

HOMEWORK 2

Name: ANSWERS

CARRY INTEREST CALCULATION

Calculate the Income, return and MOIC for the GP and LP assuming a \$750 million investment.

INPUT	
Assumptions (\$ 000's)	
Fund Size:	750,000
GP Investment	5%
Preferred Return (PR%)	10%
Carried Interest (CI%):	20%
Hold Period	6 years
Total MOIC	4.0x

OUTPUT		
Transaction Sources (\$ 000'S)		
		Amount %
LP Investor	712,500	95%
GP Investor	37,500	5%
Total Invested (Inv)	750,000	100%
Investment Proceeds (IP%)	3,000,000	

Preferred Return	
Value of the Preferred (Vpr)	578,671

Final				
	Distribution	Profit	MOIC	IRR%
LP Investor	2,422,500	1,710,000	3.4x	22.6%
GP Investor	577,500	540,000	15.4x	57.7%
	3,000,000	2,250,000	4.0x	26.0%

Distribution Waterfall				
STEPS		LP	GP	GP Carry
Step 1	Amount	1,262,237	66,434	
	Percentage	95%	5%	
Step 2	Amount	0	450,000	450,000
	Percentage		20%	20%
Step 3	Amount	1,160,263	61,066	-
	Percentage			
Total	Amount	2,422,500	577,500	450,000
	Percentage	80.75%	19.25%	15.00%

Additional Information	
Carry Interest	
Catch-up	132,867
Balance	317,133
Total	450,000

Hurtle Rate x Total Step 1 Amount