



CPR

International Institute for
Conflict Prevention & Resolution

2024 CPR International Mediation Competition Problem

The Money Match: An Off-Pitch Battle¹

Clarification Questions

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Questions

Q: In page 5 it is stated that "This is mainly because there is some cultural difference between Kingaslanding's and Winterfell's views towards soccer." What is the correlation between Winterfell and Summerfell (where WWW Allies headquarters is located)?

Q: On page 4 of the problem packet, it notes WWW Allies headquarters are in Summerfell, but on page 5 it notes that there are differences between Kingaslanding and Winterfell. Is Summerfell and Winterfell in the same country, or is that a misprint?

A: Please read "Summerfell" instead of "Winterfell" in the document.

Q: What is the applicable law to the sales contract? Is it the CISG?

A: The applicable law governing the sales contract is the Law of Summerfell, which mirrors the legislation of Delaware. The CISG does not apply in this context.

Q: From our understanding of the case, Astra Ignis is currently playing in league A2. In this sense, how many teams qualify for the main league by the end of the tournament and if qualified, what would be the difference in revenue between the leagues?

Q: Pursuant to page 3 of the CPR 2024 problem ("problem"), it is mentioned that Astra Ignis recently faced relegation and had to compete in La League 2. However, in page 8, it is stated that "*Astra Ignis started the national league*". Can you please confirm whether the 'national league' refers to La League 2 or division 1?

A: Astra Ignis experienced relegation to La League 2 in the years leading up to the events described in the CPR 2024 problem. However, by the commencement of the current competition timeline, Astra Ignis had already been promoted back to La League 1, which is the top division. Therefore, the 'national league' mentioned refers to Astra Ignis competing in La League 1, the first division, at the start of this competition period.

Q: Clause 1.5.1.3 of the Share Purchase Agreement (page 18) states that, "*an investment of 80 million is to be made in the first year*". Have WWW Allies paid this sum in its entirety? If not, how much of the amount is due?

A: WWW Allies committed to an investment of 80 million dollars in the first year as outlined in the Share Purchase Agreement. As of the current status, while the full amount of 80 million dollars has been allocated for investment in line with the agreed-upon strategy between WWW Allies and Astra Ignis, over 40% of this committed sum remains unspent by WWW Allies. This indicates that less than 60% of the earmarked funds have been utilized in the agreed investment areas, with more than 32 million dollars of the initial 80 million dollars still pending expenditure.

Q: Page 33 of the problem (Vary's Whisper Article) refers to the "*acquisition of a minor sports franchise*", can you please confirm whether this 'minor sports franchise' refers to Astra Ignis?

A: The reference in the Vary's Whisper Article to the "*acquisition of a minor sports franchise*" does not pertain to Astra Ignis. Instead, it concerns an entirely different entity involved in a sport distinct from that of Astra Ignis.

Q: What is the share of the company that someone must own in order to usurp a board decision?

A: This question is already answered in the Case.

Q: Is it possible to provide the revenue of Astra Ignis (such as the sales of jerseys, television quotas, players transfers, tickets sales and table positioning - for example winning a championship or being relegated to the second division) in a normal season?

A: The estimated revenue for this season is projected at 135 million dragon dollars (this is a revenue of a middle of the table team in the national division). The detailed breakdown of this revenue can be found in Annex I, with the following highlights:

Revenue Stream	Estimated Revenue (x1,000)	Description
Jersey Sales	3,000	Revenue generated from merchandise sales, encompassing both online and stadium outlets.
Television Rights	25,000	Income derived from broadcasting rights for league matches, international competitions, and exclusive content deals.
Player Transfers	20,000	Proceeds from the sale of players to other clubs. This amount can fluctuate significantly based on player performance and market demand.
Ticket Sales	10,000	Revenue from both season tickets and individual match-day sales, calculated on the basis of average stadium attendance and fan loyalty.
Table Positioning Bonuses	5,000	Financial rewards from the league based on the team's final standings, incentivizing competitive performance. This is a prediction for a middle of the table finish.
Sponsorship Deals	25,000	Yearly income from sponsorship agreements, including but not limited to kit sponsors, official partners, and other commercial collaborations.
Miscellaneous Income	5,000	Varied sources of revenue encompassing community engagement initiatives.
Supporters' Club	8,000	A new source of income, stemming from membership fees, exclusive events, and specialized merchandise sales dedicated to the club's most loyal fans.
Digital Content & Streaming Rights	12,000	A modern revenue stream capitalizing on the digital consumption trends, offering exclusive behind-the-scenes content, matchday live streams, and special interviews.
Merchandising Revenues	7,000	Expanded income from the sale of branded merchandise beyond jerseys, including a wide range of products available online and at physical retail locations.
Commercial Partnerships	15,000	Strategic collaborations with businesses and brands that provide mutual benefits, further boosting the club's revenue through innovative partnerships.

