



Restoring the glory

The Investor (Side A)

Poland as one of the largest countries in Europe, located in the central part of the continent has always been in the middle of historic changes and events. Once the Kingdom of Poland, later a significant force on the European chessboard as the Polish-Lithuanian Commonwealth, after that affected by different invasions and political and social turbulences, suffering due to World Wars, Polish history has its glorious and painful times. The country's numerous castles are some of the most impressive in all of Europe and serve to tell the historic tales to this day.

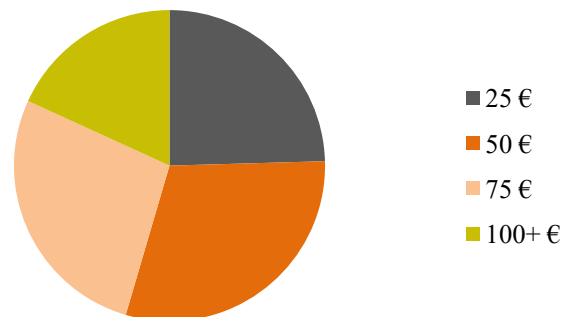
Poland, as a country, dates back to approximately the 10th century, which means that there is truly a multitude of stories attached to each and every castle that stands in the country today, including tales of kings and queens, military battles and conflict. From old bastions, famous Teutonic Order brick castles to medieval strongholds, palaces and fairytale-worthy structures, Polish castles deserve the attention. Unfortunately time and wars have taken their toll on many of these ancient buildings, with impenetrable fortresses and imposing strongholds reduced to crumbling structures over the years.

Most castles and palaces, whether preserved or restored are full of life these days. They are homes to museums or education centers, venues for cultural or outdoor events like jousting tournaments, historic reconstructions of battles or family festivals. Other have been converted into fully-fledged luxury hotels with spa facilities and conference centers, wedding venues or restaurants that take their guests on journeys to the times of hunters' parties and opulent feasts of the Polish nobility. Some of the castles however have been abandoned for centuries, just a shell of their former glory. Here is where the next chapter of the Wrynn castle story is about to begin...

As Poland is a rapidly growing destination for tourists from around the world, with its charming and historic cities that are buzzing with vibrant culture, its plethora of natural scenery such as expansive lakes, wooden areas and mountains to the south, the tourism sector seem to be very promising and worth investing in. Polish Chamber of Tourism reports a 4% increase of foreign visitors traveling to Poland every year (excluding the COVID-19 period) and even more increase in the amount of days and money spent. Good statistics apply to Polish citizens as well who are also more willing to explore the country. Additionally, after joining the EU in 2004, many international companies have established

or relocated their seats or branches to Poland. Combined with Polish companies developing rapidly and Polish middle and high class growing wealthier, all that drives the demand on hotels and conference centers, especially those of high-class and with something extra to offer. The market is still low-saturated in that sector. The survey conducted among Polish citizens and employees shows that most people are willing to pay between 50 – 75 € more for a night in a castle hotel comparing to traditional hotel. The fact that there are only about 20 castle hotels in Poland, makes every place of this kind unique.

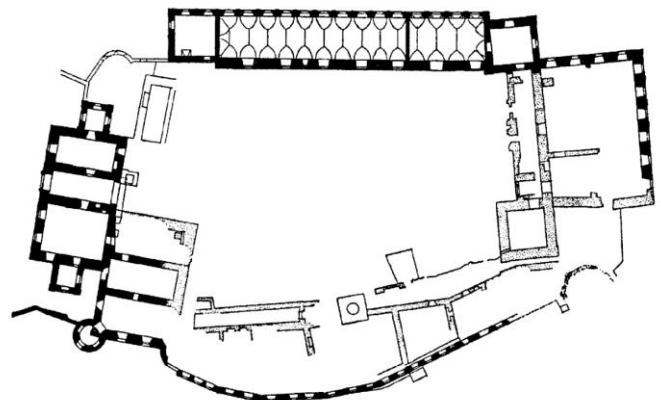
How much would you pay extra for accommodation in a castle hotel comparing to traditional hotel?



