



2020 CPR International Mediation Competition Problem

Drone to the Rescue¹

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1. SKYNET ENTERPRISES (“SKYNET”)

SKYNET ENTERPRISES is a privately held startup from West Republic. The company, founded in 2013, is a “classic” unicorn: it has a fast-growing strategy, a close-to-an-amusement-park headquarters, a reliable product, and it has been working great so far: the company reached the status of a decacorn – its market value surpassed the \$10 billion mark.

The company core business is highly customized Unmanned Aerial Vehicles (UAVs) and Remotely Operated Vehicles (ROVs) for both military and civil application. Skynet has been the West Republic’s UAV and ROV market leader since 2017.

Skynet’s CEO, R. Patrick, is a natural-born leader, and a bright young mind in the field of technology. Since R. Patrick became CEO, the company prolifically expanded its operations providing hardware to emerging countries.

Besides the profitable opportunities such markets can offer, R. Patrick believes tech companies hold a substantial role in assisting regional development in emerging countries while allowing for the modernization with technological development through local partnerships.

The “T-800 model” drone is Skynet’s most relevant product. Since its launch in 2016, the sales have risen astronomically: “the drone sales itself,” and the use of the T-800 market ranges from e-commerce companies to military endeavors, with just a few adjustments.

The T-800 model’s success propelled Skynet to even greater endeavors: they worked hard to launch in 2018 the brand-new T-1000 model. Additionally, they’ve launched the T-1000 Max, “the greatest drone in the world, both in capacity and autonomy”.

T-1000 Max is the first of a new era of drones. After the announcement of the T-1000 Max model, partnership offers and commercial interest aroused all over the world. One of the potential alliances came from Resistance, Inc., a government-controlled company from East Republic, highly interested in purchasing the T-1000 Max model from Skynet including a Technology Transfer Agreement.

This “Technology Transfer Agreement” contractual arrangement applies when a company (Licensor) assigns or licenses to another party (Licensee) registered industrial and intellectual property rights (patents, utility models, trademarks, copyright, etc.) and also commits to transfer technical assistance and know-how. Usually, this sort of

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agreement provides for the payment of a fixed value (fee) plus royalties (paid for the duration of the license). Royalty's valuation considers a projection of sales performance and the market value of the product.

2. RESISTANCE, INC ("RESISTANCE")

RESISTANCE, INC. is a government-controlled company from East Republic focused on manufacturing. Resistance is run by its CEO, S. Connor, an experienced businessperson. The VP CFO of Resistance, J. Connor, hired in April 2017, is a competent specialist with robust technical experience in the field.

Resistance's core business is the design and construction of cargo aircraft, particularly military ones. Resistance's board of directors is composed of a mix of accomplished professionals and political appointees. The board is known to be "tough and hands-on".

Beginning October 2016, a civil war emerged in East Republic. A faction of rebel separatists who long advocated for the creation of a new country organized a paramilitary militia, and this confrontation soon turned into open warfare. Since then, the country has been divided into government-controlled areas and rebel-controlled areas. In the areas controlled by the rebel forces, many non-separatist groups and large pieces of land are held hostage due to the circumstances, in a scenario that many consider a "soon-to-be humanitarian crisis". The worldwide consensus is that the rebel forces are on the wrong side of the dispute.

The large areas controlled by the rebels are not contiguous, and some are only served by air. For this reason, humanitarian aid is often provided by air (including food, medical aid and clothing), through the deployment of Resistance Humanitarian Aid Aircraft ("RHAA"); an aircraft developed during the early 90's that never gained any commercial viability, and has always been marketed to East Republic military forces exclusively. The RHAA are big, slow, and highly traceable.

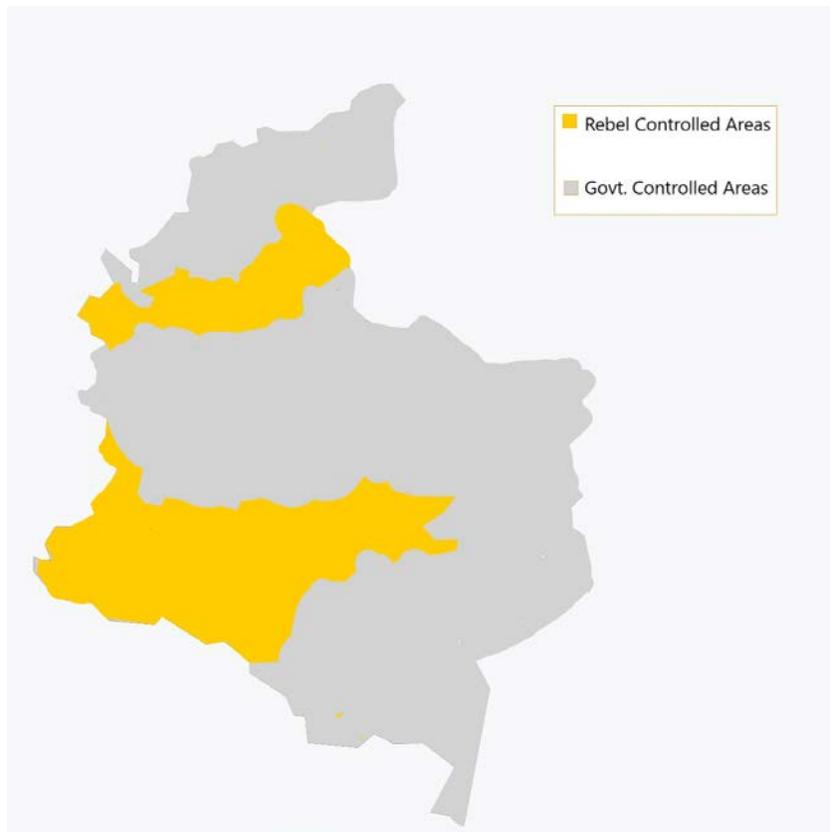
In such context, the T-1000 Max model from Skynet emerged as a miraculous alternative. The T-1000 Max model has all the specs needed to facilitate the deployment of aid across the country without impediments.

