
CAROLINA FISHING NEGOTIATION

Confidential Information for Indigogreen

Indigogreen has been negotiating for the past six months with the Karsen family, owners of 300 acres of lakeside land, ideally suited for a retirement community in South Carolina. The land extends inland for more than two miles, where it contains magnificent forests and streams. The family has been represented by Pat Karsen, one of four adult Karsen siblings and a well-regarded lawyer in a downtown law firm. At Karsen's suggestion, you have dealt, one by one, with all issues except price. You have negotiated easements, timing, tax issues, warranties, indemnities, and the like. Finally, at the close of your last meeting, you agreed to talk next about price. Karsen asked that you make an offer by email within the next day or two, and then meet the next week to negotiate.

You carefully put together and emailed an offer of \$1,800,000 or \$6,000 per acre, which would allow Indigogreen a 60% profit margin, based upon your projected additional development costs of \$1.0 million and projected total revenues of \$7,000,000. Obviously, this gives you some wiggle room within which to negotiate. Still, to avoid complaints from Indigogreen's shareholders, you should show approximately a 20%-25% return on the company's total investment by the end of the project. Another way to think about it is that you would want to show at least a 20% profit margin on \$7 million in revenues.

You do not want to overpay for this property because test marketing was not overwhelming, but not disastrous either. You hope to get retiring Northeasterners, who will pay top dollar. However, you are concerned that it will attract more Southerners, who are accustomed to its heat and humidity and perhaps less concerned about its distance from any cultural center. In general, real estate prices seem to be holding steady here, they haven't been rising - indeed you are concerned that they may fall a bit as a result of the Asian and stock market troubles.

The Karsen land is the only property of its kind in the immediate area. You have spent a great deal of time on this deal. You do not want to let it get away if you can make it work. Over time, you believe it will be a good investment if the land can be purchased at a reasonable price.

You had heard nothing after sending the offer. Two days before your scheduled meeting, you received an email from Pat Karsen, stating that Pat would be out of town but Pat's sibling, Chris Karsen, will handle the price negotiations on behalf of the family.