
SETTLE FOR MORE OR LESS NEGOTIATION

Confidential Information for Quality Quarry

Quality Quarry, Inc. is a large international company that mines limestone, granite, and other materials for construction. A year ago, Quality Quarry purchased 900 acres of limestone-rich land on two parcels in Sussex County, Ohio. Working through agents, Quality Quarry purchased the land for a total of \$2,250,000, or \$2,500 per acre, the going rate for farmland at the time.

Quality Quarry representatives then met with Sussex County officials, residents, and business owners to explain their plans to operate a limestone quarry. Quality Quarry provided scientific data assuring local farmers that, due to the land elevation, the planned quarry would not affect the water table or their farms' productivity. Because Quality Quarry agreed to maintain the main county road on which trucks will haul quarried materials to the highway and to turn the land into a county park after operations are completed, county officials informally agreed not to oppose the quarry mining permit.

Bud Branam and his wife own the only residence near the quarry, on their 100-acre parcel adjacent to both the Quality Quarry land and to Corina Road. (See the map on page 2.) The Branams have voiced the only strong opposition to the quarry, arguing that it will destroy the peace of their home and their farmstand, also located on the property. Bud Branam published an editorial in the local paper, pledging to stay on his grandparents' land and lamenting the loss of Sussex County's idyllic country lifestyle at the hands of greedy big business. Most troublesome is that the Branams also filed suit with the Ohio Mines and Reclamation Commission, challenging Quality Quarry's mining permit.

Quality Quarry has done some research on the Branams. They know the Branams own and operate Homestyle Farmstand, Inc., an apparently successful company that operates farmstand-style markets in Ohio and Indiana, selling local fruits, vegetables, and baked goods. The Branam family has been in Sussex County for generations. Bud Branam inherited the land and the original Homestyle Farmstand store from his grandparents but has incorporated and expanded the business since then.

As it turns out, Quality Quarry may need Branam. Last week, Quality Quarry learned that a new state highway entrance will soon be built off of Corina Road, within one mile of Quality Quarry properties, and 3 miles west of the current closest highway entrance at Locher Road. The Quality Quarry properties sit on Locher Road, 2 ½ miles from the current highway entrance, which is 3 highway miles east of the new planned entrance (See the map on page 2).

Quality Quarry would strongly prefer truck access to the highway at the new more westerly Corina Road entrance, which has convenient access only through the Branam property. Quality Quarry estimates savings of at least \$200,000 in direct hauling costs (based upon costs per ton, per mile, discounting to present value) by accessing Corina Road that way.

Quality Quarry's agreement to upgrade and maintain the county road on which limestone is trucked to the highway also makes Corina Road access very important. Comparing the costs of anticipated road improvements and annual maintenance, discounted to present value, Quality Quarry estimates savings of \$200,000 by accessing Corina Road through the Branam property.



Because of opposition to another quarry nearby, Quality Quarry would like to increase the tonnage extracted in Sussex County, by mining 60 of the acres on Branam's property. That would yield additional annual profits of \$20,000: a total of \$200,000 after discounting to present value.

Thus, the economic value to Quality Quarry in acquiring the Branam property outright or obtaining a release for a mining concession is estimated at \$600,000, not including the value of settling the legal action. Quality Quarry's lawyers are 90% confident of defeating the legal action and obtaining a permit. However, they estimate legal fees of \$250,000 and acknowledge the legal action may delay quarry operations for at least a year, perhaps two. Without calculating exact delay costs, you know delay would require Quality Quarry to carry its investment without income for a longer period. So, while paying less is always better, you can justify paying considerably more than \$850,000 for the Branam property and a release of all claims.

Last year, the property would have been valued at \$560,000 - figuring the house on 2 acres at \$300,000, the quaint and dilapidated original Homestyle Farmstand building at \$15,000, and the remaining 98 acres of farmland at \$245,000 at \$2,500 an acre. Since then, the market has dropped, perhaps by 20%. Last year's tax assessment was \$400,000, but those are always low.

A few days ago, a representative of Quality Quarry called the Branams, inviting them to negotiate a resolution or consider selling his property. Branam was open to talking.