Resistance's intention was to buy the product with the fair support and transfer of technology. They need to have the know-how to fix damaged units and to further develop the model for humanitarian help – civil wars are known to be a decade-long affair, and commercial agreements must be suited to such reality. Hence, Resistance submitted Skynet a Purchase and Technology Transfer Agreement, including a list of equipment and systems for which technology should be transferred. Resistance's purchase order was as follows:

120 T-1000 Max to be delivered in three parts:

- 30 on Jan 2019;
- 50 on Jul 2019;
- 40 on Jan 2020.

Each T-1000 Max costs 10.5 million East Dollars (ED\$) - total of 1.260.000.000,00 East Dollars (ED\$ 1,26 billion). Skynet's board and commercial leadership were thrilled with the prospect of such a large order. At the same time, being part of the potential resolution of such a high-profile conflict is all the publicity the company could ever ask for. This application, as a tool for peacemaking and providing assistance to remote areas, would allow for T-1000 Max model to be perceived as the truly dynamic and relevant technological breakthrough it is.



(East Republic map)

3. THE DISPUTE

During 2018, business relations between Skynet and Resistance were going well. The Technology Transfer Agreement was in place, and 120 T-1000 Max were being produced. The first 30 drones were delivered in Jan 2019.

The first shipments went very well: Resistance was very excited to put the drones to good use. All 30 Drones were operating by the first week of Feb 2019.

However, in Mar 2019, Resistance technicians, trying to test the full capacity of the model, identified two problems, namely, that the drones could not handle more than 500 kg of cargo and could not fly over 6.000 m off the ground.

In one of the latest flights, one of their drones, "Drone 16" could not handle the cargo and fell into enemy lines. "Drone 16" carried food and some top-secret documents intended to be delivered to non-separatist leaders with whom East Republic Government had been engaging.

In Jul 2019, 50 drones arrived at Resistance. The same two limited capacity issues affected these drones.



Moreover, none of the technology has yet been transferred. As the contract states, 45% of the technology would be transferred until Jun 2020, and Resistance is now worried about Skynet's deadlines.

On the other hand, Skynet is worried about Resistance's financial security. All payments were made at least one week late. On such occasions, Resistance's personnel always referred to "procedural bureaucracies" that would delay the payment process. However, payment for the last 40 drones delivered – which was due in Jan 2020 – so far has not been met.

Despite the history of good communications between the companies, Skynet and Resistance came to the point that emails and phone calls are not sufficient to continue negotiations.

Skynet claims they "won't ship the last 40 drones until some payment is made", and Resistance claims they "won't pay a dime unless technology is transferred and a recall of the first 80 drones is made".

R. Patrick, J. Connor, and their attorneys talked several times via videoconference to try to find a solution. As no settlement could be reached directly by the parties, Resistance was advised by its counsel to request mediation according to the MED-ARB clause (clause 13) of the contract, which provides the following:

“13.1. The parties shall endeavor to settle the dispute by mediation under the CPR International Mediation Procedure currently in effect. The parties agree that they will select a Mediator from the CPR Panels of Distinguished Neutrals.

13.2. Any dispute arising out of or relating to this Agreement, including the breach, termination or validity thereof, which has not been resolved by mediation as provided herein within 45 days after initiation of the mediation procedure, shall be finally resolved by arbitration in accordance with the International Institute for Conflict Prevention and Resolution (“CPR”) Rules for Administered Arbitration of International Disputes currently in effect; provided, however, that if one party fails to participate in either the negotiation or mediation as agreed herein, the other party can commence arbitration prior to the expiration of the time periods set forth above. Judgment upon the award rendered by the arbitrators may be entered by any court having jurisdiction thereof.

13.3. The seat of the Mediation and/or the Arbitration shall be São Paulo, Brazil, and the language of the mediation and/or arbitration shall be English.”

Thus, Resistance requested the commencement of a mediation to be conducted in English under the CPR International Mediation Procedure, in São Paulo, Brazil. As Skynet was still interested in an amicable solution, the invitation for the First Session was accepted. The mediation conference is scheduled to take place on March 28-29, 2020.

The parties have selected J. Cameron as their mediator from the CPR Panel of Distinguished Neutrals. J. Cameron is well known, has an excellent reputation, and possesses superb mediation skills, as evidenced by the recent resolution of a multi-party, cross-border international business dispute.

At the mediation conferences, Resistance will be represented by J. Connor, as the CFO of Resistance, and its attorney, Dr. D. Ramos, and Skynet will be represented by R. Patrick, as the CEO of Skynet, and its General Counsel, Dr. G. Rev.

The Parties have agreed not to commence any judicial or arbitral proceedings during the mediation, as well as to suspend any pending lawsuits relating to matters being mediated, except for emergency measures.



