

Problem of the 23rd Intercollegiate Negotiation Competition  
(September 17 version)

1. The country of Negoland is a constitutional monarchy with a population of 20 million and a land area of 50,000 square kilometers. Its per capita GDP is approximately USD 55,000, making it one of the world's leading trading nations. It is known for its high standard of living and progressive social policies, including being a global leader in recognizing LGBTQ rights. Negoland consistently ranks highly in press freedom and on the Human Development Index. Additionally, the country is renowned for its rich history of Western-style culture and art, especially in painting, museums, etc. Negoland is home to many world-famous artists. Its museums hold works of renowned painters such as van Gogh, Vermeer, Rembrandt, Picasso, Monet, and Matisse, attracting numerous tourists from around the world.
2. Red Museum, one of the most famous museums in Negoland, is a national institution with a long history. Covering an area of about 30,000 square meters, with 12,000 square meters of exhibition space, the museum holds about 10,000 works, with 8,000 on display. Famous works in its collection include pieces by Vermeer and Rembrandt, as well as works by Nomura and Foote, two of Negoland's leading painters. The museum attracts more than 2 million visitors annually. An overview of Red Museum is attached as Exhibit 1.
3. The country of Arbitria is a democratic nation with a population of 100 million and a land area of 370,000 square kilometers. Its per capita GDP is approximately USD 50,000, and it is a leading advanced nation with strong technological capabilities and competitiveness in many industries. Arbitria has developed a rich culture with an Eastern influence, similar to Japan. Particularly in the field of painting, in the early 1900s a style influenced by Japanese ukiyo-e emerged, known as "Abu Art."
4. Blue, Inc. is a leading company in Arbitria, engaged in urban development, large-scale facility construction, real estate leasing, and the operation of commercial and resort facilities. Founded in 1970 by Olivier Blue, a wealthy businessperson of Arbitria, the company has grown in tandem with Arbitria's economic development. It is currently headed by Olivier's child, Lin Blue. Blue, Inc. has a proven track record of urban development and large-scale facility construction, not only in Arbitria but also abroad, including in Negoland. Ten years ago, during the redevelopment of the capital city of Arbitria, Abu-Abu, the company established Blue Museum, a cultural facility in the redevelopment area, which it continues to operate. Blue Museum, built using Blue, Inc.'s cutting-edge construction technologies, houses a collection of art gathered by the Blue family and features works by young Arbitrian artists. Despite its small scale, the museum is gaining global recognition for its high-quality collection. Details of Blue, Inc. and Blue Museum are outlined in Exhibit 2.
5. In March 2019, Red Museum decided to build a new wing to expand its exhibition space, primarily for modern and Eastern art. The new wing was intended to celebrate the 200th anniversary of the museum's founding on May 1, 2023, with a commemorative ceremony planned for that date, to which the King of Negoland was also invited. The new wing was designed to accommodate the increasing number of visitors and to display more works of art under optimal conditions by incorporating the latest technology in the exhibition rooms. Particularly, a state-of-the-art environmental control system for strict temperature and humidity management was planned to prevent the deterioration of artworks over time.
6. In May 2019, Red Museum held an open tender for both domestic and foreign contractors to

design and build the new wing. Red Museum sought a contractor capable of delivering a facility that met the highest global standards for preserving and displaying art, clearly specifying the conditions in the bid documents, excerpts from which are set forth in Exhibit 3.