As a CEO of Luxor Hotels you understand, a central-European brand of full-service hotels you are aware of the numbers and the market data. You own four ****/***** star hotels in Poland, one in Germany, Czech Republic and Slovakia. Each of them has its own individual and unique character, but also historic background. From Old Mill hotel in Dresden to Rezek Villa Palace, all your hotels are a great combination of broad and outstanding services with omnipresent spirit of history – that is what drags the attention of thousands of guests every year, many of them returning back and back.

Wrynn Castle ruins – a new place for the investment?

A small castle originating from the turn of 13th and 14th century was probably one of the first brick and stone defensive structure in the region. The castle built upon a 50-meter hill next to a lake was located about 150 km to the former capital of Poland – Cracow, the trade and cultural centre of the country. Later it was granted to bishop Henry by the king Ladislaus the Short. The abbey next to the castle walls was erected, so the complex served as both: a bastion defending the town of Prongs in the vicinity and nearby trade routes as well as the seat of monks who were taking care of the structure. The following years saw this lodge expanded to a significant fortress with crenellations, battlements and a portcullis under the supervision of a number of resident abbots. With appearance of canons as a common weapon on battlefields and during sieges, the castle began to slowly lose on importance. At the end of 17th century it was sold to the noble Lanckoronski family, loyal bannermen to the crown, who begun to repair the damaged parts of the castle and remold the fortress in the Renaissance style into a living palace with gardens surrounding the hill and an orangery in place of the stables downhill. Unfortunately their ongoing work turned out to be in vain. After a series of wars and invasions in 18th century the castle was leased to numerous tenants and started to dilapidate. 50 years later it was once again severely damaged during the countrywide uprising. Finally it was abandoned. During the World War II the ruins were used as an ammunition storehouse. An accidental

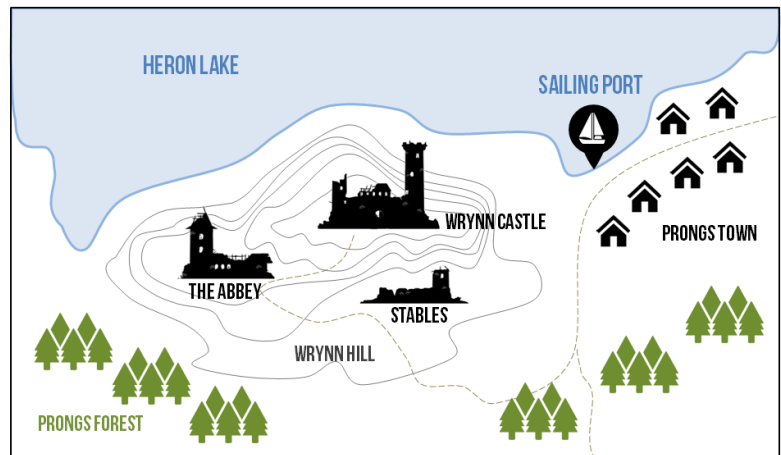


explosion blasted the northern keep and infringed the whole construction of the building. Even if abandoned 2 centuries ago the structure still seem to echo with the ghosts of dignitaries who lived there, the wars fought and the opulence it once contained. The land and the ruins still belong to decedents of Lanckoronski family.

You have talked with Karol Lanckoronski few weeks ago and he confirmed that the family is willing to sell the land and the ruins, so the castle could be rebuilt and restored to its former glory. Because it is listed as a historical treasure of Poland, all works need to be consulted with the national conservation office, following the series of archeological and geological examinations. As it is not the first historical building your company have restored, you have some experience dealing with such issues.

The project

The first and probably the most important thing that you have to agree on with the family are the plans for the buildings. You may buy only the castle hill (+ access road and parking land downhill) but also the ruins of the old abbey and the stables. According to your financial calculations, the place is suitable for the big investments so you would like



to buy the whole package and turn it into hotel&conference complex. Your initial research confirms that the conservation office should agree on such endeavour as long as you restore the whole historical appearance of the buildings. However what you also need to take into account are the intentions Lanckoronski family, people who seem very attached to their heritage. During the first video call they suggested that they would see some parts of the structures converted into museum, available for general public. Although it would decrease the complex luxury, you could accept such solution. You are passionate about history, but it is the financial part of the project that you find the most important. Attaining the highest possible return on investment rate (ROI) is definitely your primary goal. For the sake of the negotiation you have prepared different options for the project.

