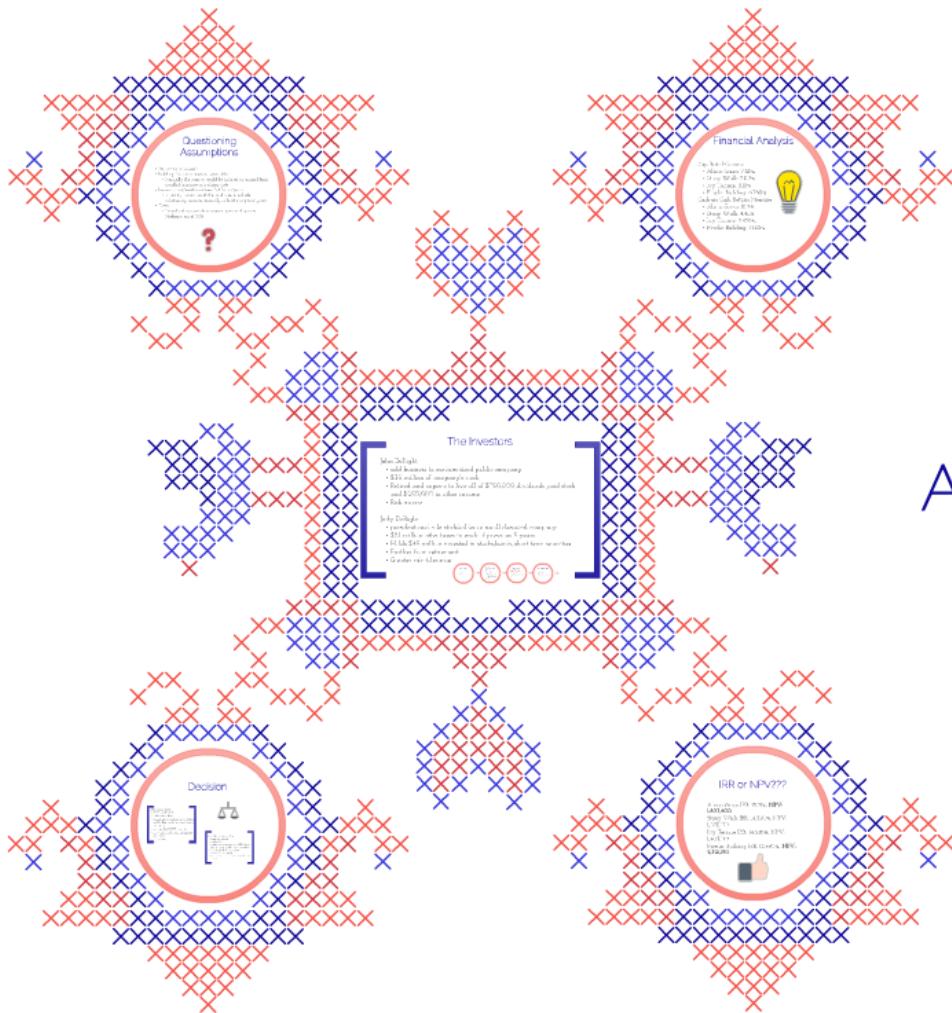


# Angus Cartwright IV

by: Robert Gill, Kate Kaluzne,  
Samantha Lange, Robert  
Beauchamp

*TheCaseSolutions.com*



# Angus Cartwright IV

by: Robert Gill, Kate Kaluzne,  
Samantha Lange, Robert  
Beauchamp

*TheCaseSolutions.com*

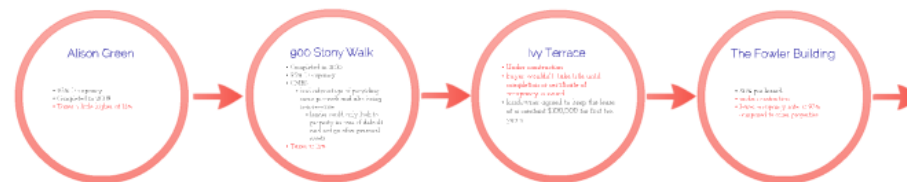
# The Investors

## John DeRight

- sold business to medium sized public company
- \$35 million of company's stock
- Retired and expects to live off of \$750,000 dividends paid stock and \$250,000 in other income
- Risk averse

## Judy DeRight

- president and sole stockholder of small chemical company
- \$2.1 million after taxes in each of previous 5 years
- Holds \$45 million invested in stocks, bonds, short term securities
- Further from retirement
- Greater risk tolerance



# Questioning Assumptions

- 3% annual increases?
- Building Costs and reserves were static
  - Normally the reserve would be inflated on annual basis to reflect increases in building costs
- Leasehold payments assumed flat for 10 years
  - In reality the owner of the land would include inflationary increase annually or least every few years
- Taxes
  - He did not assume state income taxes and ignores Medicare tax of 3.8%



# Financial Analysis

## Cap Rate Measure

- Alison Green: 7.88%
- Stony Walk: 7.00%
- Ivy Terrace: 8.18%
- Fowler Building: 6.780%

## Cash on Cash Return Measure

- Alison Green: 10.8%
- Stony Walk: 4.46%
- Ivy Terrace: 9.670%
- Fowler Building: 7.140%



# IRR or NPV???

Alison Green IRR: 13.91%, **NPV:**  
**1,803,600**

Stony Walk IRR: 14.350%, NPV:  
1,070,170

Ivy Terrace IRR: 14.620%, NPV:  
1,403,190

Fowler Building IRR: 13.990%, **NPV:**  
**2,321,190**





# Decision

John: Alison Green

- fully constructed
- stable cash flows
- maximum investment \$17.5 million (\$35million and plans to sell up to half stock)
- requires \$6,00,000 in equity
- LTV and Break Even Occupancy are lower
  - less risk



Judy: The Fowler Building

- more risk tolerant
- Highest NPV
- maximum investment up to \$45 million (stocks, bonds, and short term securities)
- The Fowler Building requires \$6,500,000 in equity
- Can deduct taxes occurred against other income

John: Alison Green

- fully constructed
- stable cash flows
- maximum investment \$17.5 million (\$35million and plans to sell up to half stock)
- requires \$6,00,000 in equity
- LTV and Break Even Occupancy are lower
  - less risk