



HITOTSUBASHI UNIVERSITY

Round B: NEGOTIATION

BETWEEN
RED Corporation
AND
BLUE Corporation

Preparatory Memorandum for BLUE

Negotiating Team for BLUE:

Kyoko Otsuka	(The Vice President)
Mariko Iwata	(The head of the international department)
Nguyen Thi Binh Minh	(The head of the technology development Department)
Yi Zhang	(The head of the environmental department)
Yuki Arai	(The head of the legal department)

TEAM:

Blue Angels

Date of Submission:

November 22, 2010



Definition

“Blue”: Blue Corporation in Arbitria

“Brown”: the deputy general manager of the international department of Blue

“Red”: Red Corporation in Negoland

“Orange”: Assistant Director General of Negoland Energy Agency

Overall Strategy

We will try to reach win-win agreement with Red to maintain and improve our business relationship in a long run by pursuing our mutual benefits. We will try to seek for solutions to fulfill both of our interests.



I. Disputes Regarding Payments

We will try to settle the pending disputes through this negotiation. Since Blue is financially more stable and the Negoland market is very attractive, we will focus on building future relationship with Red instead of immediate payment.

In case we could not reach an agreement, we will leave the payment issues to the arbitration as our BATNA. This negotiation should be done “without prejudice”.

1. Regarding payments

1.1 US\$9 million

(1) Top line

Red will pay US\$4.5 million.

(2) Bottom line

Red will pay US\$3 million and show regret.

1.2 Upfront payment

(1) Top line

Red will refund US\$0.75 million.

(2) Bottom line

Red will not refund (However, we would like to avoid it in order to keep Brown at his position).

2. Strategy

Blue would like Red to pay US\$4.5 million; however, we could consider the offer of financial support in exchange of exclusive right for all kinds of credit purchase. The amount of support depends on negotiation.

Concerning upfront payment, Blue would like Red to refund half.

II. Future Business Relationships

We will try to reach an agreement regarding proportion of the stake, the pricing of credits issued by 2012, credit purchase after 2013 and any possibilities of joint projects.

In case we could not reach an agreement with Red, we will terminate the relationship with Red as BATNA.

1. Proportion of the stake

(1) Top line

Blue would allow Red to change proportion of the stake as long as Art.6.2 of the Joint Venture Agreement remains the same, requiring unanimous vote of the shareholders of Green for the important corporate actions.

(2) Bottom line

If Red does not accept our suggestion, Blue could accept that Red will take the majority of control except for the control of technology.

(3) Strategy

If Red wishes to change not only proportion of the stake but also other factors that would affect the balance of power, Blue would accept the change, with condition that Blue maintains its actual control.

2. Credit until 2012

2.1 Biomass credit until 2012

(1) Top line

US\$8 per 1 ton

(2) Bottom line

US\$10 per 1 ton

(3) Strategy

First, we will emphasize that purchasing CER credits is one of our main purposes of involving in the biomass project. Therefore, it will be against win-win solutions if Green sell the credits for other company.



Second, Green should sell the credits to us as far as the price and conditions offered by another company are the same, since Green is our venture company.

2.2 Hydro-electric power credit until 2012

(1) Top line

US\$8 per ton

(2) Bottom line

US\$10 per ton

(3) Strategy

To get Red's acceptance of the pricing of US\$10 per ton, we can give up part of US\$ 1.5 million.

Moreover, we can suggest Red to give our assistance regarding hydro-electric power generation technology.

3. Credits after 2013

(1) Top line

Blue would like to agree on securing an exclusive right for negotiation with Red regarding emissions rights issued by biomass and hydro-electric projects under a bilateral agreement. Also, we would like to agree on starting discussion regarding new joint projects such as wind and nuclear power generation.

(2) Bottom line

We would like to agree on a right for negotiation with Red.

(3) Strategy

As for the introduction of Blue's technology, we will propose that teaming up with Blue is the best way to seek mutual interest. We are planning to suggest new joint projects.

4. Relationship with Orange



(1) Top line

We would like to keep good relationship with Orange without any bribery.

(2) Bottom line

We will not give Orange anything that may constitute a bribe. However, we may compromise with other pending issues.

(3) Strategy

We will emphasize that building a great relationship with Orange is important. However, we will not involve in anything that is against the law. We will welcome any good ideas from Red that can restore relations with Orange other than bribing.

III. The Agreement

1. The Basic Agreement (Exhibit 4) is invalid

We believe the Basic Agreement is invalid because it is out dated.

2. Conclusion of a letter of intent

Blue believes it is necessary to conclude a letter of intent regarding all the agreements we have reached upon negotiation for our future relationship.