7. Of the bidders, Blue, Inc. submitted the lowest bid. Blue, Inc. was aiming to expand its overseas business, and winning the contract to construct a new wing for an internationally renowned museum like Red Museum was seen as a major opportunity to enhance its global recognition. Additionally, Blue, Inc. had previously built Blue Museum, which was equipped with cutting-edge technology to manage temperature and humidity, and it had experience in expanding and renovating other major museums in Arbitria, making the company confident in its capabilities for museum construction and renovation.
8. After Blue, Inc. won the bid, negotiations regarding the construction of the new wing began between Red Museum and Blue, Inc. In July 2019, a meeting was held with the project managers from both sides to finalize the terms of the construction contract. The minutes of that meeting are provided in Exhibit 4. Following these discussions, the construction contract for the new wing was signed between Red Museum and Blue, Inc. in September 2019. A summary of the contract can be found in Exhibit 5.
9. In February 2020, correspondence occurred between Red Museum and Blue, Inc. regarding the progress of the project. On March 5, Blue, Inc. submitted the design documents for the new wing to Red Museum, which began its review. However, due to the outbreak of a large-scale infectious disease in Negoland, the review process was delayed. The communications related to this delay between Red Museum and Blue, Inc. are set forth in Exhibit 7. Internal discussions within Red Museum regarding the delay in the review of the design documents are provided in Exhibit 8. After the design was approved, Red Museum made the first payment to Blue, Inc., as specified in the contract.
10. Once the construction began, concerns regarding the progress arose, leading to further correspondence between Red Museum and Blue, Inc., as shown in Exhibit 9. Blue, Inc. took measures to increase resources and enhance progress monitoring. However, despite these efforts, it became apparent that completing the construction by January 31, 2023, would be difficult. Both parties eventually agreed to a revised completion date of February 28, 2023. The minutes of the meeting where this agreement was reached are set forth in Exhibit 10.
11. After extensive construction work spanning approximately 21 months, the new wing was completed and handed over to Red Museum on February 28, 2023. Before the handover, the test of the Environmental Control System was conducted in accordance with the contract in Appendix 5, and no irregularities were found. Preparations for the opening were carried out by Red Museum. The 200th anniversary ceremony was held and the new wing opened to the public as planned on May 1, 2023, garnering significant media attention. The collection of modern and Eastern art displayed in the new wing was highly acclaimed by visitors.
12. However, by August 2023, staff at Red Museum noticed abnormal environmental fluctuations in certain exhibition rooms of the new wing. Particularly in Exhibition Room B, room temperatures rose sharply in the afternoon, and humidity levels greatly exceeded the design standards. These environmental fluctuations posed a serious threat to the exhibited artworks. Upon investigation, staff discovered that 10 paintings in Exhibition Room B had sustained damage, indicating that the environmental control system was not functioning properly. The email notification sent by Red Museum to Blue, Inc. about this issue is provided in Exhibit 11.
13. Red Museum, considering this a serious issue, immediately halted the use of the new wing to prevent further damage and launched an investigation to determine the cause. The internal report

summarizing the findings of this investigation is attached as Exhibit 12. Red Museum forwarded this report to Blue, Inc., and informed Blue that it would invite external experts to conduct a detailed investigation into the design and construction of the environmental control system. The email related to the report is provided in Exhibit 13. Following this, Red Museum and Blue, Inc. held discussions to address the repair of the new wing based on the findings of the internal report. The minutes of those discussions are provided in Exhibit 14.

14. Both staff from Red Museum and Blue, Inc. were present during the investigation carried out by the external experts invited by Red Museum. The expert report is attached as Exhibit 15. Afterward, the repair work on the new wing was completed, and the new wing was reopened on November 15, 2023.
15. Despite the reopening, Red Museum sought damages from Blue, Inc., claiming gross negligence in the design and construction of the environmental control system. However, Blue, Inc. denied liability. The content of the discussions regarding this matter is provided in Exhibit 16. This incident became known as the "New Wing Case."
16. There is also another dispute between Red Museum and Blue, Inc. In May 2021, Red Museum decided to expand its collection of Arbitrian art, spurred by increasing interest in Arbitrian art within Negoland. A special exhibition room dedicated to Arbitrian art was planned for the newly constructed wing, and it was intended to be one of the highlights of the new wing.
17. However, Red Museum had never actively collected Arbitrian art before and lacked strong connections in Arbitria. Therefore, Red Museum began discussions with Blue, Inc. regarding the acquisition of Arbitrian art. The minutes of the internal meeting at Red Museum regarding these discussions are set forth in Exhibit 17.
18. In June 2021, Red Museum met with Blue, Inc. to discuss the acquisition of Arbitrian artworks, particularly the Orange Collection. The minutes of this meeting are set forth in Exhibit 18. The "Orange Collection" consists of 20 works by prominent 18th-century Arbitrian painters, which were collected by the famous Arbitrian businessman Bob Orange in the early 20th century. The "Orange Collection" is considered a national treasure of Arbitrian art. Currently, Papa Orange and Mama Orange, the grandchildren of Bob Orange, each hold 10 of the works. Both Papa and Mama Orange usually display their pieces in their private residences. They have only lent out portions of their collections once, five years ago, for separate exhibitions in Japan, but both of them were reportedly dissatisfied with how the Japanese museums handled the loan, which has since made them reluctant to lend out their artworks. In fact, neither of them has ever lent their artworks to museums since then. Rumor has it that both Papa and Mama Orange are deeply attached to the "Orange Collection." However, the Orange family's businesses have struggled, and there are rumors that both Papa and Mama Orange are considering selling the collection due to financial difficulties. Papa and Mama Orange are said to have a strained relationship recently.
19. Following the June 2021 negotiations, Red Museum and Blue, Inc. signed a contract in September 2021, entitled "Exclusive Agency Agreement," appointing Blue Inc. as Red Museum's agent for acquisition of the Orange Collection, as set forth in Exhibit 19.
20. After a year had passed since the contract was signed, there was no progress on the purchase of the "Orange Collection." Blue, Inc. informed Red Museum that it was carefully building relationships with both Papa and Mama Orange, but no concrete steps were taken. In light of this situation, Red Museum and Blue, Inc. exchanged correspondence, as set forth in Exhibit 20.
21. On December 15, 2022, news broke worldwide that Red Museum itself had purchased all 20 pieces of the "Orange Collection." Reports stated that the total purchase price was USD 200 million, but no details were disclosed on how the purchase was made. Following this news, Blue,

