

Representation Plan

On behalf of Conglomerated Nanyu Tobacco Ltd.

BACKGROUND TO THE DISPUTE

Conglomerated Nanyu Tobacco Ltd. (“Nanyu Tobacco”) entered into a distribution agreement (“agreement”) with Real Quik Convenience Stores (“Real Quik”) to sell Nanyu Tobacco’s products at a 20% premium. The State of Gondwana, from where Real Quik operated, sought to enforce stricter regulations on sale of tobacco. These regulations led to a massive decline in sales and increased costs for Nanyu Tobacco, due to compliance problems. Real Quik notified Nanyu Tobacco of its intent to renegotiate the agreement and communicated its inability to perform its duties. Nanyu Tobacco, therefore, claimed liquidated damages to the tune of USD 75,000,000 from Real Quik for termination of the agreement. Subsequently, Nanyu Tobacco served multiple notices of default and finally referred the dispute to arbitration.

THE ISSUES

The nature of the dispute between Nanyu Tobacco & Real Quik is both legal and commercial. Parties diverge on the payment of liquidated damages for termination of the agreement in light of extraneous circumstances. Moreover, the consequence of stricter tobacco regulations has strained both parties due to rising financial losses from ensuring compliance and falling demand for tobacco products in the market.

NANYU TOBACCO’S INTERESTS

Nanyu Tobacco wishes to realise the disputed sum of USD 75,000,000. Nanyu Tobacco may also be interested in renegotiating the agreement, in light of the recent regulatory developments.

Nanyu Tobacco is committed to rebuilding trust between parties. Moreover, Nanyu Tobacco is keen to explore new avenues for growth in Gondwana, in possible collaboration with Real Quik, to make up for financial losses incurred.

REAL QUIK'S LIKELY INTERESTS

It is highly likely that Real Quik is not keen on paying and therefore, would be more agreeable to renegotiating the agreement. It is expected that Real Quik would ask to convert existing stock into products compliant with mandatory packaging requirements. It is also likely that Real Quik is interested in maintaining relations with Nanyu Tobacco.

RESPONSIBILITY SHARING

Mr. Marcus Chow, CEO of Nanyu Tobacco will be in charge of presenting Nanyu Tobacco's interest and positions, making offers to Real Quik and decide if a deal is acceptable. His legal counsel will be responsible for addressing all legal issues and will provide an objective leverage

MEDIATION STRATEGY

In his opening statements, Mr. Chow will outline his perspective on the issues. Crucially, he shall reiterate his regret over the soured commercial relationship between the parties. Mr. Chow will proceed to explain how the dominant position of Nanyu Tobacco in the market deserves a sizeable premium compared to other distribution agreements. If necessary, legal counsel will reiterate that Nanyu Tobacco deserves liquidated damages as envisaged. Moreover, in the spirit of mediation, Mr. Chow will also indicate that Nanyu Tobacco is agreeable to renegotiate the agreement and settle on a suitable premium in order to resolve the dispute amicably and avoid any legal or commercial liabilities.
