



RITA'S BY THE RIVER NEGOTIATION

Confidential Information for the Representative of Gadol, Inc.

You are the representative of Gadol, Inc., a national developer of mixed-use urban landscapes. You were retained to purchase an 8-acre parcel of land near downtown Cincinnati, extending from the Ohio River to a main road. Melange Restaurant Group owns the parcel, which includes Rita's, an Italian restaurant specializing in cuisine from the Lombardy region of northern Italy. You have visited Rita's picturesque location, nestled by the river, and found that despite the food's spectacular taste, the family-friendly atmosphere, and the appealing menu, Rita's was not as crowded as it should be.

Gadol recently negotiated an option to purchase the 24-acre parcel of land on the northern side of Rita's for \$22 million. Gadol intends to build a mixed-use development with premium residential, office, retail, and restaurant options similar to its successful waterfront developments in Boston, Philadelphia, Chicago, L.A., and San Francisco. Gadol's business plan is to recoup capital costs through condominium sales and then generate ongoing revenues through property management fees, rentals, and business services. They have found that people seek and pay a premium for space in developments that offer conference facilities, catering, event planning facilities, and other social spaces in close, walkable proximity.

As Gadol's architectural and financial consultants reviewed the site, they found that it was too small for a fully profitable upscale development. More riverfront acreage would create more units with the requisite river views needed to fetch higher sales prices. More road frontage would allow multiple access roads and reduce congestion. Additional land would permit larger, more upscale facilities and attractive green space. Based on the input from the consultants, Gadol now seeks to acquire between 4 to 10 additional acres of land on an adjacent parcel.

Another developer recently purchased the 35-acre parcel north of the site Gadol has under option. Preliminary conversations with that developer indicate they won't sell any or all the 35 acres for less than \$40 million. Some of Gadol's management favor this option, but others expressed concern about such a sizable commitment. \$40 million for 35 acres would almost double the risk, all while delaying the project to acquire more funding. While experiencing recent growth, Cincinnati is not yet the affluent tech boomtown that would make those numbers work. The initial plans would have to be scrapped and new plans created.

Gadol's management has decided they prefer to start this project sooner and at a more modest scale. This makes the Rita's restaurant site Gadol's only option. However, to meet current net profit projections for the site, the most Gadol can afford to invest upfront for this land is \$7 million. Negotiate with the representative of Melange for the Rita's restaurant site. Try to make a deal that will best meet the interests of Gadol and its investors.