4. WRITTEN STATEMENT INSTRUCTIONS

Pursuant to Section 5 of the CPR International Mediation Procedure, the parties are invited to submit a Written Statement to the Mediator in preparation for the mediation: “At least 10 business days before the first joint mediation meeting, unless otherwise agreed, each party will submit to the mediator a written statement summarizing the background and present status of the dispute, including any settlement efforts that have occurred, and such other material and information as the mediator requests or the party deems helpful to familiarize the mediator with the dispute. It is desirable for the submission to include an analysis of the party's real interests and needs and of its litigation risks.”

For purposes of writing the Written Statement, **you represent Resistance** and, therefore, need to send via email your written statement in Word and PDF format to Chris Silva at csilva@cpradr.org **no later than 5 pm ET on February 23, 2020**. Written statements should not contain any reference to Team Members.



ANNEX 1

PURCHASE AND SALE AGREEMENT (PSA)

This Purchase and Sale Agreement (hereinafter referred to as "Agreement" or "PSA") dated as of August 20, 2018.

UNMANNED AERIAL VEHICLES (UAVs)

PURCHASE AND SALE

and

TECHNOLOGY TRANSFER AGREEMENT

THIS UAV PURCHASE AND SALE AGREEMENT (hereinafter referred to as "Agreement") is entered into by and between **RESISTANCE, INC.**, (hereinafter referred to as "Buyer" or "Transferee"), and **SKYNET ENTERPRISES** (hereinafter referred to as "Seller" or "Transferor").

RECITALS

WHEREAS, the Seller desires to sell the product (as defined in Section 1.1 (a)) to the Buyer and the Buyer desires to purchase the UAV T-1000 Max (hereinafter referred to as "Product") from the Seller on the terms and conditions contained herein;

WHEREAS, the Seller has developed UAV/Drone products, the details of which are set forth on Schedule One (the "**Drone Products**") and is the proprietor of certain know-how and confidential information relating to their designs, applications and/or manufacture;

WHEREAS, the Seller has agreed to assign to the Buyer, and the Buyer desires to purchase from the Seller, full right and title to this know-how and confidential information relating the Drone Products, for the consideration and upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the parties hereto agree as follows:

DEFINITIONS

Closing shall have the meaning ascribed to such term as in the Lease Agreement.

Effective Date shall mean the date of signing this Agreement.

Information shall mean collectively, all information, designs, formulae, algorithms, procedures, methods, techniques, ideas, knowledge, experiences, research and development, data, programs, subroutines, tools, materials, specifications, processes, inventions (whether patentable or unpatentable and whether or not reduced to practice), apparatus, creations, improvements, works of authorship and other similar materials, and all recordings, graphs, drawings, reports, analyses, and other writings, and other tangible embodiments of the foregoing, in any form whether or not specifically listed herein, and all related technology, regarding and relating to the materials,



structures, applications and/or manufacturing of the Drones, and all other information relating to the materials, manufacturing techniques and other information necessary to design, utilize and/or manufacture the Drones properly, efficiently and in reasonable quantities.

Technical Documentation shall mean all manuals, recordings, graphs, drawings, reports, computer programs, calculations, special studies produced for the Drones design and engineering activities, analyses, including but not limited to design drawings, interface drawings, manuals and stress analysis reports, relating to the design, engineering of the Drones.

ARTICLE 1. SUBJECT MATTER OF SALE

1.1 (a) Subject to the provisions of this Agreement, the Seller agrees to sell and to deliver to the Buyer and the Buyer agrees to buy and take delivery from the Seller all of the Seller's right, title and interest in and to that certain UAV's model T-1000 Max, (the "Product") and all equipment, features, accessories, instruments, and components, and other parts installed thereon or appurtenant thereto, all loose equipment and spare parts, and all Documents as defined in Section 1.1(b), and as additionally described on Attachment A hereto (all of the foregoing items collectively referred to as the "Product").

(b) For purposes hereof, the term "Documents" shall mean and include records, overhaul records, maintenance manuals, repair manuals, flight manuals, crew manuals, warranty documents, logbooks, authorizations, wiring diagrams, drawings and data required or recommended by the manufacturer of the airframe, engines or any component or part of the Product, or required with respect to the Product, and all issued FAA Form 337's.

1.2 (a) With respect to Buyer, this Agreement, and Buyer's agreement to sell a certain number of UAV's model T-1000 Max (the "Purchase and Sale Agreement"), are mutually interdependent. (b) With respect to Seller, this Agreement, and Seller's agreement to purchase other like-kind replacement are mutually interdependent.

ARTICLE 2. PURCHASE PRICE

2.1 All prices, amounts and payments referred to herein shall be in East Dollars (ED\$).

The total purchase price for the Products shall be ED\$ 1.260.000.000,00 (1,26 billion East Dollars) (the "Purchase Price") payable at the Closing pursuant to Article 3 of this Agreement.

ARTICLE 3. INSPECTION; CLOSING; DELIVERY OF PRODUCTS

3.1 Inspection.

(a) Prior to closing, Seller shall provide the Buyer full access to the Products and the records (including without limitation the Documents) relating thereto for the purpose of inspection (the "Inspection") by Buyer and/or the Buyer's duly authorized technical representatives; in order to determine that each item of the Products is acceptable to Buyer and in accordance with the provisions of this Agreement. Buyer may have its authorized representatives on the Product for its flight to the Inspection Facility. The Inspection shall be conducted at Buyer's expense, and may include such tests and investigations as Buyer may consider under the circumstances to be necessary to satisfy itself that the general condition of the Product and Documents is satisfactory and complies with the provisions of this Agreement. The foregoing shall not affect any warranty claim of Buyer under the terms of this Agreement. Prior to



and as part of the Inspection, Buyer may conduct test and acceptance flights and shall bear the cost of any fuel utilized in connection therewith.