Inc. requested a meeting with Red Museum to discuss Blue, Inc.'s claim that Red Museum had breached the exclusive agency agreement. The minutes of the meeting held between Red Museum and Blue, Inc. on December 23, 2022, are provided in Exhibit 21.

22. The "Orange Collection" was subsequently displayed in Exhibition Room A of the new wing and was unveiled during Red Museum's 200th anniversary ceremony on May 1, 2023. The dispute regarding the acquisition of these works came to be known as the "Orange Collection Case."
23. Despite ongoing negotiations to resolve both the "New Wing Case" and the "Orange Collection Case" amicably, no settlement was reached. In March 2024, Red Museum filed for arbitration concerning the "New Wing Case," while Blue, Inc. filed for arbitration concerning the "Orange Collection Case." Both parties agreed to consolidate the arbitration proceedings for both incidents. However, regarding the "New Wing Case," Blue, Inc. argued that, per the contract, purely technical matters should be decided by an expert appointed by the parties, and that issues such as whether the design of the environmental control system was appropriate and how the placement of sensors and piping impacted the system's performance were purely technical in nature. Therefore, Blue, Inc. claimed that arbitration should not proceed without first obtaining the opinion of a technical expert on these matters.
24. Following discussions between the arbitrators and the parties' representatives, the claims and points of contention in the "New Wing Case" and the "Orange Collection Case" were summarized, as provided in Exhibit 22. Additionally, written statements from Mr. Green, Papa Orange, and Mama Orange regarding the "Orange Collection Case" were submitted, as shown in Exhibits 23, 24, and 25.

<Round B>

Round B will proceed under the assumption that paragraphs 1 to 15 exist as set forth (paragraphs 16 to 24 and the related appendices will not apply in relation to Round B). Please also assume that arbitration of the New Wing Case has not taken place and is not scheduled at this stage.

25. Red Museum and Blue, Inc. have completed the repairs to the new wing, and it has reopened. There is growing sentiment that continuing the dispute between the two parties may not be appropriate, and discussions are underway to seek a settlement through negotiation. A meeting is scheduled for November 17 to discuss whether a settlement can be reached.
26. A new business proposal has also arisen between Red Museum and Blue, Inc. The proposal involves renting 12 Abu Art pieces owned by Blue Museum for a special exhibition in Exhibition Room A of the new wing, to be called the "Abu Art Exhibition." Following a visit by the Prime Minister of Arbitria to Negoland in March 2024, during which the Prime Minister of Arbitria gifted a famous Abu Art piece to the King of Negoland, a major "Abu Art" boom has emerged in Negoland. In response, Red Museum has requested to borrow 12 Abu Art pieces from Blue Museum. The paintings requested for loan by Red Museum are listed in Exhibit 26. Blue Museum is also positive about the proposal, recognizing that it could enhance the international profile of Abu Art, provide rental income, and strengthen the relationship with Red Museum. The minutes of the first negotiation held in September 2024 between Red Museum and Blue, Inc. are provided in Exhibit 27.
27. On November 17, negotiations will be held on how to resolve the "New Wing Case" and the terms for the loan of the 12 Abu Art pieces. In the negotiation on November 17, the Vice President,

the Director of Facilities, the Curatorial Director, and others will attend from Red Museum, and the Vice President, the Head of the Construction Division, the Director of Blue Museum, and others will attend from Blue, Inc.

**Exhibit 1**

**Overview of Red Museum**

- **Location:** Nego-Nego, Negoland (Nego-Nego is the capital city of Negoland)
- **Established:** May 1, 1823
- **Director:** Hiromi Red (a renowned artist from Negoland)
- **Organization Structure:**
  - **Administrative Department:** Handles management tasks such as finance, human resources, and legal affairs.
  - **Curatorial Department:** Responsible for the collection, preservation, and research of exhibits.
  - **Planning Department:** Plans and operates special exhibitions and educational programs.
  - **Public Relations & Marketing Department:** Manages public relations activities and marketing strategies.
  - **Facility Management Department:** Maintains buildings and equipment.
  - **Visitor Services Department:** Manages ticket sales, guided tours, and shop operations.

