

Mediation Representation Plan on Behalf of Energy Pro Inc.

Background to the dispute

Energy Pro Inc. (“**Energy**”) and CFX Ltd (“**CFX**”) entered into a joint venture agreement to establish a “Syrus-Catalan Wind Turbine Gearbox Joint Venture Company” (the “**JV**”) and an exclusive Purchase Contract (the “**Contract**”) for the purchase of minimum quantities of 1.5 MW wind turbine gearboxes at fixed prices over a five-year period. Pursuant to the Contract, Energy was obliged to obtain a certified approval from the company that initially developed the wind turbines - Future Energy Inc. (“**Future E**”). Energy obtained such an approval as per Contract and dispatched 100 gearboxes, while receiving the first part payment of USD 2 million from CFX in return. Without Energy’s fault, Future E notified both companies that it had wrongly certified the first batch of gearboxes. This was not considered by Energy as giving rise to an end of the Contract and therefore CFX defaulted on two subsequent part payments. As a result, Energy terminated the Contract.

Energy’s interests

In general, Energy would prefer to avoid the resolution of the dispute through arbitration as it intends to continue its manufacturing business regarding the 1.5 MW wind turbine gearboxes in Catalan by keeping the relationship with CFX (holder of the License Agreement for this device in Catalan) ongoing. In case CFX would be in fact willing to continue to cooperate with Energy, it is Energy’s interest to ensure that there will be no discrepancies relating to the certification in the future. In line of this statement it is Energy’s interest to preserve its good reputation in business and therefore not to be held liable for Future Energy’s negligence in respect of its certification services and the consequent delivery of non conforming goods. Additionally, it is Energy’s interest to be reimbursed for the loss of time and money suffered as a result of the breach of the Contract by CFX.

CFX's likely interests

It is likely that CFX is interested in continuing with the manufacturing business of the 1.5 MW wind turbine gearboxes in Catalan. In line of this statement it is possible that CFX is also interested in preserving cooperation with Energy. Additionally, it is very likely that CFX is interested in reimbursement of the first payment of USD 2 million.

Responsibility sharing

Mr. Li will be in charge of presenting Energy's interest (and positions), make settlement offers to CFX, and finally decide whether a deal is acceptable. His legal representative will be responsible for addressing all legal issues and will provide an objective leverage to the negotiation position of Energy.

Mediation strategy

In his opening statement, Mr. Li will outline his perception of the issues and respective interests. Most importantly, he will emphasize the disappointment about how the business relationship has since deteriorated. In this regard, Mr. Li will try to explain the situation surrounding the certification services from Future E and the consequent delivery of non-conforming goods. If necessary, the legal representative will add that Energy's conduct was pursuant to the provisions of the Contract in respect of its right to terminate it. During the negotiating phase, Mr. Li will emphasize the business opportunities in Catalan (those beneficial for both companies) and the respective interest in preserving the relationship with CFX. Energy will continue to insist that they did have the right to terminate the Contract, but in line of preserving the relationship with CFX, it would indicate that it is also willing to discuss the amount with CFX and lower the claims in order to resolve the dispute amicably.

Mediation Representation Plan on Behalf of CFX Ltd

Background to the Dispute

Energy Pro Inc. (“**Energy**”) and CFX Ltd (“**CFX**”) entered into a joint venture agreement to establish a “Syrus-Catalan Wind Turbine Gearbox Joint Venture Company” (the “**JV**”) and an exclusive Purchase Contract (the “**Contract**”) for the purchase of minimum quantities of 1.5 MW wind turbine gearboxes at fixed prices over a five-year period. Pursuant to the Contract, Energy was obliged to obtain a certified approval from the company that initially developed the wind turbines - Future Energy Inc. (“**Future E**”). Consequently, Energy dispatched 100 gearboxes, while receiving the first part payment of USD 2 million from CFX in return. However, Future E notified both companies that it had wrongly certified the first batch of gearboxes making the received ones useless for CFX. As a result, CFX suspended the Contract expecting Energy to remedy the situation, which has not happened since.

CFX's Interests

CFX's main interest is an adequate compensation for the loss of the first payment of USD 2 million. Additionally, CFX's aim is to secure the long-term viability of the company through cooperation with a stable and a reliable business partner. In line of this statement, CFX intends to secure a fair deal for itself with Energy (contingent on the outcome of this upcoming mediation) or with a new business partner. Further, CFX is interested in a good relationship with Future E while avoiding possible legal and economic liability.

Energy's Likely Interests

It is likely that Energy is interested in continuing the developing its business regarding the 1.5 MW wind turbine gearboxes in Catalan. Given that CFX is the holder of the License Agreement for this device, it is very likely that Energy is interested in keeping the relationship

with CFX ongoing. Further it is probable that Energy intends to avoid liability for the discrepancies regarding the certification and consequent delivery of non-conforming goods. Last but not least, Energy will want to receive the outstanding payment of USD 8 million.

Responsibility Sharing

Mr. Yuen will be in charge of presenting CFX's interests (and positions), he will make settlement offers to Energy and finally, decide whether a deal is acceptable. The legal representative will be responsible for addressing all legal issues and will provide objective leverage to the negotiation position of CFX.

Mediation Strategy

In the opening statement, Mr. Yuen will outline his perception of the issues and respective interests. If necessary, the legal representative will finish the opening statements by presenting the legal case by adding concluding comments. During the negotiation phase, in line of its interests, CFX is prepared to work towards either (I) ending the business partnership with Energy entirely or (II) preserving and amending the relationship. With regard to the first proposal CFX is prepared to terminate both the Contract and the JV. Accordingly CFX would offer to sell its shares in the registered capital of the JV to Energy. With regard to the second, more plausible option, CFX is willing to continue with the business cooperation. This is however, contingent on firstly, renegotiation of the terms of the Contract and JV (which will be satisfactory for both parties), secondly, Energy will be able to produce the gearboxes without any serious manufacturing flaws and thirdly, on reimbursement for the first payment of USD 2 million. However in order to show its good will and in line of its interest to resolve this dispute amicably, CFX is willing to discuss the amount and possibly lower its claims. At an appropriate moment, CFX will remind Energy that it is the holder of the License Agreement for the 1.5 MW wind turbine gearboxes in Catalan.