(b) Within two (2) Business Days (defined as any weekday which is not a bank holiday in Buyer's principal place of business) after conclusion of the Inspection or, Buyer's determination that the Product is satisfactory, whichever first occurs, Buyer shall execute and deliver to Seller Exhibit A (the "Inspection Report") reporting in detail any airworthy items, or deficiencies which do not meet the delivery requirement of Article 5 herein, whereupon the Seller shall, promptly and expeditiously following receipt of such report from Buyer, remedy such deficiencies. Time is of the essence in the commencement and completion of repair work to resolve any deficiencies. Buyer may conduct such tests and investigations as it deems reasonably necessary, to confirm that Seller has remedied all such deficiencies.

(c) Notwithstanding the foregoing, if at any time prior to the Closing Time (as defined in Section 3.2(c)), the Product is destroyed or suffers substantial damage which, in Buyer's reasonable opinion, renders it of lower economic value than the Purchase Price, Buyer shall have the right to terminate this Agreement upon written notice from Buyer to Seller and the parties shall have no further obligation to each other with respect to the transaction contemplated hereunder.

3.2 Closing.

(a) Within one (1) Business Day after completion of the Inspection and confirmation by Buyer of remediation of deficiencies by Seller with respect thereto:

(i) Seller shall deposit with Safe Escrow Company (hereinafter referred to as "Escrow Agent") a Bill of Sale (hereinafter "Bill of Sale") acceptable for filing with the East Republic Aviation Administration, undated but otherwise fully completed, and executed on behalf of Seller, together with a Warranty Bill of Sale in the form attached hereto as Exhibit B, either of which shall be in a form sufficient to effect vesting of title in Buyer; and

(ii) Buyer shall deposit with the Escrow Agent an Application for Registration for the Product fully completed (except for date) and executed on behalf of Buyer.

(b) Within one (1) Business Day of receipt by the parties of confirmation from Escrow Agent that all of the actions and deliveries required in subparagraph (a) have been completed, Seller shall position the UAVs at East Airport (the "Delivery Location") for transfer of title and consummation of the transaction (the "Closing"). Delivery of the Product shall occur simultaneously with the Closing. Buyer may have its authorized representatives on the Product for its flight to the Delivery Location.

(c) Upon the proper and timely positioning of the UAVs at the Delivery Location and upon fulfillment of all of Seller's obligations and agreements contained herein, (i) Buyer shall deposit the Purchase Price with Escrow Agent, by electronic funds transfer, and then (ii) Seller and Buyer shall immediately instruct the Escrow Agent to: (a) date and file the Bill of Sale in the Civil Registry, (b) date and file the Application for Registration with respect to the Product, and (c) release the Warranty Bill of Sale to Buyer. Contemporaneously therewith, Buyer shall execute and deliver (via facsimile and mail) to Seller a Delivery Receipt in the form attached hereto as Exhibit C. Risk of loss, casualty, liability or damage with respect to the Product shall be deemed to pass to Buyer upon Buyer's delivery to Seller of the Product Delivery Receipt (such time being the "Closing Time" and the date of the Closing Time being the "Closing Date").



ARTICLE 4. CONDITIONS OF SALE AND ASSIGNMENT

4.1 Seller covenants and agrees:

(a) that the Product shall be delivered with any and all manufacturer's recommended inspections (calendar, hourly, or otherwise) and inspection items up to date and current;

(b) that the Product shall be delivered with any and all manufacturer's recommended maintenance programs current and fully paid up to the Closing Time by Seller, with account in good standing and transferable to Buyer without cost to the Buyer;

(c) that the Product shall be delivered in an airworthy and fully operational condition, fit for operations under Aviation Regulations, with all systems, components, engines, and installed equipment airworthy, fully functional and operative, with no leaky fluids, meeting manufacturer's recommended specifications, and with no damage or corrosion, or history thereof;

(d) that the Product shall be delivered with a current and valid Airworthiness Certificate, and all Airworthiness Directives and all mandatory and recommended Service Bulletins with effective dates on or prior to the Closing Date complied with, including those Service Bulletins that are mandatory for enrollment on the Closing Date in any and all maintenance or parts programs for the ;

(e) that the Product shall be delivered with all Documents printed or published in English, original and complete, continuous and up-to-date, and maintained in accordance with industry standards and the Aviation Regulations.

ARTICLE 5. THIRD PARTY WARRANTIES

5.1 To the extent that any warranties from manufacturers, service providers or suppliers are still in effect with respect to the Product, such warranties and all rights thereunder are hereby irrevocably assigned to the Buyer and all documents evidencing same are included within the Documents; and Seller will assist Buyer in maintaining continuity of the warranties and shall take all reasonable steps to assist Buyer in asserting and processing warranty claims directly with the manufacturers, service providers or suppliers.

ARTICLE 6. REPRESENTATIONS, WARRANTIES AND LIMITATIONS

6.1 Representations and Warranties of the Seller.

The Seller hereby represents and warrants as of the date hereof and the Closing Date as follows:

(a) Seller is a duly formed company, validly existing, and in good standing under the laws of the West Republic, possessing perpetual existence as a legal entity, has the capacity to sue and be sued in its own name, having full power, legal right and authority to carry on its business as currently conducted, and to execute, deliver and perform the provisions of this Agreement.