**Financial Performance Over the Past Three Years (in million USD):**

	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Total Revenue</b>	97.5	105.0	112.5
- Admission Fees	30.0	37.5	42.0
- Revenue from Special Exhibition Tickets and Related Merchandise Sales	22.5	27.0	30.0
- Donations from Individuals and Corporations	15.0	18.0	19.5
- Sponsorship Income from Companies and Organizations	12.0	13.5	15.0
- Government Subsidies	18.0	19.5	21.0
<b>Total Expenditures</b>	93.0	102.9	108.9
- Operating Expenses (utilities, cleaning, security, etc.)	37.5	40.5	43.5
- Art Conservation and Restoration Costs	15.0	16.5	18.0
- Planning and Operating Special Exhibitions	18.0	19.5	21.0
- Personnel Costs (staff salaries and benefits)	22.5	24.0	25.5
- Building and Equipment Maintenance Costs	15.0	16.5	18.0

*Note: Revenue is on an upward trend due to an increase in overseas tourists.*

*Note: Red Museum is a legal entity under Negoland law and has all necessary capacity that may be required in relation to this Problem*

## Exhibit 2

### Overview of Blue, Inc.

- **Headquarters:** Abu Abu, Arbitria (Abu Abu is the capital city of Arbitria)
- **Established:** 1970 (unlisted company)
- **President:** Lin Blue

#### Operating Revenue Over the Past Three Years (in million USD):

	2021	2022	2023
<b>Leasing Business</b>	1,036	1,139	1,420
<b>Sales Business</b>	335	452	601
<b>Facility Operations</b> *1	114	172	228
<b>Overseas Business</b> *2	189	176	195

#### Notes:

- Revenue is increasing due to successful new urban development projects in Arbitria and recovery from the COVID-19 pandemic.
- \*1 Facility operations include the management of commercial facilities, hotels, resorts, museums, and cultural projects like galleries.
- \*2 Overseas business includes urban development projects abroad, large-scale facility construction, and real estate investments.

#### Overview of Blue Museum

- **Location:** Abu Abu, Arbitria
- **Established:** Founded in 2014 as a division of Blue, Inc. (organizationally part of Blue, Inc.)
- **Number of Holdings:** Approximately 4,000 pieces (focusing on Western paintings and Japanese paintings collected by the Blue family, modern art from Arbitria, and works by young artists)
- **Site Area:** Approximately 11,000 square meters
- **Financial Status:** Not disclosed
- **Visitor Information:** The number of visitors ranges from 400,000 to 700,000 and is steadily increasing. In 2022, a special exhibition of Japanese ukiyo-e (featuring 100 pieces borrowed from museums worldwide) attracted about 500,000 visitors.

### **Exhibit 3**

#### **Excerpts from the Bid Requirements Document**

- The contractor must design an environmental control system capable of maintaining an optimal environment for the preservation of exhibits and must execute construction accurately and with high quality based on that design.
- The environmental control system must be designed to constantly maintain the temperature at  $21^{\circ}\text{C} \pm 1^{\circ}\text{C}$  and the humidity at  $50\% \pm 5\%$ .
- To achieve the above conditions, necessary sensors, piping, vents, etc. must be equipped.



## Exhibit 4

### Minutes of Meeting Regarding Red Museum's New Wing Construction Project

**Date:** July 1, 2019

**Location:** Red Museum Conference Room

**Participants:**

- **Red Museum:**
  - Ran Hawk (Director of Facilities)
  - Caesar Swallow (Project Manager)
  - Hanako Pigeon (Assistant Project Manager)
- **Blue, Inc.:**
  - Sarah Diamond (Head of Construction Division)
  - Tom Sapphire (Head of Overseas Division)
  - Dan Pearl (Design Lead)
  - Hikaru Emerald (Site Supervisor)

#### 1. Construction Period

- **Red Museum (Ran Hawk):** "This new wing construction is a project to commemorate the 200th anniversary of our museum. We plan to hold a commemorative ceremony on May 1, 2023, inviting the King of Negoland, and we want to open the new wing at that time. Therefore, please strictly adhere to the construction schedule."
- **Blue, Inc. (Sarah Diamond):** "Understood. To adhere to the construction period, your cooperation is also necessary. Delays in confirmations from your side or requests for additional work can delay the construction, so please avoid such occurrences."
- **Red Museum (Ran Hawk):** "Understood."

