

CENTRE FOR ADR & PROFESSIONAL SKILLS

PROPOSITION

A CLASH OF THRONES

PRELIMINARY ROUNDS-II



**HIMACHAL PRADESH NATIONAL LAW
UNIVERSITY, SHIMLA
16 MILES, SHIMLA-MANDI NATIONAL
HIGHWAY, GHANDAL, DISTT. SHIMLA,
HP-171014**

A CLASH OF THRONES

GENERAL INFORMATION

1. Eddard Stark, a visionary entrepreneur with a penchant for innovation, founded Heartsbane Inc., a tech startup headquartered in Winterfell. Heartsbane is on the cusp of revolutionising the e-commerce industry with its cutting-edge AI-powered point-of-sale stock optimisation technology.

2. Heartsbane's pioneering technology leverages artificial intelligence and machine learning to optimise inventory management processes and stock counts for e-commerce companies. By analysing historical sales data, customer preferences, market trends, and advanced AI algorithms, Heartsbane's system accurately forecasts demand, eliminating the perennial challenges of overstocking and stockouts. This innovation promises significant cost reduction and elevated customer satisfaction.

3. Heartsbane Inc. is currently valued at USD 5 million, with a projected revenue of USD 2 million in the next fiscal year. The startup is considering two exit strategies, either an acquisition offer from a significant e-commerce conglomerate or an Initial Public Offering (IPO) within the next three years. This significantly affects the valuation and prospects of the company.

4. Eddard Stark's audacious journey has captured the attention of venture capitalists, each vying for a piece of the next big thing in e-commerce. Heartsbane Inc. is at the precipice of its first significant seed funding round. Eddard, shrewdly capitalising on the company's burgeoning reputation, has courted several prominent venture capital firms, but one stands out - Lannister Venture Capital, led by the eminent entrepreneur Doran Martell.

5. Doran Martell, a formidable wealth management and entrepreneurship figure, has a proven track record of nurturing startups. His mentorship has propelled many fledgling companies to market dominance. Armed with financial acumen and strategic insights, Doran has recently invested in several promising startups, earning his venture capital fund a stellar reputation.

6. Eddard Stark, cognizant of the strategic importance of his initial fundraising, set his sights on securing an investment from Lannister Venture Capital (Lannister VC). The negotiations culminated in the execution of a Term Sheet (TS), the preliminary non-binding agreement that typically precedes detailed due diligence and the finalisation of investment terms.

7. In the initial TS negotiations, both Eddard and Doran reached a consensus on the following investment terms:

- Lannister VC would inject USD 500,000 in cash into Heartsbane Inc. This investment would grant Lannister VC a 10% equity stake in the startup.

- Lannister VC would further provide advisory services, with the reward of an additional 5% equity in Heartsbane. This arrangement would give Lannister VC a total equity stake of 15% and associated minority shareholder rights.

- As part of the deal, Lannister VC would nominate a director to Heartsbane Inc.'s board upon completing the investment round. Doran Martell himself would assume this pivotal directorship role.

8. The euphoria surrounding the investment venture was, however, short-lived. During the due diligence phase, Doran Martell unearthed a disquieting revelation. Eddard Stark was discussing forming another company in Qarth with an angel investor. This new entity had ambitions that sent shockwaves through Lannister VC - it aspired to become the Holding Company (HC) for Heartsbane Inc.

9. For Doran, this discovery sent ripples of apprehension through his strategic outlook. Establishing a Holding Company could potentially dilute Lannister VC's hard-earned shareholding in Heartsbane Inc. This raised concerns about Lannister VC's influence, voting rights, and decision-making powers, mainly if Heartsbane Inc. was absorbed under the umbrella of the Holding Company.

10. Fueled by these concerns, Doran Martell embarked on a mission to recalibrate the terms of the impending investment. In a forthright email, he conveyed his findings to Eddard Stark, signalling his intent to renegotiate the investment terms.

11. Doran's proposed amendments to the investment terms were explicit:

- a) If the Qarthean company evolved into Heartsbane Inc.'s Holding Company, Lannister VC should receive proportionate shares in the Holding Company.

- b) Furthermore, Doran insisted that Lannister VC should secure a seat on the board of directors of the Holding Company, reflecting their vested interest in the overall decision-making processes.

12. Doran's stance on these renegotiated terms was resolute, driven by the conviction that Heartsbane Inc. was poised for remarkable success. He deemed it imperative for Lannister VC to have a substantial say in the Holding Company, mainly if the entity was to play a pivotal role in Heartsbane Inc.'s future.

13. However, Eddard Stark harbored reservations about intertwining Lannister VC with the prospective Holding Company. He was concerned that such involvement could disrupt the ongoing discussions with Jon Snow, the angel investor and a central Qarthean VC Fund. Eddard sought their participation in the Holding Company, envisioning a synergy that would allow Heartsbane Inc. to flourish.

14. This divergence of perspectives plunged Eddard and Doran into a quandary. To navigate this impasse, Doran proposed that negotiations recommence, this time with the active participation of legal counsel from both sides and a mediator to facilitate the conversation. He believed this would provide expert guidance, facilitate smoother negotiations, and ideally culminate in a mutually acceptable resolution.

15. Eddard, recognising the wisdom in Doran's suggestion, concurred. Legal counsels were duly appointed on behalf of both parties, ushering in the prospect of formal mediation to bridge their divergent viewpoints. There are specific issues which cannot be ignored; Eddard Stark is committed to maintaining Heartsbane Inc.'s ethical business practices and sustainability mission. He wants any investor to align with these values, creating a potential conflict with profit-oriented investors and wants to make decisions consistent with these values. In contrast, Doran is hard-pressed for time due to pressure from investors for quick choices and wants the entire process to be finished within the next two months.

16. There is also the fact that apart from Lannister VC and the potential Holding Company, two other venture capital firms have expressed interest in Heartsbane Inc., indicating a competitive investment landscape. These problems further complexify the issue at hand and thus make quick mediation extremely imperative since both parties must simultaneously discuss their long-term visions for exit strategies.

17. Heartsbane is represented by its Founder, Eddard Stark, and its General Counsel, Robert Baratheon. Lannister VC is represented by its Founder, Doran Martell, and its General Counsel, Walder Frey.