ECU Eurobond

Year	1	2	3	4
Interest	100.00	100.00	100.00	100.00
Principal				100.00
Net Cash Flow	100.00	100.00	100.00	100.00

Risks

- Interest-Rate Risk
- Basis Risk
- Exchange-Rate Risk
- Credit Risk
- Maturity Risk
- Sovereign Risk

Conclusion

- Swap (French) IRR 8.19%
- ECU Eurobond IRR 9.47%
- Bullet Loan IRR 7.75%
- Swap (Dixney) IRR 7.01%

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Problem: Foreign Exchange Rate Exposure

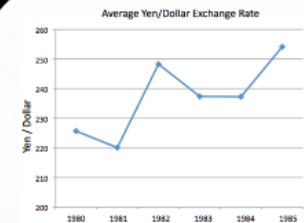
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	1984	1983	1982
Revenues:			
Entertainment and recreation	\$1,027,329	\$1,021,202	\$725,818
Film-related	344,202	165,428	302,152
Community development	204,384		
Other	100,000	110,000	107,538
Conservative products	\$1,865,977	\$1,307,937	\$1,000,250

Exhibit 1

	1984	1983
Assets:		
Cash	\$35,348	\$18,855
Accounts and notes receivable (net)	172,782	164,748
Taxes on income refundable	40,000	30,000
Marketable securities	82,487	77,845
Film production costs	102,452	127,910
Goodwill investments	229,424	
Intangible assets and other property	2,413,985	2,251,287
Less accumulated depreciation	(895,158)	(624,202)
	\$1,813,629	\$1,746,932
Construction and design projects in progress	94,710	168,190
Lease	28,807	16,887
Liabilities	\$1,837,240	\$1,871,800
Other assets	118,658	111,630
	\$2,739,443	\$2,361,195

Exhibit 2



From Exhibit 4

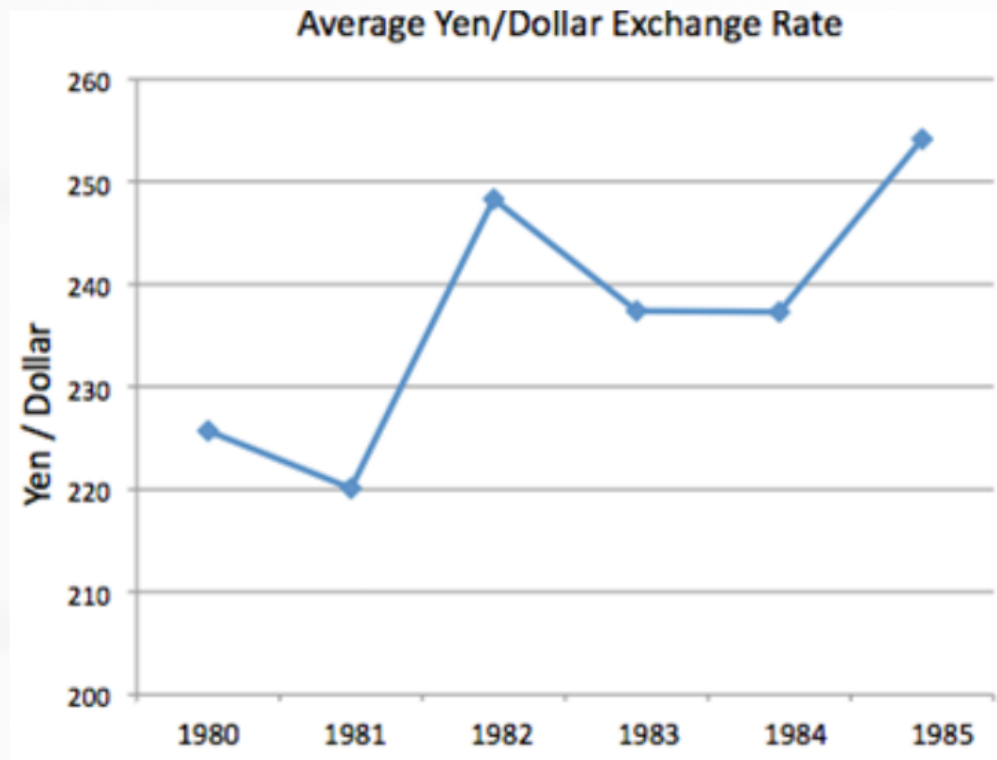
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	1984	1983	1982
Revenues:			
Entertainment and recreation	\$1,097,359	\$1,031,202	\$725,610
Filmed entertainment	244,552	165,458	202,102
Community development	204,384		
Consumer products	109,682	110,697	102,538
	<u>\$1,655,977</u>	<u>\$1,307,357</u>	<u>\$1,030,250</u>

Exhibit 1



From Exhibit 4

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A ¥15 billion ten-year bullet loan, with principle repaid at final maturity, which required interest of 7.50% paid semiannually and front-end fees of 0.75% (75 basis points)

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Risks

- Interest-Rate Risk
- Basis Risk
- Exchange-Rate Risk
- Credit Risk
- Mismatch Risk
- Sovereign Risk

Conclusion

- Swap (French) IRR 9.19%
- ECU Eurobond IRR 9.47%
- Bullet Loan IRR 7.75%
- Swap (Disney) IRR 7.01%

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