#### 2. Performance Standards of the Environmental Control System

- **Red Museum (Ran Hawk):** "Our utmost concern is the protection of the exhibits. Particularly, strict management of temperature and humidity directly correlates with the success of the project. Our requirement is to constantly maintain a temperature of  $21^{\circ}\text{C} \pm 1^{\circ}\text{C}$  and humidity of  $50\% \pm 5\%$ . We want to clearly reflect this in the contract."
- **Blue, Inc. (Sarah Diamond):** "We recognize the importance. However, under extreme seasonal or external temperature changes, it can be technically challenging to keep within that exact range at all times. We will ensure this as much as possible during the design phase, but temporary fluctuations may occur under specific conditions."
- **Red Museum (Caesar Swallow):** "We understand, but we want to get assurance of these standards in the contract to prevent deterioration of the exhibits. We request that these standards be specifically reflected in the design drawings and construction plans, and we also seek assurance regarding system redundancy."
- **Blue, Inc. (Hikaru Emerald):** "We will respect these standards to the utmost during construction based on the design. However, please understand that during the post-construction testing period, if the standards are not met, additional adjustments may be necessary at that time."
- **Red Museum (Ran Hawk):** "Understood."

#### 3. Adjustment of Payment Terms

- **Blue, Inc. (Tom Sapphire):** "We also need to discuss the timing of payments. We believe the design phase accounts for 30% of the overall work, so we hope to receive that portion upon submission of the design drawings."

- **Red Museum (Ran Hawk):** "We will consider payments upon completion of the design drawings, but we will not make full payment until we confirm the successful construction and testing of the system. "
- **Blue, Inc. (Tom Sapphire):** "For us, costs for materials and labor will occur as the construction progresses. Therefore, it's important that payments are made according to progress. Let's set a detailed and clear payment schedule."
- **Red Museum (Ran Hawk):** "Understood."

#### 4. Testing and Adjustment Process

- **Red Museum (Caesar Swallow):** "To confirm that the environmental control system functions as designed, comprehensive testing must be conducted after construction completion. This testing should include independent third-party evaluation."
- **Blue, Inc. (Sarah Diamond):** "We agree with the testing process, but regarding third-party evaluation, we need to consider its impact on the budget and schedule. We also propose testing by our engineering team, but whether to conduct external evaluation depends on the budget."
- **Red Museum (Ran Hawk):** "We will think about that later."

#### 5. Warranty Period and Maintenance

- **Red Museum (Ran Hawk):** "We require at least a five-year warranty for the environmental control system. If any problems occur during this period, we want all repair and maintenance costs to be covered by Blue, Inc."
- **Blue, Inc. (Sarah Diamond):** "A five-year warranty period is reasonable, but we believe that issues arising from normal wear and tear should be the responsibility of the museum. We will also consider a maintenance contract to provide support for stable system operation."
- **Red Museum (Ran Hawk):** "Understood."

#### 6. Contract Termination and Delay Handling

- **Red Museum (Ran Hawk):** "Lastly, we need to clearly stipulate contract termination and delays. If the construction is significantly delayed, we want to retain the right to seek appropriate compensation."
- **Blue, Inc. (Sarah Diamond):** "In case of delays, it's important first to determine whether they are due to force majeure or controllable issues. We believe we should not be held responsible for delays caused by events beyond our control, such as natural disasters or government regulations. However, if the delay is due to our construction errors or management issues, we will consider compensation."

#### 7. Dispute Resolution

- **Red Museum (Ran Hawk):** "Would it be acceptable to resolve disputes through arbitration in a third country, Japan?"
- **Blue, Inc. (Sarah Diamond):** "Basically, that's fine, but in cases where there are differences of opinion on purely technical matters related to design or construction, it would be better to have a technical expert, not lawyers, make the decision. Also, arbitration procedures can take a lot of time, and it may cause a delay of the project. How about having the decision made by a technical expert selected by the parties instead of going through arbitration?"
- **Red Museum (Ran Hawk):** "Understood. It is acceptable for the decision on purely technical disputes to be made by a technician rather than arbitrators."

## Exhibit 5

### AGREEMENT REGARDING THE NEW WING OF RED MUSEUM

This Agreement ("Agreement") is made and entered into on this 15th day of September 2019, by and between Red Museum (hereinafter referred to as "Red"), located at ..., Nego-Nego City, Negoland, and Blue, Inc. (hereinafter referred to as "Blue"), located at ..., Abu-Abu City, Arbitria.

