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THE FOURTH HERBERT SMITH FREEHILLS AND NLU DELHI

INTERNATIONAL NEGOTIATION COMPETITION

8 - 10 SEPTEMBER 2017

DANGER, HIGH VOLTAGE!
GENERAL BACKGROUND INFORMATION

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GENERAL BACKGROUND INFORMATION

The parties

Mexicano Oil and Gas plc

Mexicano Oil and Gas plc ("**MOGL**") is an international oil and gas conglomerate worth approximately US\$9 trillion.

MOGL has just incurred record-breaking damages following an oil spill originating at one of its oil rigs in the Bay of Mexicana and it has consequently received a significant amount of bad press focussing on MOGL's lack of environmental credentials.

The board of MOGL has decided to improve MOGL's public image by diversifying its business to include electric cars, and is looking to engage in negotiations with a brand such as Voltage Cars Limited ("**Voltage**") to achieve this.

Voltage Cars Limited

Voltage is a privately run electric car company founded by the eccentric Ernie Tusk ("**Ernie**") who is the CEO of Voltage and the controlling shareholder. The remaining shareholders are Ernie's friends and family.

Ernie created the ground-breaking technology behind Voltage's electric cars whilst at university in America and has since expanded his company into a globally recognised brand that is emblematic of innovation and environmental awareness. It is the European market leader in the electric car sector, and has a strong reputation with clients around the world.

Ernie is a reclusive character who typically avoids the press; however, he is currently undergoing a lengthy and extremely public divorce from his supermodel wife Naomi Moss.

Background

The board of MOGL has just announced that the next stage of MOGL's expansion strategy is to diversify its business model to include more environmentally friendly focused business lines. This stems from the recent bad press that MOGL has received regarding an oil spill in the Bay of Mexicana.

Electric cars are receiving increasing interest from a wide range of investors, including oil and gas conglomerates and traditional car manufacturers. Although the performance of electric cars does not yet rival petrol powered cars, the number of electric cars in production is gradually increasing and driving electric cars is seen to be a trend of the future, particularly when paired with other technologies being developed in the vehicle sector like driverless technology. As a result, a number of MOGL's competitors are also looking to invest in the electric car market.

MOGL has identified Voltage as a potential investment target due to its unique technology and environmentally friendly brand. MOGL and Ernie have discussed, at a high-level, MOGL taking a 15% stake in the Voltage

business in order to help fund its expansion. Ernie is amenable to Voltage taking on an additional investor as it has plans to build a new factory within the next year to double its production capabilities. Voltage will need a capital injection to fund this. The parties have agreed that an investment, if made, would be structured as a 10% share issuance by Voltage to MOGL and a further purchase of a 5% stake in Voltage by MOGL from Ernie. MOGL is open to forming a long-term partnership with Ernie to support the Voltage business and to providing further capital contributions in the future.

Despite the friendly initial talks, MOGL is concerned that it is not the only company that is looking at investing in Voltage, as a press article in yesterday's newspaper reported that Ernie had recently been spotted having lunch with Ralph Smythe, an old friend and CEO of Panther Limited ("**Panther**"), a key player in the car industry. Consequently, the Head of Special Projects at MOGL, Dan Petrole, has called Ernie to ask for an urgent meeting to discuss the potential investment and to map out a timetable for the process up to signing.

GENERAL BACKGROUND INFORMATION (CONTINUED)

Ahead of the meeting, MOGL has begun conducting some initial due diligence on the Voltage business from publically available sources and has identified a number of issues which it wishes to discuss with Ernie, including the following:

- Voltage has recently moved into new offices with trendy architectural features designed to promote creative thinking and an inclusive working environment. The rent for the new office space is US\$15 million a year, which MOGL views as extortionate and far exceeds the usual budget it approves for the head offices of its ancillary businesses;
- Various rumours have been circulating that there is an upcoming investigation of fraud against Ernie in relation to his tax affairs. MOGL views this as critical to its investment, as Ernie is the face of Voltage and, as such, this investigation could

damage the public perception of the company and Voltage's global brand;

- Ernie's college roommate, Steve Bozniak, has brought a claim against Voltage for US\$50 million for damages for intellectual property theft. Steve claims that he played a major role in developing Voltage's patented Lightning Engine technology. A judgment on the case is expected in the next three months; and
- A report was released last week by the newsletter 'ScienceNow' outlining a study undertaken on electric cars which calls into question the viability of one of the key mechanical parts used in electric cars. The report states that the part may only have a lifespan of 20-25 years (unlike the 35-40 year lifespan previously reported).

Dan Petroley has dropped Ernie an email ahead of the meeting to flag these points for discussion.