(b) The execution, delivery, and performance by Seller of this Agreement have been duly authorized by all necessary action on behalf of Seller and do not conflict with or result in any breach of any of the terms or constitute a default under any document, instrument, or agreement to which Seller is a party.



(c) This Agreement constitutes the legal, valid and binding obligations of Seller enforceable against Seller in accordance with its terms.

(d) Seller has (and on the Closing Date shall have) exclusive, marketable, legal and equitable title to the Product and all equipment, components and parts thereof, free and clear of any and all claims, liens, mortgages or other encumbrances of any kind.

(e) Seller is the owner of the Product and is authorized to convey title to the Buyer; and execution and delivery of the FAA Bill of Sale and Warranty Bill of Sale shall convey to Buyer exclusive, marketable, legal and equitable title to the Product, free of any and all liens, claims and encumbrances of any kind.

(f) There are no parts, systems or components of the Product which are on temporary loan or exchange.

(g) Seller agrees to indemnify and hold Buyer harmless from and against any claims made by any broker or other party claiming an interest in the Product or the purchase price arising from an actual or alleged relationship or agreement with Seller.

(h) Seller has paid all taxes, duties, penalties, charges, invoices, and statements with respect to the Product incurred on or before the Closing Date, or if not paid, Seller hereby indemnifies Buyer from any such expenses.

(i) All representations and warranties hereunder shall run to Buyer, its successors, and to all persons to whom title to the Product may be transferred.

6.2 Representations and Warranties of the Buyer.

The Buyer hereby represents and warrants as of the date hereof and the Closing Date as follows:

(a) Buyer is a duly formed company, validly existing, and in good standing under the laws of the East Republic, possessing perpetual existence as a legal entity, having the capacity to sue and be sued in its own name, having full power, legal right and authority to carry on its business as currently conducted, and to execute, deliver and perform the provisions of this Agreement.

(b) The execution, delivery, and performance by Buyer of this Agreement have been duly authorized by all necessary action on behalf of Buyer and do not conflict with or result in any breach of any of the terms or constitute a default under any document, instrument, or agreement to which Buyer is a party.

(c) This Agreement constitutes the legal, valid and binding obligations of Buyer enforceable against Buyer in accordance with its terms.

6.3 EXCEPT AS OTHERWISE PROVIDED IN SECTION 6.1, THE PRODUCT IS HEREBY SOLD "AS IS" AND "WHERE IS." ALL OTHER WARRANTIES AND AGREEMENTS, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, INCLUDING BUT NOT LIMITED TO, ANY OBLIGATION OR LIABILITY OF SELLER, WITH RESPECT TO THE IMPLIED WARRANTY OF MERCHANTABILITY, ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE, AND ANY IMPLIED WARRANTY OF FITNESS, ACTUAL OR IMPUTED, OR OTHER LIABILITY OF SELLER FOR LOSS OF USE, REVENUE OR PROFIT WITH RESPECT TO THE OPERATION OF THE PRODUCT AND THE WORK



THEREON, ARE HEREBY EXCLUDED AND DISCLAIMED. NO AGREEMENT EXTENDING THIS WARRANTY SHALL BE BINDING UPON SELLER UNLESS IN WRITING AND SIGNED BY ITS DULY AUTHORIZED OFFICER OR REPRESENTATIVE.

ARTICLE 7. COSTS AND SALES TAXES

7.1 Costs and Expenses.

Buyer shall bear all operating costs and expenses of the Product for flights to or from the Inspection Facility, and to the Delivery Location.

7.2 Transaction Costs and Expenses.

Except as expressly provided for herein, each of the parties hereto shall be responsible for its own transaction costs and expenses, including brokerage fees, tax-deferred exchange fees, and legal costs and charges. Buyer shall pay Escrow Agent's escrow fees and expenses.

7.3 Sales Taxes.

Any sales, use, or similar taxes, and any interest or penalties on such taxes (unless such interest or penalty is a result of any act or omission by or on behalf of Seller, not otherwise authorized or directed by Buyer) arising from the sale of the Product to Buyer, excluding income, capital gain or similar taxes imposed on Seller, shall be borne by Buyer. In the event Seller receives notice of any proposed sales, use or similar tax, audit, claim, assessment or proposed liability for which Buyer may be liable under this section, Seller shall promptly notify Buyer of such potential tax liability. Buyer shall have the right to control, manage or defend any audit, claim, assessment, proposed liability or litigation with respect to any sales use or similar tax for which Buyer bears responsibility under this section.

ARTICLE 8. TECHNOLOGY TRANSFER

8.1 The Seller hereby assigns and transfers to Buyer, all rights and title (free and clear of any lien, claim, restriction, charge, security interest or other encumbrance) possessed by Seller in respect of the Information and the full unfettered and exclusive worldwide right to use the Information for any purpose whatsoever (including the filing of patent applications in respect of all or any aspect of it).

ARTICLE 9. MISCELLANEOUS

9.1 Notices.

All communications and notices required or permitted by this Agreement shall be in writing and shall be deemed to have been duly given or made when delivered by hand, or five Business Days after being sent by registered mail, return receipt requested, postage prepaid, or on the next Business Day when sent by overnight courier or when transmitted by means of telecopy or other wire transmission (with request for assurance of receipt in a manner typical with respect to communications of that type and followed promptly with the original thereof) in each case at the address set forth below:

If to Buyer: Resistance, Inc. c/o J. O'Connor at jconnor@resistance-a.com



If to Seller: Skynet Enterprises c/o R. Patrick at rpatrick@skynet-e.com.we

If to Escrow Agent: Safe Escrow, Attn: S. Smith at ssmith@safescrow-a.com.ea

9.2 Amendments.

The provisions of this Agreement may not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by an authorized signatory of each party hereto.