#### RECITALS:

WHEREAS, Red desires to undertake the establishment of a new wing of Red Museum (the "Project") to expand its exhibition capacity that has the highest level of state-of-the-art environmental control system for temperature and humidity regulation to protect and preserve art exhibits (the "Environmental Control System");

WHEREAS, Blue desires to provide architectural and design services, including the design of the Environmental Control System as per Red's specifications;

WHEREAS, Blue desires to perform construction and installation services, including the implementation of the Environmental Control System based on Blue's design;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, the parties hereby agree as follows:

#### ARTICLE 1: SCOPE OF WORK

Blue shall provide Red with the following works:

- (i) Full architectural services for the Project, including but not limited to the design of the expansion of the Environmental Control System. Blue shall ensure that the design complies with Red's specifications as provided in Article 4.
- (ii) Provision of all labor, materials, equipment, and services necessary for the construction and installation of the Project.
- (iii) Implementation of the Environmental Control System based on Blue's approved designs and specifications and ensuring that all installations comply with the required temperature and humidity control standards.

#### ARTICLE 2: COMPLETION DEADLINE AND TIMELY PERFORMANCE OBLIGATIONS

##### 2.1 Completion Deadline

Blue agrees to complete all design, construction, and installation work for the Project, including the Environmental Control System, by no later than January 31, 2023 ("Completion Date"). This Completion Date is binding and critical to the Project's success.

##### 2.2 Obligation to Avoid Delays

Blue shall undertake all reasonable efforts to ensure that the Project is completed on or before the Completion Date. Blue shall allocate sufficient resources, personnel, and equipment to ensure timely completion, and shall actively manage and monitor the progress of the work to avoid any delays.

##### 2.3 Notice of Potential Delays

In the event that Blue becomes aware of any circumstances that may result in a delay to the Project, they shall promptly notify Red in writing, detailing the nature of the delay, its expected impact on the timeline, and proposed mitigation measures. Blue shall also propose a revised timeline for the completion of the delayed work, subject to Red's approval.

#### 2.4 Consequences of Delay

If the Project is not completed by the Completion Date, Red reserves the right to impose penalties on Blue. The right to terminate this Agreement for cause if the delay extends beyond 30 days after the Completion Date, unless mutually agreed otherwise by the parties.

#### 2.5 Extensions of Time

Extensions of the Completion Date may be granted only under exceptional circumstances and with the prior written approval of Red. Such circumstances include, but are not limited to, force majeure events or significant design changes requested by Red. Blue must submit a formal request for an extension at least 30 days prior to the anticipated delay, with a detailed explanation of the reasons for the request.

#### 2.6 Force Majeure

Delays caused by events beyond the reasonable control of Blue, including but not limited to natural disasters, government actions, or other force majeure events, shall not be subject to penalties under this Agreement. However, Blue must demonstrate that all reasonable steps were taken to mitigate the impact of such events on the Project's timeline.

### ARTICLE 3: CONTRACT PRICE AND PAYMENT

#### 3.1 Contract Price

Red agrees to pay Blue a total contract price of US\$15,000,000 for the completion of the Project, which includes all design, materials, labor, and testing required for the Environmental Control System.

#### 3.2 Payment Schedule

Payments will be made in the following installments:

- 20% upon completion and approval of the final design.
- 30% upon completion of the structural framework of the new wing.
- 30% upon installation and testing of the Environmental Control System.
- 20% upon final completion and inspection of the entire Project, including independent third-party certification of the Environmental Control System.

#### 3.3 Retention of Payment

Red reserves the right to retain final payment until all work, including testing and certification, is completed to Red's satisfaction. The retention amount will be determined based on the performance and adherence to agreed standards.

### ARTICLE 4: ENVIRONMENTAL CONTROL SYSTEM SPECIFICATIONS

#### 4.1 Performance Standards

The Environmental Control System must be capable of maintaining stable temperature and humidity levels in all exhibition rooms in accordance with the following:

Temperature: 21° C ± 1° C, year-round, with fluctuations not exceeding this range during

operational hours.

Humidity: 50%  $\pm$  5% relative humidity, with no rapid variations that could impact sensitive artworks.

#### 4.2 Sensor Placement and Control

The system shall utilize temperature and humidity sensors placed throughout all designated exhibition rooms to monitor and adjust environmental conditions in real-time. The placement of sensors must ensure consistent readings throughout each room and prevent localized deviations.

#### 4.3 Redundancy and Backup

The system must include backup capabilities to prevent environmental control failure in the event of power outages or system malfunctions. Backup power generators and automated fail-safes must be integrated into the system design.