Projects	est. market value*	further investments needed**	est. income***
A1: Castle (H)	4 – 7 mil €	~ 20 mil €	4,5 mil €
A2: Castle (M)		~ 14 mil €	1,7 mil €
A3: Castle (1/2 H, 1/2 M)		~ 17 mil €	2,9 mil €
B1: Abbey (H)	2 – 3 mil €	~ 12 mil €	2,2 mil €
B2: Abbey (M)		~ 8 mil €	1 mil €
C1: Stables (H)	0,3 – 0,5 mil €	~ 5 mil €	0,7 mil €
C2: Stables (M)		~ 4 mil €	0,45 mil €

*properties costs include access roads and parking place needed for an investment of that size

**costs to be incurred in order to start operating a business (from archeological works to finishes of the rooms)

*** revenue less operating costs per year (of operating castle/museum)

(H) – converted into hotel&spa&conference centre complex

(M) – converted into museum or other object of that kind

You have no experience in managing the museum, so the group would rather see another hotel complex on the Wrynn hill. That solution would better comply with the company' strategy and PR, but also create a synergy effect for all hotels affiliated in the group.

However as you are aware of, museums can apply for additional state subsidies. You don't know the details, but the research shows as following. Maybe your negotiation partner will be more acquainted with exact numbers as the owner of lands and historic objects.

Projects	One-time subsidy for creating a museum	Possible annual subsidies for an operating museum
A2: Castle (M)	4-6 mil €	400 000 – 500 000 €
A3: Castle (1/2 H, 1/2 M)	2-3 mil €	140 000 – 200 000 €
B2: Abbey (M)	2 mil €	130 000 – 200 000 €
C2: Stables (M)	0,4 mil €	30 000 – 50 000 €

Mr. Lanckoronski could also offer you a joint venture, with him contributing with the properties (the key factor in the upcoming negotiation may be to evaluate those) and the Luxor Hotel Group with the funds and expertise. If beneficial you are able to accept such solution, under condition that the group holds the dominant part of shares&votes.

Main evaluation factor = ROI

For the sake of the evaluation a 20-year period is taken into account.

$$\text{Final ROI} = \frac{\text{annual income of an operating business} \times \text{your profit share}}{\text{total costs of investment (including purchase of lands\&structures *) - one time subsidies}} \times 100\%$$

*if particular properties (or parts of them) are your partner's contribution to the joint venture company, the formula denominator does not include their agreed value

**lease of the properties from the family is not possible

Rome was not built in a day...

... the castle won't be either. Restoring such objects is a complex issue and a long process. Preparing a project, its acceptance by the national conservation office, archeological and geological expertise, building works, finishing the hotel/museum – all takes time. You expect the whole process to finish in 5 years. After that time you will be able to make profits from the investment. If there was a way to somehow accelerate all those necessary works...

Participation of the family in the venture

You want to minimize the share of Lanckoronski family in managing the hotels. Luxor Group is a team of experts in that field, so you don't want the family to interfere your core business.

PR& Marketing of the venture

Running such a big object requires brave visions paving the course for the future and interesting ideas.

Together with your partner, try to work out and brainstorm different ideas and marketing solutions to promote the venture.

Spending /BATNA

Your whole budget for the project is **50 mil €**. Depending on the amount of money spent, you can invest the remaining sum in particular ventures.

Other projects	Budget needed	ROI
D: stock exchange investments	up to 2 mil €	7,5%
E: Developing the Old Mill hotel in Dresden	3 mil €	9%
F: Expansion of east wing - Šedy Potok hotel	6 mil €	10,5%
G: purchasing and restoration of Willow*** hotel	10 mil €	11,8%
H: Coastal resort in Pomerania	13 mil €	13%

Also if you fail to work out a satisfactory agreement with Lanckoronski family, you have the mentioned options. Possibly another one will appear during the forthcoming negotiations since you hold talks with owners of Spesek castle ruins in Slovakia. Probably that project won't be as profitable as Wrynn hill investments could be, but it is still a good chance.

Not reaching an agreement = ROI for BATNA projects + 1/2 of the quota dedicated for other negotiation areas.

The main objective for the upcoming negotiations is to reach an agreement on the above mentioned aspects. The deal needs to balance the interests of both parties. Probably both – you and the investor wish to close the deal, so try to make it mutually beneficial and profitable.

Good luck!