9.3 Entire Agreement.

Buyer and Seller agree that the terms and conditions of this Agreement, including all exhibits hereto, constitute the entire agreement between the parties.

9.4 Assignment.

Seller may assign its rights, but not its obligations hereunder as provided in Section

9.5 Buyer may assign its rights, but not its obligations, as provided in Section 8.12 hereunder.

This Agreement shall inure to the benefit of and be binding upon each of the parties hereto and their respective successors and assigns.

9.6 Headings and References.

The division of this Agreement into Sections, and the insertion of headings, are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

9.7 Counterparts.

This Agreement may be fully executed in any number of separate counterparts by each of the parties hereto, all such counterparts together constituting but one and the same instrument.

9.8 Governing Law.

This Agreement shall be governed, interpreted, and construed in accordance with the laws of the District of Washington, without regard for its conflict of laws provisions.

9.9 Non-Waiver.

Any failure at any time of either party to enforce any provision of this Agreement shall not constitute a waiver of such provision or prejudice the right of such party to enforce such provision at any subsequent time.

9.10 Time is of the Essence.



Unless specifically stated to the contrary herein, time shall be of the essence for all events contemplated hereunder.

9.11 Survival.

The representations, warranties, covenants and agreements of Buyer and Seller shall survive the Closing in perpetuity.

9.12 Confidentiality.

Subject to any federal or state regulatory provisions applicable to Seller, the terms and conditions of this Agreement and all writings, discussions, and negotiations in connection with the transaction contemplated by this Agreement shall remain strictly confidential and shall not be discussed by either party without the prior written consent of the other party.

10. Dispute Resolution. Any conflict arising out of or relating to this Agreement shall first be resolved by negotiation between the parties and if they fail or do not reach a solution within fifteen (15) days, then:

10.1. The parties shall endeavor to settle the dispute by mediation under the CPR International Mediation Procedure currently in effect. The parties agree that they will select a Mediator from the CPR Panels of Distinguished Neutrals.

10.2. Any dispute arising out of or relating to this Agreement, including the breach, termination or validity thereof, which has not been resolved by mediation as provided herein within 45 days after initiation of the mediation procedure, shall be finally resolved by arbitration in accordance with the International Institute for Conflict Prevention and Resolution ("CPR") Rules for Administered Arbitration of International Disputes currently in effect; provided, however, that if one party fails to participate in either the negotiation or mediation as agreed herein, the other party can commence arbitration prior to the expiration of the time periods set forth above. Judgment upon the award rendered by the arbitrators may be entered by any court having jurisdiction thereof.

10.3. The seat of the Mediation and/or the Arbitration shall be São Paulo, Brazil, and the language of the mediation and/or arbitration shall be English.



11. Law Applicable. This agreement shall be construed, interpreted governed by the international trade usage, mainly and where applicable by the United Nations Convention on Contracts for the International Sale of Goods (“CISG”; also known as the “Vienna Convention”) as both West and East Republics already ratified it.

In witness thereof, the PARTIES execute this Agreement in two (2) counterparts in the presence of undersigned witnesses.

August 20th, 2018.

SELLER: SKYNET ENTERPRISES

BUYER: RESISTANCE, INC

R. PATRICK

J. CONNOR

Witnesses:

1. _____

2. _____



SCHEDULE ONE

ORDER – DRONE PRODUCTS

One hundred twenty (120) Skynet T-1000 Max Drones, with these minimum specifications:

General characteristics

- **Crew:** 0 onboard, 1 in ground station
- **Length:** 5.7 m
- **Height:** 3.8 m
- **Empty weight:** 1,100 kg
- **Max takeoff weight:** 2,250 kg
- **Fuel capacity:** 450 kg
- **Maximum cargo with fuel:** 1,150 kg
- **Powerplant:** 4 × NEW MOTOR turboshaft, 847 hp
- **Serial #:** Each delivered drone shall bear serial numbers, consecutively, Drone 1- Drone 120

Performance

- **Maximum speed:** 250 km/h
- **Cruise speed:** 225 km/h
- **Range:** 660 km
- **Endurance:** 4 hours fully loaded
- **Service ceiling:** 5,000 m
- **Operational altitude:** 7,000 m



EXHIBIT A

INSPECTION REPORT

DATE: 21st day of January of 2019.

TO: Seller

Re: 30 Products bearing manufacturer's serial number and registration number – T-1000 Max

Dear Mr. R. Patrick:

Pursuant to that certain Purchase Agreement (the "Agreement") dated as of the 20th day of August of 2018, by and between Resistance, Inc (hereinafter referred to as "Buyer") and Skynet Enterprises (hereinafter referred to as "Seller"), with regard to the above-referenced (the "Agreement"), this letter confirms that Buyer has completed its inspection of the Product on this date.

CHECK ONE:

The inspection of the Product revealed no deficiencies in airworthiness items, or discrepancies which do not meet manufacturer's tolerances. The Product is satisfactory and in the inspection condition required for delivery on the Closing Date, and is hereby accepted in accordance with the terms thereof.

Subject to Seller's timely remediation, at Seller's sole cost and expense, of the airworthiness items, or discrepancies which do not meet manufacturer's tolerances listed in the attachment hereto, the Product is satisfactory and in the inspection condition required for delivery on the Closing Date and is hereby accepted in accordance with the terms thereof.