### ARTICLE 5: TESTING

Upon completion of the installation of the Environmental Control System, Blue shall conduct comprehensive testing in the presence of Red's representatives and an independent third-party evaluator. The testing must demonstrate that the Environmental Control System meets the specified performance criteria under varying external conditions.

### ARTICLE 6: DESIGN REVIEW AND APPROVAL

#### 6.1 Design Review Process

Red shall review the final design documents submitted by Blue within a period of 30 days from the date of submission. Red shall provide feedback, requests for modifications, or approval of the design within this period. Failure to provide timely feedback or approval shall be deemed as acceptance of the design, and Blue shall proceed with the implementation.

#### 6.2 Consequences of Incomplete Review

In the event that Red fails to conduct a thorough review of the design documents and subsequently identifies issues or requests modifications after the design has been approved or construction has commenced, Red shall be responsible for any additional costs or delays associated with such modifications. Blue shall not be held liable for any issues arising from Red's incomplete or delayed review.

#### 6.3 Limitation of Liability

If Red does not fully review and approve the design documents before implementation, Red agrees that Blue's liability for any design-related issues shall be limited to the original scope of work as outlined in the approved design. Any additional work required due to Red's failure to review or provide timely feedback shall be considered a change order and will be subject to additional charges and time extensions.

### ARTICLE 7: WARRANTY AND MAINTENANCE

#### 7.1 Warranty Period

Blue warrants that the Environmental Control System will function as designed for a period of five (5) years from the date of commissioning. During this period, Blue shall be responsible for any repairs, adjustments, or replacements required to maintain the system's performance at no additional cost to

Red.

#### 7.2 Maintenance Services

Blue agrees to provide regular maintenance services during the warranty period to ensure that the Environmental Control System remains in optimal working condition. The scope of these services, including frequency and reporting, will be defined in a separate maintenance agreement.

#### 7.3 Exclusions

The warranty does not cover damage caused by misuse, natural disasters, or unauthorized modifications made by Red after the system has been commissioned. Any such incidents will be assessed, and necessary repairs will be billed to Red.

### ARTICLE 8: FORCE MAJEURE

Neither party shall be liable for delays or failures in performance caused by events beyond their reasonable control, such as natural disasters, government actions, or other force majeure events. However, the affected party must make all reasonable efforts to minimize the impact of such events on the Project timeline.

### ARTICLE 9: INDEMNIFICATION AND LIABILITY

#### 9.1 Blue's Liability

Blue shall be liable for any damages arising from their failure to comply with the terms of this Agreement, including but not limited to defects in the design or construction of the Environmental Control System. Blue agrees to indemnify and hold Red harmless from any claims, damages, or expenses arising from their negligence or breach of this Agreement.

#### 9.2 Red's Liability

Red shall be responsible for providing clear and accurate specifications and for ensuring that any changes or modifications to the Project are communicated in a timely manner. Red shall indemnify and hold Blue harmless from any damages arising from Red's failure to provide accurate information or to comply with its obligations under this Agreement.

### ARTICLE 10: TERMINATION

#### 10.1 Termination for Cause

If either party materially breaches this Agreement and fails to remedy such breach within thirty (30) days after receiving written notice of the breach, the non-breaching party may terminate the Agreement without further liability, except for any work completed up to the date of termination.

#### 10.2 Termination for Convenience

Red may terminate this Agreement at any time for convenience, upon providing thirty (30) days' written notice to Blue. In such an event, Red shall compensate Blue for all work performed up to the date of termination.

### ARTICLE 11: DISPUTE RESOLUTION

#### 11.1 Arbitration

All disputes in connection with this Agreement or the execution thereof shall be settled in a friendly manner through negotiations. In case no settlement can be reached, the case may then be submitted

for arbitration in Japan to arbitration in accordance with the UNCITRAL Arbitration Rules, provided however that purely technical disputes shall be resolved by a technical expert appointed by the parties, not by arbitrators.

## ARTICLE 12: MISCELLANEOUS PROVISIONS

### 12.1 Entire Agreement

This Agreement represents the entire understanding between the parties and supersedes all prior negotiations, understandings, and agreements between the parties with respect to the subject matter herein.

### 12.2 Amendments

No amendments or modifications to this Agreement shall be valid unless made in writing and signed by both parties.