Please note that even if the case is based on a real story, some elements were changed to simplify the negotiation process. Specific rules of the polish Construction Law or Law on the Protection and Care for the Historic Monuments do not apply to this case. All information needed to conduct negotiation and achieve an agreement are included in the case study.

Evaluation

ROI (calculation for the whole budget)	Points
25%	70
BATNA	35
all values below or in between	according to linear relation

Shareholding	Points
100% profit share	15
(90 – 100)	13
(80 – 90>	11
(70 – 80>	9
(60 – 70>	7
(50 – 60>	5
(40 – 50>	3
(30 – 40>	1
30% or less profit share or no controlling interest	0

Converting	Points
3 objects transformed into hotel& spa& conference centre complex	10
2 objects converted into hotel& spa& conference centre complex	6
1 objects converted into a hotel	2
no hotel objects	-5

Unscorable – creative solutions and ideas	Points
AREAS: PR&MARKETING, PARTICIPATION OF THE FAMILY	
The best for the investor in opinion of interviewees	15
Other – according to the formula: <i>after the negotiation each team representing the Investor will be asked to put other teams' (also being the investor) solutions into their own ranking based on what is the best for the investor</i> <i>In each ranking the leader scores 15 points, 2nd: 11 points, 3rd: 7 points, 4th 3 points. Additional rankings will be prepared by the author and selected WNR experts (the leader scores 15 points, 2nd: 12 points, 3rd: 9 points, 4th 6 points, 5th 3 points.</i> <i>The total score obtained this way will be put into the formula</i>	$\frac{\text{points gathered}}{\text{leader score}} \times 15$



Restoring the glory

Lanckoronski family (Side B)

Poland as one of the largest countries in Europe, located in the central part of the continent has always been in the middle of historic changes and events. Once the Kingdom of Poland, later a significant force on the European chessboard as the Polish-Lithuanian Commonwealth, after that affected by different invasions and political and social turbulences, suffering due to World Wars, Polish history has its glorious and painful times. The country's numerous castles are some of the most impressive in all of Europe and serve to tell the historic tales to this day.

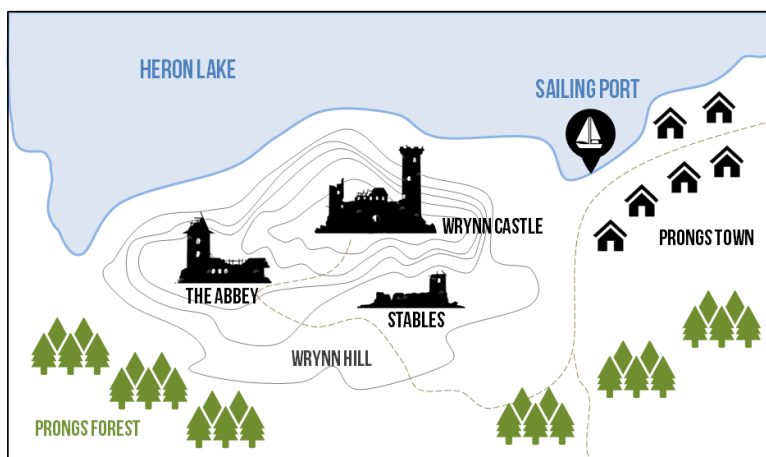
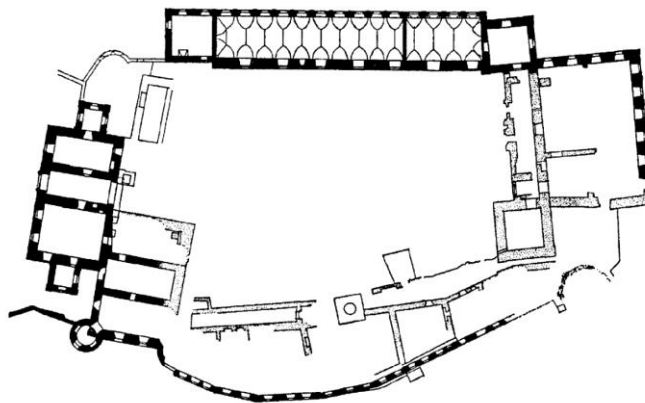
Poland, as a country, dates back to approximately the 10th century, which means that there is truly a multitude of stories attached to each and every castle that stands in the country today, including tales of kings and queens, military battles and conflict. From old bastions, famous Teutonic Order brick castles to medieval strongholds, palaces and fairytale-worthy structures, Polish castles deserve the attention. Unfortunately time and wars have taken their toll on many of these ancient buildings, with impenetrable fortresses and imposing strongholds reduced to crumbling structures over the years.