SINCERELY,

AGREED AND ACCEPTED

SELLER: SKYNET ENTERPRISES

BUYER: RESISTANCE, INC

R. PATRICK

J. CONNOR



EXHIBIT B

WARRANTY BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS:

THAT, Selling Entity ("Seller"), is the lawful owner of the full legal and beneficial title to:

That certain T-1000 Max model bearing West Republic Registration Number and manufacturer's serial number, together with T-1000 Max model engines, bearing manufacturer's serial numbers and all other appliances, data, parts, instruments, appurtenances, accessories, furnishings, or other equipment or property installed on or attached to said and engines as well as loose equipment and the Documents associated with the above, as defined in that certain Purchase Agreement (the "Agreement") between Seller and Buying Entity. (collectively "Buyer"), dated the 20th day of August of 2018, all of which shall be hereinafter referred to collectively as the "Agreement".

THAT, for good and valuable consideration as provided in this Agreement, receipt and adequacy of which is hereby acknowledged, Seller does as of the date provided below, grant, convey, transfer, deliver and set over all of Seller's right, title and interest in and to the Product unto Buyer and unto its successors and assigns forever, as follows:

1. Resistance, Inc ("Buyer")

THAT, Seller hereby warrants to Buyer, its successors and assigns, that there is hereby conveyed to Buyer on the date hereof, exclusive, marketable, legal and equitable title to the Product free and clear of any and all liens, encumbrances and rights of others, and that it will warrant and defend such title forever against all claims and demands whatsoever.

THAT, this Bill of Sale is to be read together with, and does not supersede, a bill of sale delivered with respect to the Product on a form suitable for recordation with the Federal Aviation Administration.

IN WITNESS WHEREOF, Seller has caused this instrument to be executed and delivered by its duly authorized signatory as of this 21st day of January of 2019.

SELLER: SKYNET ENTERPRISES

BUYER: RESISTANCE, INC

R. PATRICK

J. CONNOR



EXHIBIT C

DELIVERY RECEIPT

As of this 21st day of January of 2019, Resistance, Inc (hereinafter referred to as "Buyer") accepts delivery at East Airport, of the described below: That certain T-1000 Max model bearing West Republic Registration Number and manufacturer's serial number, together with T-1000 Max model engines, bearing manufacturer's serial numbers, and all other appliances, data, parts, instruments, appurtenances, accessories, furnishings, or other equipment or property installed on or attached to said and engines as well as loose equipment and the documents associated with the above, as defined in that certain Purchase Agreement (the "Agreement") by and between Buyer and Seller, dated the 20th day of August of 2018, all of which shall be hereinafter referred to collectively as the "Product".

Buyer has inspected the Product and all Documents, as defined in the Agreement.

The Product is accepted as meeting the terms and conditions of the Agreement this 21st day of January of 2019.

ACKNOWLEDGED AND AGREED:

SELLER: SKYNET ENTERPRISES

R. PATRICK

BUYER: RESISTANCE, INC

J. CONNOR

T-800 Specs



General characteristics

- **Crew:** 0 onboard, 1 in ground station
- **Length:** 4.7 m
- **Height:** 2.8 m
- **Empty weight:** 380 kg
- **Max takeoff weight:** 600 kg
- **Fuel capacity:** 100 kg
- **Maximum cargo with fuel:** 220 kg

- **Powerplant:** 4 × NEW MOTOR turboshaft, 131 hp

Performance

- **Maximum speed:** 180 km/h
- **Cruise speed:** 168 km/h
- **Range:** 380 km
- **Endurance:** 2,5 hours fully loaded
- **Service ceiling:** 4,000 m
- **Operational altitude:** 4.270 m

T-1000 Max Specs



General characteristics

- **Crew:** 0 onboard, 1 in ground station
- **Length:** 5.7 m
- **Height:** 3.8 m
- **Empty weight:** 1,100 kg
- **Max takeoff weight:** 2,250 kg
- **Fuel capacity:** 450 kg
- **Maximum cargo with fuel:** 1,150 kg
- **Powerplant:** 4 × NEW MOTOR turboshaft, 847 hp

Performance

- **Maximum speed:** 250 km/h
- **Cruise speed:** 225 km/h
- **Range:** 660 km
- **Endurance:** 4 hours fully loaded
- **Service ceiling:** 5,000 m
- **Operational altitude:** 7,000 m



ANNEX 4

From: J. Connor <jconnor@resistance-a.com.ea>
Sent: Monday, August 6, 2018 3:24:39 PM
To: R. Patrick <rpatrick@skynet-e.com.we>
Subject: T-1000 Max

Dear Mr. Patrick, I hope this email finds you well.

As you must know, East Republic is facing a dreadful situation in some of our provinces. We believe T-1000 Max UAV can help us in a humanitarian crisis solution.

Thus, I would like to meet you in person and have a demonstration of the capacities of your T-1000 Max. I believe our company has a 100+ demand for your newest model.

I am looking forward to hearing back from you.

Kind regards,

J. Connor

From: R. Patrick <rpatrick@skynet-e.com.we>
Sent: Monday, August 6, 2018 5:27:32 PM
To: J. Connor <jconnor@resistance-a.com.ea>
Subject: Re: T-1000 Max

Dear Mr. Connor,

I received your contact with enthusiasm. Skynet's team is happy to know that Resistance, our role model, is interested in our products.

As you are aware, we have worked hard to maintain the excellence of our products. We are now undergoing a massive expansion, and that will position us as one of the most important suppliers of heavy-duty UAVs in West Republic.

