



3rd RGNUL National Negotiation  
Competition,  
2023

# GENERAL INFORMATION

## PRELIMINARY ROUND 3

3rd - 5th November, 2023



Justice Kuldip Prakash Bhandari  
Foundation, Chandigarh



## **NegComp'23 Problem - Agrotech: A Symbiotic Relationship**

### **General Information**

#### **Background of the Parties**

##### **AlphaTech LLC (AlphaTech)**

It is a prominent technology company in Zena, is renowned for its innovations in artificial intelligence, cybersecurity, and advanced electronics. It was co-founded by Frances Smith and Hillary DeCosta, graduates of one of the world's top technology institutes, in 2009. The company has secured 40% market share over its 14-year history by pioneering cutting-edge technological innovations in niche sectors. Frances envisions AlphaTech's expansion into new domains to strengthen its market dominance. Both co-founders have expressed interest in agriculture, albeit with limited knowledge of its intricacies.

##### **BeFarma Pvt. Ltd. (BeFarma)**

It is an agro-tech company, based in Zena, specializes in genetically modified crops, sustainable farming, and eco-friendly agricultural solutions. Founded by current CEO Dorian Prexella and majority shareholder Riana Daniels, BeFarma has operated for 10 years with a focus on improving their social and economic standing while adhering to ethical and environmental principles. Despite their commendable efforts, BeFarma lacks the resources for technological diversification. Their innovation with technology has till date spans genetic modification of seeds, integrating basic technology with traditional irrigation methods, climate prediction devices, etc.

## **Background of the Dispute**

AlphaTech had earlier expressed interest in acquiring a major stake in BeFarma, impressed with their blueprints and ideas. AlphaTech, already looking to expand its base in the agro-tech industry, found this to be a lucrative opportunity. In 2018, BeFarma and AlphaTech entered into a term sheet agreement. According to this agreement, BeFarma committed to transferring 51% of its business, including its assets, customer data, all employees, and software, to AlphaTech. BeFarma, however, retained ownership of the Intellectual Property rights for its products and held a 49% ownership stake in the company, shared between Prexella and Riana.

Furthermore, the term sheet agreement stipulated that the proposed acquisition would only proceed upon the successful completion of due diligence by AlphaTech, subject to BeFarma obtaining all necessary corporate, governmental, management, and third-party approvals. Notably, a crucial provision in the term sheet agreement focused on the transfer of licensing rights for AgriRobo to AlphaTech, marking a critical milestone in finalising the acquisition.

Moreover, anticipating significant future profits from the acquisition, AlphaTech's accounting and legal team recommends negotiating an earn-out clause to secure the interests of their shareholders. The purpose of this clause is to ensure that each of the parties receive the consideration as per their true valuation. An earn out clause usually stipulates that a part of the consideration would be received by the seller of the shares in an upfront manner while the rest is said to be contingent upon the performance of the entity. Increased performance would lead to better profits and subsequently more returns on each unpaid share. However, the parties are yet to discuss the intricacies of the earn-out clause including the exit strategy, the earnout tenure and milestones.

AlphaTech's primary objective in the acquisition was to streamline operations, with a major focus on the development of its R&D unit. To achieve this goal, AlphaTech proposed a significant reduction in BeFarma's workforce, particularly those engaged in manual labour within the fields. AlphaTech planned to absorb only the key employees from BeFarma's R&D team.

BeFarma strongly opposed AlphaTech's workforce reduction proposal. Their opposition stemmed from their commitment to preserving indigenous traditions and adhering to ethical and sustainable farming practices. BeFarma's identity was deeply rooted in substantial employment of traditional farmers and scientists from indigenous communities. These employees provided valuable insights due to their deep understanding of ground-level farming practices. Beyond cultural significance, BeFarma feared that staff layoffs could lead to strikes and community backlash, potentially harming the company's public perception.

Apart from that, BeFarma places significant emphasis on sustainable and environmentally friendly farming practices. They have implemented water conservation methods such as recycling water through efficient

irrigation techniques. Additionally, they use traditional methods to forecast weather and regulate plant dosage to maintain sustainability. However, they have realised that the accuracy of traditional methods has impacted produce quality and profit margins.

While BeFarma is willing to integrate technology with their traditional methods to ensure maximum crop yield in order to address the limitations of traditional practices, their approach is cautious due to environmental implications. On the contrary, AlphaTech envisions a rapid integration of AI-based operations with traditional methods, particularly focusing on automated irrigation devices and crop health sensors.

Moreover, AlphaTech is aware that manufacturing these devices could significantly increase carbon footprints, which raises environmental concerns for BeFarma. Additionally, BeFarma is apprehensive about the surge in carbon resulting from the cloud storage of massive amounts of data collected by the health sensors, given AlphaTech's technology-oriented approach. BeFarma is uncertain whether AlphaTech will prioritise measures to lower carbon emissions.

Furthermore, this technology would require transfer of huge volumes of information across various points and it would use electromagnetic waves for the same. BeFarma is not in favour of having such a large volume of electromagnetic waves around the produce and the cattle at its farms, owing to lack of research indicating its benefits in the field. BeFarma instead prefers that if such systems of communication are necessary for proper functioning, then appropriate tests are carried out at regular intervals to map the impact of such waves on the produce and the cattle.

## **The Dispute**

To further exacerbate the existing tensions, there were certain rumours about AlphaTech's Key Managerial Persons calling off the transaction. BeFarma was appalled to hear about this especially in view of the fact that the same can lead to huge reputational loss of the company in the market in which it operates. Moreover, the same can also affect the valuation of the company for a short period, making the company vulnerable to opportunistic takeovers. BeFarma blamed AlphaTech for its inactions, due to which the process kept on lingering thereby depriving BeFarma of the benefits which it would have accrued upon the completion of the proposed transaction.

This resulted in heated arguments between the parties, subsequent to which, AlphaTech decided to call off the acquisition. This led to BeFarma initiating legal proceedings against them. BeFarma alleged that it has already completed its obligations under the Term Sheet. It was just because of AlphaTech in-actions that the process could not be concluded and that has deprived BeFarma the benefits which would have accrued upon the completion of the proposed transaction. BeFarma sought several other reliefs, including that of the specific performance of AlphaTech's obligations in the Term Sheet.

On the other hand, AlphaTech contended that the Term Sheet was non-binding in nature and as parties did not enter into any definitive agreements to consummate the transaction, the reliefs claimed by BeFarma were not sustainable.

Following guidance from its Head Legal Counsel, AlphaTech thought it would be conducive to engage in friendly negotiations before jumping the gun and opting for a formal dispute resolution process. AlphaTech extended an invitation to BeFarma to engage in negotiations aimed at addressing the aforementioned issues with the intention of reaching a mutually advantageous resolution. BeFarma has accepted this proposal, and the first negotiation meeting is scheduled to take place at AlphaTech's headquarters in Zena on October 5, 2023, marking the commencement of this negotiation process. AlphaTech (Requesting Party) will be represented by Hiliary DeCosta and the General Counsel for AlphaTech while BeFarma (Responding Party) will be represented by Dorian Prexella and their General Counsel.