

OVERALL APPROACH

Overall Interests

Blue is seeking to bridge the markets of both Negoland and Arbitria to enhance **profitability**, bolster Blue's **reputation** as a socially-responsible corporate partner, and to secure a long-term **partnership** with Red.

Overall Strategy

Blue sees this as an opportunity for a collaborative negotiation, concluding with a mutually-beneficial solution with our negotiating partner. To this end, Blue will respect the interests, priorities and concerns Red may raise throughout the course of the negotiations and seek to build common ground with Red.

INDIVIDUAL APPROACHES

Project 1: Nagonium Mining

Interests

1. **Enabling Long-Term Profitability**

The key to making Blue's technology current and state-of-the-art lies in securing long-term profitability. Blue has spent a considerable sum investing in research and development, having borne the higher risk of investing in resource development.

2. **Minimising Risks**

Blue aims to achieve consistent returns and reap maximum profits. Therefore, Blue seeks to balance its cash investment in this mining project, with the risks in its investment in its technology.

3. **Sustaining Long-Term Partnership**

Past business dealings have always been premised on mutual trust and confidence. Blue envisions a mutually beneficial partnership, in terms of future profit-making opportunities. Blue hopes to achieve this through a collaborative venture into the Nagonium market. Blue also hopes to establish the Nagonium mining project as the new core of our resource business, since Nagonium shows great promise in application versatility and thus, potential value.

Issue 1: Valuation Of Technology

Strategy

1. We will first state that our technology is valued at US\$20 million, as stated in the Statement of Facts and request for it to be an investment-in-kind.
2. Blue will explain and promote the uniqueness of our Nagonium mining technology as we expect Red to inquire about this figure. Next, Blue will elaborate on the technicalities of the technology and its ability to produce benefits in terms of quality (e.g. fewer impurities) and quantity (higher output within a shorter period of time). Blue will promote its technology as the most cost-effective, producing top quality results while minimising environmental damage in its mining operations.
3. However, if Red objects to the figure of US\$20 million, we will offer to reduce our valuation to US\$10 million. If Red further objects, Blue will offer to arrange for an independent assessor to value the technology objectively, provided that Red treats Blue's technology as investment-in-kind.
4. If Red refuses to value Blue's technology as investment-in-kind, we will propose a licensing deal valued at US\$5 million per year for 2 years, which is the duration of Red's feasibility study (at [40]). Blue will explain that the operating costs of using the Nagonium refining technology amount to US\$5 million.

Should Red express concerns that it does not have sufficient cash-flow in the short-term, Blue will offer the US\$10 million to be paid on completion of the feasibility study.

Goal

Ensure that Red guarantees that our technology will be taken as an investment-in-kind and ideally valued at US\$20 million. Alternatively, Blue will aim to get at least US\$10 million in licensing fees for the duration of the feasibility study.

Issue 2: Breakdown Of Cash Investment

Strategy

1. We will be upfront about our baseline cash investment of US\$30 million and explain that the risky nature of the Negonium project results in tight budgeting from Blue's shareholders. Our ideal case is for all Negonium output to be retained by Blue. However, we will not budge from the figure of US\$30 million, since the statement of facts reveal that Red is willing to pay up to US\$70 million for the project.

Goal

Blue aims to contribute to the project through a US\$30 million cash investment.

Issue 3: Distribution Of Output

Strategy

1. If Red agrees for our technology to be an investment-in-kind, Blue is willing to include the buy-back option, contingent on a premium proportionate to the percentage of output bought back by Red.
2. Blue will justify the premium by explaining that Blue intends to explore new markets which will multiply our profits (e.g. solar-powered batteries). Blue will also stress the potential value and versatile applications of Negonium and present research on estimated costs and potential profits in this new market to address uncertainties Red may have regarding ventures beyond our current contract.
3. We will hold Red to the in-principle agreement that the output of Negonium will be distributed in proportion to the parties' investment (at [42]). If Red wishes to detract from this agreement, Blue will make clear that we will have to renegotiate the valuation and cash investment agreements as these agreements were concluded on the assumption that the Negonium output will be distributed proportionally to each parties' investment.
4. If Red does not agree to valuing our technology as an investment-in-kind, we will not consider the buy-back option, unless both parties re-evaluate the valuation. It is necessary for Blue to ensure a percentage of output that is at least proportionate to the cash that we are investing (30% of output for 30 million in cash).

Goal

Blue aims to peg the percentage of buy-back to percentage of premium and ensure that the output is at least proportionate to Blue's cash investment.