As the conclusion of the current season is approaching, it is projected that Astra Ignis's revenue will align closely with the figures outlined in this forecast.

Q: As pointed in the case, other WWW ALLIES owned teams suffered from the lack of club ticket sales and sponsorships due to the Covid-19 pandemic. Does this scenario changed for the 2024 season?

A: In the 2024 season, the revenue performance of WWW Allies owned teams, including Astra Ignis, has shown improvement from the downturn experienced during the peak of the pandemic. While revenue estimations in Annex I indicate that this year's revenue has not fully rebounded to pre-pandemic levels,

there is a notable recovery. The decline in club ticket sales and sponsorships, a significant challenge during the pandemic, has seen a positive shift in 2024.

Q: We understand that WWW Allies took out a loan from the Bank of Kingas to fund the acquisition of Astra Ignis. We would like to know what was the amount loaned and if it was used in its entirety for the acquisition.

Q: What was the amount of money, loan interest and payment term involved in the loan WWW ALLIES made with the Bank of Kingas to raise funds to acquire Astra Ignis?

A: WWW Allies secured a loan from the Bank of Kingas specifically to facilitate the acquisition of Astra Ignis. The loan amount matched the full first-year investment commitment by WWW Allies towards Astra Ignis. The terms of the loan included a favorable low-interest rate of 0.35% per month. The entirety of this loan was allocated to meet the initial investment requirements in Astra Ignis, adhering to the strategic plan for revitalizing the club's financial health and competitive standing.

Q: We are also curious when the soccer season starts and ends for the team.

Q: When does the season starts for Astra Ignis: January, as South-american leagues or august, as european-leagues?

A: The soccer season for Astra Ignis begins in July and concludes in April. This schedule aligns more closely with European football leagues, which typically start in late summer and end in spring. This timing allows the team to compete during the milder weather conditions of fall and spring, avoiding the more extreme weather of winter and the peak summer months, which can impact player performance and fan attendance.

Q: As narrated in the case, the Astra Ignis' invitation to tender stipulated in clause 1.1 and 1.2 that the buyer could choose to uphold a Debt-to-Turnover ratio not exceeding 30% or, alternatively, present a Bank Guarantee. Afterwards the SPA clause 1.4.1 states that the Buyer should have presented BOTH guarantees, is this a valid interpretation?

A: The interpretation of Clause 1.4.1 of the SPA does not mandate the simultaneous presentation of both guarantees mentioned in the invitation to tender. Rather, it emphasizes the importance of the options outlined in the tender offer as essential and enforceable provisions shaping the contractual relationship. Therefore, Clause 1.4.1 upholds the optionality inherent in the tender offer, without imposing a requirement for the buyer to provide both guarantees simultaneously.

Q: According to the list of shareholders presented in the SPA, we understand that Astra Ignis Association Club is a partner in its own company. Considering that, we would like to confirm whether our understanding is correct or whether there is a difference between the companies in regards to: (i) the administrative functions and (ii) the functions related to the soccer team.

A: The Astra Ignis Association Club operates under a standard association model commonly found in classic soccer teams, where members collectively own and govern the club, and its members have agreed to the sale of a controlling stake to WWW Allies, as detailed in Clause 1.3 of the SPA. There is no distinction between the Association Club and the soccer team; they operate as a single entity. Administrative functions and soccer-related activities are managed collectively under the umbrella of Astra Ignis.

Q: Since the tournament is still ongoing, we would like to better understand if the transfer window (to sign new players) is open, and in case it is closed, whether it will be re-opened before the end of the tournament?

A: There are two primary transfer windows. The first window is at the start of the season, allowing teams to sign new players as they prepare for the upcoming competitions. The second (or final) transfer window opens at the end of the season, providing teams a last opportunity to adjust their squads before the season concludes. As of the time of the mediation sessions, we will be within the final transfer window, which remains open until April 15th. The season itself will conclude on the last day of April.

Q: From our understanding, D. Doc is the current chairman of the Astra Ignis Association Club. We would like to confirm what is his current position on the “Astra Ignis”, which the Astra Ignis Association Club is a shareholder of, and if there is a difference between these companies' governance structure.

A: D. Doc, as the Chairman of Astra Ignis Association Club, plays a role in the day-to-day operations of Astra Ignis, executing the financial and operational plans agreed upon with WWW Allies. This arrangement allows D. Doc to manage the club's immediate operational needs within the framework of the strategic financial planning developed in collaboration with WWW Allies. However, it's crucial to note that any decisions involving new expenditures or deviations from the agreed financial plan require explicit approval from WWW Allies. This governance structure ensures that while D. Doc oversees the routine management and application of the club's strategy, WWW Allies retains oversight and control over significant financial decisions, aligning with the terms set out in the SPA. There is no difference between "Astra Ignis" and "Astra Ignis Association Club", they are both the same company. The 29.9998% shares that Astra Ignis holds are still under the association model.

Annex I