We gladly accept your request to meet soon – I will be in East Republic from the 18th to the 26th for our airshow. I am available on the 19th.

Please let me know as soon as possible if this works for you.

Kind regards,

R. Patrick



From: J. Connor <jconnor@resistance-a.com.ea>
Sent: Thursday, August 23, 2018 10:15:55 AM
To: R. Patrick <rpatrick@skynet-e.com.we>
Subject: Re: Re: T-1000 Max

Dear Mr. Patrick,

Thank you for meeting us. We are truly amazed by the product quality, and we believe it met our expectations. As already mentioned in our meeting, we confirm the order of 120 T-1000 Max model.

In order to move forward, I hereby send the PSA you've sent us, signed.

I am looking forward to Jan 2019 for the drones and the tech transfer.

Kind regards,

J. Connor

From: R. Patrick <rpatrick@skynet-e.com.we>
Sent: Monday, January 21, 2019 3:13:05 AM
To: J. Connor <jconnor@resistance-a.com.ea>
Subject: Re: Re: Re: T-1000 Max

Dear Mr. Connor,

I have the confirmation from our shipping team that the drones have safely arrived in East Republic.

Please let me know if there is anything I can help with – and, if everything looks good, please sign the forms I send attached.

Kind regards,

R. Patrick



From: J. Connor <jconnor@resistance-a.com.ea>
Sent: Monday, January 21, 2019 11:27:45 PM
To: R. Patrick <rpatrick@skynet-e.com.we>
Subject: Re: Re: Re: Re: T-1000 Max

Dear Mr. Patrick,

As spoken on the phone, I hereby confirm receiving 30 drones from Skynet. We still would like to receive a deadline for some of the tech transfer. We are worried about this matter since it is substantial for the maintenance and improvement of the product.

Kind regards,

J. Connor

From: J. Connor <jconnor@resistance-a.com.ea>
Sent: Monday, March 25, 2019 3:45:21 PM
To: R. Patrick <rpatrick@skynet-e.com.we>
Subject: Re: Re: Re: Re: Re: T-1000 Max

Dear Mr. Patrick,

I believe we are having some problems with our drones. Firstly, we were testing them at some mild weights and heights. Then, we were adding up to reach full capacity.

Last week, we tried to reach T-1000 Max full capacity. Our reports from the tested drones have shown that they were operating at 6.000 m and with a takeoff weight of 2,050 kg. However, reports generated from T-1000 Max have shown that they reached 7.000 m off the ground with a takeoff weight of approx. 2,250 kg.

We've hoped that the problem was limited to these reports. Nonetheless, after putting some more weight, T-1000 Max Drone 16 fell into enemy lines. I personally blame Skynet for this. How can your drones change the reports to appear that they are carrying more weight at a higher height than the real deal? How can they not carry what you advertised for?

I need an immediate answer to this.

Kind regards,

J. Connor



From: R. Patrick <rpatrick@skynet-e.com.we>
Sent: Monday, April 6, 2019 2:24:43 AM
To: J. Connor <jconnor@resistance-a.com.ea>
Subject: Re: Re: Re: Re: Re: Re: T-1000 Max

Dear Mr. Connor,

I am truly sorry to hear this. I hope this problem is limited to Drone 16. I will send this month a technician to identify the issue.

Additionally, 50 drones of the July deadline will have a software update to fix some bugs from the last version...

Furthermore, I've noticed some delays with the payment. Please let me know if there is anything I can help with.

Kind regards,

R. Patrick

From: J. Connor <jconnor@resistance-a.com.ea>
Sent: Thursday, July 25, 2019 8:32:21 PM
To: R. Patrick <rpatrick@skynet-e.com.we>
Subject: (URGENT) T-1000 Max FAILURE

Patrick,

I am having the same problems with this batch of drones.

I need an instant answer for this.

The payment will be made around mid-August – we are facing some procedural bureaucracies.

Kind regards,

J. Connor



From: R. Patrick <rpatrick@skynet-e.com.we>
Sent: Monday, August 19, 2019 2:24:43 AM
To: J. Connor <jconnor@resistance-a.com.ea>
Subject: Re: (URGENT) T-1000 Max FAILURE

Dear Mr. Connor,

I am – again – truly sorry to hear this. As you must know, we are dealing with top-notch technology and will do our best to fix the issue. Meanwhile, we kindly ask to limit the height and weight.

On the other hand, we kindly ask for you to please tell us when the payment will be made, as we have not received it yet. Please let me know if there is anything I can help with.

Kind regards,

R. Patrick

From: J. Connor <jconnor@resistance-a.com.ea>
Sent: Monday, February 10, 2020 2:10:54 PM
To: R. Patrick <rpatrick@skynet-e.com.we>
Subject: (URGENT) T-1000 Max FAILURE

Patrick,

Until today we are using T-1000 Max with limited capacities. Additionally, none of the technology was transferred.

Hence, I won't pay a dime unless the technology is transferred, and a recall of the first 80 drones is made.

Regards,

J. Connor



From: R. Patrick <rpatrick@skynet-e.com.we>
Sent: Monday, August 19, 2019 2:14:36 PM
To: J. Connor <jconnor@resistance-a.com.ea>
Subject: Re: (URGENT) T-1000 Max FAILURE

Connor,

We are working our heads off to solve all the issues of T-1000 Max model. We need to fulfill and respect the contract. Thus, Skynet won't ship the last 40 drones until some payment is made.

Regards,

R. Patrick