Project 2: Geopark

Interests

1. Enabling Long-Term Profitability

Blue affirms the potential of the Geopark project as a worthy investment in developing our tourism business. Additionally, we envision capitalising on our geographical landscape to lay the groundwork for a

collaborative resort project in conjunction with Negoland's new National Park, and generate massive, long-term economic benefits.

2. Improving Company Reputation

Blue prioritises its corporate social responsibility, particularly environmental friendliness. Blue seeks to bolster and enhance its environmentally conscious image.

3. Sustaining Long-Term Partnership

We aim to enhance collaborative efforts between Red and Blue beyond the existing Geopark project. We see the potential for long term partnership given the close proximity between the two countries and seek to concretise this through connecting Negoland and Arbitria. Additionally, this will boost the tourism sector in both countries.

Issue 1: Generating Ideas For Luring Tourists

Strategy

1. Blue will suggest prioritising this issue during agenda setting, since Red proposed exploring it during our last correspondence. Blue will share ideas on luring tourists, such as advertising campaigns in Arbitria and share the results of our market research to establish the demand for the Geopark before commencing negotiations on the infrastructure.
2. Blue will stress the neighbourly relations between Negoland and Arbitria. Firstly, they share a border; secondly, no visa is required to cross the border and thirdly, many Arbitrians have expressed an interest to visit Negoland. Therefore, it will be in both parties' interests to attract more tourists to the region, especially since Red is planning to build a Geopark.
3. With this in mind, we will ask Red if they have other suggestions or concerns. Blue will follow up by proposing to improve connectivity between Negoland and Arbitria. If prompted, Blue may suggest that that may be achieved by building roads or railways.

Goal

Convince Red to be open to the idea of connecting Negoland and Arbitria without necessarily arriving at a formal agreement.

Issue 2: Cooperation For Geopark

Strategy

1. Blue will inquire about the donations Red mentioned in our past correspondence. Blue's questions will centre around the amount of donations required and what they will be used for. However, we will stick to our baseline of US\$10,000 per annum. Instead, Blue will propose helping them with their infrastructure in terms of cash investments rather than donations. This evinces Blue's intention to work with Red on future projects, beyond the Geopark project.
2. Blue will ask Red for more information on the infrastructure required for the Geopark. Blue will incorporate Red's suggestions into the plan for the Geopark, and propose bus routes between Negoria and the Negoland Geopark as well as hotels within the Geopark.
3. Blue will propose that the costs of building the infrastructure in the Geopark be borne equally since both parties stand to benefit from the project. However, we anticipate that Red will be reluctant towards accepting this proposal since they should be short on cash. Thus, Blue will agree to vary the cost

distribution as long as we keep it under US\$200 million. If Red requests that Blue invest more than US\$200 million, Blue will stand our ground and insist that this figure represents our entire budget for the Geopark project. We will also reveal that we are willing to contribute a further US\$200 million, contingent on connectivity being established between Negoland and Arbitria to further bolster Blue's position. However, Blue will highlight that both parties will contribute equally in the construction of road or railway between the two countries.

4. Should Red be open to our proposal on connecting the two countries ("Proposal"), Blue will suggest two types of transportation infrastructure: (a) road or (b) railway. Additionally, Blue will highlight that the railway will incur substantially higher costs but come with its own benefits, such as satisfying public interest, enabling greater passenger capacity and adding to the grandeur of the Geopark project. Blue suggests packaging the costs of the Geopark infrastructure with the costs incurred for building either the road or railway connecting Arbitria and Negoland.
5. Blue is likely to be required to pay a greater proportion of the costs, bearing in mind the cost considerations on Red's part under this package deal. In return, Blue hopes to use this as a bargaining tool for intangible benefits such as advertising for Blue throughout the Geopark, and naming rights for landmarks in the Geopark.
6. On the other hand, if Red refuses to continue with our Proposal, we will inform Red that the Geopark project will be downsized to work within the existing budget. However, we will highlight that profitability of the project will necessarily decrease as a result.

Goals

Persuade Red to take on the connectivity project and Geopark construction project as a package deal.

Issue 3: Funding

Strategy

1. Blue will propose that its budget fall within US\$400 million when Red is agreeable to the proposal of the package deal aforementioned.
2. Blue aims to work out a cost-sharing arrangement where Blue's contributions fall within US\$400 million. Blue will then propose that the cost-sharing ratio be proportionate to the profit distribution.
3. If Red requires Blue to build more expensive or additional infrastructure under this package, the final arrangement may require Blue to contribute more than US\$400 million. In this case, Blue will convince Red that building a road between Negoland and Arbitria (instead of a railway) might be more commercially viable.

Goal

Limit Blue's contribution to the package deal to US\$400 million and persuade Red to agree to a distribution of profits in proportion to costs.