Most castles and palaces, whether preserved or restored are full of life these days. They are homes to museums or education centers, venues for cultural or outdoor events like jousting tournaments, historic reconstructions of battles or family festivals. Other have been converted into fully-fledged luxury hotels with spa facilities and conference centers, wedding venues or restaurants that take their guests on journeys to the times of hunters' parties and opulent feasts of the Polish nobility. Some of the castles however have been abandoned for centuries, just a shell of their former glory. Here is where the next chapter of the Wrynn castle story is about to begin...

Your family is in possession of castle ruins perched upon a hill with picturesque view over the surrounding area, the Heron Lake, forests and Prongs town, approximately 150 km north-west from Cracow. The region is a great place to experience outdoors. From sightseeing the nearby monuments, cycling through the area's thick forests, to sailing and fishing on a nearby lakes, there are plenty of activities to choose from. Tourists can take a boat out by themselves or rent a skipper to enjoy a day

out on the water..or just simply relax on one of the wooden decks. These great advantages of the region certainly increase the value of your lands.

The history of the ruins is also worth discovering. A small castle originating from the turn of 13th and 14th century was probably one of the first brick and stone defensive structure in the region. The castle built upon a 50-meter hill next to a lake was located about 150 km to the former capital of Poland – Cracow, the trade and cultural centre of the country. Later it was granted to bishop Henry by the king Ladislaus the Short. The abbey next to the castle walls was erected, so the complex served as both: a bastion defending the town of Prongs in the vicinity and nearby trade routes as well as the seat of monks who were taking care of the structure. The following years saw this lodge expanded to a significant fortress with crenellations, battlements and a portcullis under the supervision of a number of resident abbots. With appearance of canons as a common weapon on battlefields and during sieges, the castle began to slowly lose on importance. At the end of 17th century it was sold to your ancestor Stanislaw Lnackoronski of the noble Lanckoronski family, loyal bannermen to the crown. He begun to repair the damaged parts of the castle and remold the fortress in the Renaissance style into a living palace with gardens surrounding the hill and an orangery in place of the stables downhill. Unfortunately the ongoing work turned out to be in vain. After a series of wars and invasions in 18th century the castle was leased to numerous tenants and started to dilapidate. 50 years later it was once again severely damaged during the countrywide uprising. Finally it was abandoned. During the World War II the ruins were used as an ammunition storehouse. An accidental explosion blasted the northern keep and infringed the whole construction of the building. In 1950 the ruins were put on the national historic register. Even if abandoned 2 centuries ago the structure still seem to echo with the ghosts of dignitaries who lived there, the wars fought and the opulence it once contained. The land and the ruins however still belong to your family.



You have been considering selling the land and the ruins for a long time or finding an investor for a joint venture, because you don't have enough funds to restore the castle on your own. Seeing the ruins falling into more disrepair or even vandalized is not a pleasant view. The former castle for sure deserves a better fate. Unfortunately the offers from the state or different investors have not been satisfactory enough to enable and start the investment. Last month however you begun talks with

Luxor hotel group. The representative of the group confirmed that they are interested in buying the land and the ruins, so the castle could be rebuilt and restored to its former glory. Because it is listed as a historical treasure of Poland, all works need to be consulted with the national conservation office, following the series of archeological and geological examinations.

Luxor Hotels group is a central-European brand of full-service hotels. They own several ****/***** star hotels in Poland, Germany, Czech Republic and Slovakia. Each of them has its own individual and unique character, but also historic background. Their motto is legendary hospitality expressed in an individual approach to each guest. They state all their hotels are a great combination of broad and outstanding services with omnipresent spirit of history – that is what drags the attention of thousands of guests every year, many of them returning back and back.

