



## **2025 CPR International Mediation Competition Problem**

### **Dancing with the Skies<sup>1</sup>**

#### **Clarification Questions**

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### **1. Mitchell Family Trust Shareholding (13% vs. 23%)**

**Question:** Which percentage is correct—13% or 23%?

**Answer:** The correct figure is **13%**, per the cap table on page 3. Any reference to 23% should be disregarded.

### **2. Conflicting Financial Figures**

**Question:** In 2023, is the net income \$45 million or \$102 million? How do the 2018–2024 loss/profit figures align overall?

**Answer:** The chart reflects **year-over-year (YOY) net income changes**. The **\$102 million** refers to **net income in 2022**. In **2023, net income declined to \$45 million**, followed by a further drop to **\$5 million in 2024**. The progression is: 2018 (net loss of \$50M) → 2022 (peak net income of \$102M) → 2023 (net income of \$45M) → 2024 (net income of \$5M). The timeline has been corrected to reflect this.

### **3. Kazansky's Interview Date**

**Question:** Should Kazansky's November 25, 2018 interview date actually be November 25, 2019 (post-integration)?

**Answer:** No, the interview took place on **November 25, 2018**, as stated in Appendix IV and Appendix IX. The confusion arises because the case first discusses **Sunfire's 2019 profitability (\$60M net income)** before introducing the interview. However, the interview was conducted **shortly after the merger signing (November 15, 2018)** to showcase **Kazansky's vision for the integration, cost-cutting strategies, and long-term goals**. The interview is forward-looking, discussing plans and operational changes, not reflecting on financial results. If it had taken place in 2019, it would likely have referenced actual post-merger performance, which it does not. The phrase "shortly after the changes to Sunfire revenue streams" refers to **the initial post-merger restructuring**, not a full year of integration.

### **4. The September 3, 2018 Email**

**Question:** Is the email date accurate or should it have been dated later, since the merger wasn't signed until November 2018?

**Answer:** The dates have been adjusted.

### **5. Brand Review Committee Not Formed**

**Question:** What happens under the Merger Agreement if the Brand Review Committee is not formed within the required timeframe? Does Article 5.6(d)(v) provide an alternative structure, and what is the scope of Kazansky's authority in this scenario? Did his authority require board approval, or did it take effect automatically?

**Answer:** Under **Sections 5.6(d)(v) and 5.5(f)**, if the Brand Review Committee is not formed within **30 days**, the **CFO/Chief Integration Officer assumes its duties automatically**. As the committee was never formed, **Kazansky's authority took effect automatically**, and no additional board vote was necessary.

## 6. Ownership & Governance Questions

- a. **If James Mitchell II is no longer a shareholder, who acquired his stake, and in what amounts?**

**Answer:** The case does not state that James Mitchell II sold or transferred his **18% (10.8% post-merger)** stake. He distanced himself from company affairs but **remains a shareholder**.

- b. **What was the composition of Sunfire’s Board of Directors prior to the merger?**

**Answer:** Mostly Mitchell family and a few other veteran executives, with P. Mitchell as CEO.

- c. **Did Kazansky work mainly from Kingaslanding or Summerfell, and where did the merged entity operate after the merger?**

**Answer:** Kazansky remained mostly based in **Kingaslanding** (Moon’s original location). The merged entity retained Sunfire’s HQ in **Summerfell** but also utilized Moon’s facilities in Kingaslanding.

- d. **Who is the trustee of the Mitchell Family Trust, and is any Mitchell family member directly involved in managing it?**

**Answer:** It is a **third-party trustee**. No Mitchell family member manages it directly.

- e. **Has the Mitchell Family Trust formally participated in the dispute, or are they acting passively?**

**Answer: No, it has not.** The Trust has not taken any independent formal stance in the dispute. Instead, it has backed, at least formally, all of the positions taken by the Mitchell family. While it is managed by a third-party trustee, there is no indication that the Trust has acted separately from the Mitchell family’s interests in this matter.

## 7. Post-Merger Operational Decisions & Reporting

- a. **Were the quarterly Transparency Reports (Article 5.5(c)) produced?**

**Answer: No.** Once the Brand Review Committee was not formed, Section 5.5(f)(iii) exempted the CFO from this reporting obligation.

- b. **\$198 million from Moon’s fleet sale: any financials detailing its allocation?**

**Answer:** There is **no specific financial breakdown**, but the funds were reinvested in **integration efforts**, including **fleet upgrades, technology improvements, and operational adjustments**.

- c. **Record of board approval for premium downgrades or unilateral action by Kazansky?**

**Answer:** There is **no record of a formal board vote** approving the service downgrades. However, the board and executives were **aware of the changes** and, while they did not explicitly authorize them, they **did not intervene** as long as the cost reductions were delivering financial benefits. Kazansky acted under **Section 5.5(f)**, which granted him broad authority over integration decisions.

## 8. Merger Exchange Ratio (60/40 vs. 49/51)

**Question:** Which ownership split is correct, and is “common stock” the only share class?

**Answer:** The **correct final split** is **60% (Sunfire) / 40% (Moon)**. The “49/51%” reference in the Merger Agreement is a drafting error. Only **common stock** is issued—no other share classes are mentioned.

## 9. Applicable Law

**Question:** The Merger Agreement references Delaware law, but the problem uses fictional countries. Which law governs?

**Answer:** **Delaware law** (Merger Agreement §9.3) formally applies. For competition purposes, participants rely on the contract's own terms, not external national statutes.

## 10. Dissolution vs. Continuing the Merger

### a. Is there any possibility to continue the merger, or is dissolution the only option?

**Answer:** The shareholder vote **confirmed the decision to dissolve the merger**. The mediation is **not intended to renegotiate the merger itself**, but rather to determine the **terms of dissolution**, including asset division and operational adjustments.

### b. If the company dissolves, what is its valuation, and how are assets split?

**Answer:** The case does not provide a fixed valuation at dissolution. Pre-merger, **Sunfire had D\$2.45B in assets and Moon D\$1.94B, totaling D\$4.39B**. The **net income figures (page 10) directly impact valuation**, as profitability influences asset worth.

## 11. Dr. Bradshaw / Additional Trust Conflicts

**Question:** Are there more conflicts beyond what's described?

**Answer:** Dr. Bradshaw is Mitchell family counsel, responsible for protecting their interests. There are not, as of yet, any separate trust disputes, and his role has been to prevent conflicts rather than manage an ongoing one.

## 12. Sunfire's Business Model

**Question:** Is it a luxury airline open to the public or a private/charter service?

**Answer:** Sunfire is a **luxury commercial airline**, offering **premium long-haul flights** to the public. While it caters to high-net-worth individuals, business executives, and elite travelers, **anyone can book a ticket** if they pay the premium fares. It is not a private or charter airline—its model is based on high-end commercial aviation, not on-demand flights.

## Additional minor inconsistencies which have been corrected in the Problem:

1. Conflicting references to **23%** vs. **13%** (Mitchell Family Trust).
2. **49/51%** vs. **60/40%** in the Merger Agreement text.
3. The **September 3, 2018** celebratory email predates the November 2018 signing.
4. Appendix I names P. Mitchell as CEO/Chair but also mentions "Chairperson A. Earhart."