As Poland is a rapidly growing destination for tourists from around the world, with its charming and historic cities that are buzzing with vibrant culture, its plethora of natural scenery such as expansive lakes, wooden areas and mountains to the south, the tourism sector seem to be very promising and worth investing in. Polish Chamber of Tourism reports a 4% increase of foreign visitors traveling to Poland every year (excluding the COVID-19 period) and even more increase in the amount of days and money spent. Good statistics apply to Polish citizens as well who are also more willing to explore the country. Additionally, after joining the EU in 2004, many international companies have established or relocated their seats or branches to Poland. Combined with Polish companies developing rapidly and Polish middle and high class growing wealthier, all that drives the demand on hotels and conference centers, especially those of high-class and with something extra to offer. The market is still low-saturated in that sector. The fact that there are only about 20 castle hotels in Poland, makes every place of this kind unique.

The project

Cooperation with the investor can come in different shapes and sizes. The easiest way is just selling the properties you own for the best price possible and let the investor do his work. However you are very attached to your ancestral heritage, so some kind of participation in the project would be a great occasion to restore the former glory not only to the structure, but also the family name. Currently you work as a manager in an international law firm. You enjoy your job, however as a 55-years old man you seek another opportunities for self-development, so you're passionate about such a venture. Apart from that, a newly-established hotel could provide a significant passive income as you retire in 12, maybe 15 years and later for your family. That's why you consider proposing your partner a joint venture. You are not able to pony up much money (probably up to **0,5 mil €**) but your main contribution to such a joint venture would be primarily properties: lands and ruins.

The key factor in the upcoming negotiation will be to evaluate those, what seems to be a tough task because the main factors determining the value are attachment to your heritage and historical issues. The expert evaluation made by one of the well-known consulting companies on your request specifies the value of the properties this way:

Projects	Est. market value
A: Castle	6 mil €
B: Abbey	2,5 mil €
C: Stables	0,5 mil €

*Evaluation includes access roads and parking place needed for a possible investment

You aware that these are just cold calculations – the real value comes from other aspects so you believe the properties are worth more.

The whole project is not only about money – yes, there are important, but you would like the venture to share and promote historical heritage. There are plenty of stories to be told to general public: tourists, history enthusiasts. Some are facts, other just the legends, but they always belong to a place. Converting all structures to just hotel&spa&conference center would close them to common people passionate about exploring and unveiling the history. Because of that you would like one or two of your objects to serve as a museum, open for tourists, especially the castle or the abbey as they have the best places to fire the imagination and bring the history of Poland, your family and the region to life.

Moreover, there are significant subsidies offered by the state to such objects:

Project	One-time subsidy for creating a museum	Possible annual subsidies for an operating museum
A2: Castle (M)	5,5 mil €	400 000 – 500 000 €
A3: Castle (1/2 H, 1/2 M)	2,75 mil €	160 000 – 200 000 €
B2: Abbey (M)	2 mil €	155 000 – 210 000 €
C2: Stables (M)	0,4 mil €	30 000 – 50 000 €

(H) – converted into hotel&spa&conference centre complex

(M) – converted into museum or other object of that kind

You don't know how profitable a hotel, museum or a conference center built by Luxor group could be, but according to your small research and different projects sent you by their representative, these are costs of such magnitude.

Project	further investments needed**	est. income***
A1: Castle (H)	16 - 24 mil €	3,5 – 5,5 mil €
A2: Castle (M)	10 - 18 mil €	1,6 – 1,85 mil €
A3: Castle (1/2 H, 1/2 M)	13 – 22,5 mil €	2,7 – 3,3 mil €
B1: Abbey (H)	10 - 14 mil €	2 – 2,45 mil €
B2: Abbey (M)	6 - 10 mil €	0,8 – 1,2 mil €
C1: Stables (H)	4- 6 mil €	0,6 – 0,8 mil €
C2: Stables (M)	3 – 4,5 mil €	0,3 – 0,5 mil €

**costs to be incurred in order to start operating a business (from archeological works to finishes of the rooms)

*** revenue less operating costs per year (of operating the hotel/museum)

(H) – converted into hotel&spa&conference centre complex

(M) – converted into museum or other object of that kind

The initial research confirms that conservation office should accept all the projects brought by Luxor hotel group (including both: the concept of the hotels and museums).

Your goal for the negotiation is to convince your partner to partially convert the objects into museum/exhibition/art gallery even if such entities are less profitable but also to squeeze the most profits for yourself. The second part can be done in 2 ways: maximizing the price for the properties sold or creating a joint venture that will benefit you in the future.

ROI (the main evaluation factor) is calculated this way (for the sake of the evaluation a 20-year period is taken into account)

$$\text{ROI} = \frac{\text{annual income of an operating business} \times \text{your profit share}}{\text{your contribution to the project (including market value of lands \& ruins)}} \times 100\%$$

Rome was not built in a day...

... the castle won't be either. Restoring such objects is a complex issue and a long process. Preparing a detailed project, its acceptance by the national conservation office, archeological and geological expertise, building works, finishing the hotel/museum – all takes time. You expect the whole process to finish in 5 years. After that time the investor or the joint venture will be able to make profits. There is however a way to accelerate the process. One of your relatives who works for the National Museum in Warsaw and owns the archeological company “Dig-dig” could prioritize the project and do all necessary things several months faster, but he could also convince his friends in conservation office to issue an authorization sooner than it usually happens. By these methods the whole process could finalize even in 4 years, provided the construction companies brought by the Luxor group will run the project smoothly.

Family above all

You have a younger son, Casper who is a graduate of Management&Marketing at Warsaw School of Economics and has a 6-year experience in one of the biggest media agency in Poland. Due to COVID-19 pandemic effects, he lost his job and seeks for another one. Maybe you could ask CEO of the Luxor Hotel Group to offer him a coveted position in their company, so he could fulfill himself professionally. Seeing your son managing your family heritage business in the future is a realization of a father's dream. Marketing mid-level manager or even manager, manager of one of the hotels – you're sure that Casper will handle the challenge.

If you agree to make a joint venture with the investor, your position should also be a subject of negotiation. You want to keep the significant impact on the newly-created company managing your family heritage and have an ability to decide on its development.

PR& Marketing of the venture

Running such a big object requires brave visions paving the course for the future and interesting ideas. Regardless of how you will participate in this project, it still remains your heritage, so you wish the investment to become fulfilling. Along with your partner, try to work out and brainstorm different ideas and marketing solutions to promote the venture.

The main objective for the upcoming negotiations is to reach an agreement on the above mentioned aspects. The deal needs to balance the interests of both parties. Probably both – you and the investor wish to close the deal, so try to make it mutually beneficial and profitable.

Good luck!

BATNA

If you fail to reach an agreement with Luxor Hotels Group there is other proposal on the table. The State offers you to buy all properties on the Wrynn hill for 10 mil € and convert it into museum and an operating monastery. After the properties are purchased you won't have any role in such project. (if choosing BATNA, you will get 1/2 points possible for the area "PR&Marketing", 0 for the area "Family above all")

Please note that even if the case is based on a real story, some elements were changed to simplify the negotiation process. Specific rules of the polish Construction Law or Law on the Protection and Care for the Historic Monuments do not apply to this case. All information needed to conduct negotiation and achieve an agreement are included in the case study.

Evaluation

Sharing the heritage with general public	Points
at least 2 object transformed into museum	15
1 object converted into museum	7,5
objects closed for general public	0

ROI (calculation for the whole budget)	Points
30%	50
BATNA	20
all values below or in between	according to linear relation

*all money earned when selling the properties to the Luxor Hotel Group or the State will be invested (expected ROI: 8%)

Joint venture company shareholding (if both parties agreed to a joint venture)	Points
controlling interest	7,5
33% votes	5
20% votes	2,5
10% or less	0
20% + profit share	7,5
<1% profit share	0
all values in between	according to linear relation

Unscorable – creative solutions and ideas AREAS: PR&MARKETING, FAMILY ABOVE ALL	Points
the best ideas benefiting the venture& the family in opinion of interviewees	20
<p>Other – according to the formula: <i>after the negotiation each team representing the family will be asked to put other teams' (also being the family) solutions into their own ranking based on what is the best for the venture& the family</i> <i>In each ranking the leader sores 20 points, 2nd: 15 points, 3rd: 10 points, 5th 2,5 points. Additional rankings will be prepared by the author and selected WNR experts (the leader sores 20 points, 2nd: 16 points, 3rd: 12 points, 4th 8 points, 5th 4 points.</i></p> <p><i>The total score obtained this way will be put into the formula</i></p>	$\frac{\text{points gathered}}{\text{leader score}} \times 20$