### 12.3 Governing Law

This Agreement shall be governed by and construed in accordance with UNIDROIT Principles of International Commercial Contracts 2016.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Red Museum:

By: \_\_\_\_\_

Name: Hiromi Red

Title: President

Blue, Inc.:

By: \_\_\_\_\_

Name: Lin Blue

Title: President

## Exhibit 6

### Email Correspondence

**Date Sent:** February 11, 2020

**Sender:** Dan Pearl (Blue, Inc.)

**Recipient:** Caesar Swallow (Red Museum)

**Subject:** ReRe: Confirmation of Requirements for Environmental Control System Design

**Email Content:**

"Thank you for your email. Our team has re-examined the requirements you pointed out.

- **Temperature Control:** We will adopt a design that places multiple temperature sensors within the exhibition rooms, allowing real-time monitoring and adjustment via a centralized control system to ensure the specified range is consistently maintained. Additionally, the system is optimized to respond to extreme external temperature fluctuations due to seasonal changes.
- **Humidity Control:** Similarly, we plan to use multiple sensors to maintain uniform humidity levels. We've adjusted sensor placement to meet standards even around large exhibits.
- **Sensor Placement:** We will send you the final version of the sensor placement diagram by early next week. This design guarantees a uniform environment throughout the exhibition rooms.

In response to your request, we will schedule a detailed briefing once the design drawings are completed. Please let us know if you have any other questions."

---

**Date Sent:** February 10, 2020

**Sender:** Caesar Swallow (Red Museum)

**Recipient:** Dan Pearl (Blue, Inc.)

**Subject:** Re: Confirmation of Requirements for Environmental Control System Design

**Email Content:**

"To confirm the progress of our museum's project, please let me revisit the current status. It is crucial that the design of the environmental control system fully meets our standards to preserve the exhibits in optimal condition.

To ensure these requirements are thoroughly reflected in the design, we would appreciate it if you could provide specific design drawings. If there are any issues, please inform us promptly.

Best regards."



**Exhibit 7**

**Email Correspondence Regarding Delay in Feedback on Design Documents**

**Email Date:** May 25, 2020

**Sender:** Dan Pearl (Blue Corporation)

**Recipient:** Caesar Swallow (Red Museum)

**Subject:** ReReReReReReReRe Delay in Feedback on the Design Documents

**Email Content:**

"Understood. We will proceed with the construction based on these design documents. Please contact me immediately if there are any additional matters."

---

**Date Sent:** May 25, 2020

**Sender:** Caesar Swallow (Red Museum)

**Recipient:** Dan Pearl (Blue, Inc.)

**Subject:** ReReReReReRe: Delay in Feedback on Design Documents

**Email Content:**

"Thank you for your patience. We have reviewed the design documents and have no revisions to request from our museum. However, due to the impact of the pandemic, there were parts we could not fully review. That said, I believe there are no issues with the structural design and the basic environmental control system. As for the finer details, we trust your company's design. Please proceed accordingly."

---

**Date Sent:** May 18, 2020

**Sender:** Dan Pearl (Blue, Inc.)

**Recipient:** Caesar Swallow (Red Museum)

**Subject:** ReReReReReRe: Delay in Feedback on Design Documents

**Email Content:**

"Understood. Please make sure to provide it by May 25. We are awaiting your response."

---

**Date Sent:** May 17, 2020

**Sender:** Caesar Swallow (Red Museum)

**Recipient:** Dan Pearl (Blue Inc.)

**Subject:** ReReReReReRe: Delay in Feedback on Design Documents

**Email Content:**

"We apologize for the delay. We will definitely send it by May 25, so please wait a little longer."

---

**Date Sent:** May 10, 2020

**Sender:** Dan Pearl (Blue, Inc.)

**Recipient:** Caesar Swallow (Red Museum)

**Subject:** ReReReReReRe: Delay in Feedback on Design Documents

**Email Content:**

"Since your last contact on April 17, we've been waiting but haven't received the review yet. Two months have passed since we sent the design documents. Our team is prepared and waiting. If we do not receive your feedback by May 25, we will need to reorganize our team due to other commitments, which will certainly cause significant delays in the construction period and may require us to charge additional fees. Please urgently provide your review results."

---

**Date Sent:** April 18, 2020

**Sender:** Dan Pearl (Blue, Inc.)

**Recipient:** Caesar Swallow (Red Museum)

**Subject:** ReReRe: Delay in Feedback on Design Documents

**Email Content:**

"Understood. We will await your response. Please note that delays in reviewing the design documents can impact subsequent work progress, leading to increased costs and schedule delays."

---

**Date Sent:** April 17, 2020

**Sender:** Caesar Swallow (Red Museum)

**Recipient:** Dan Pearl (Blue, Inc.)

**Subject:** ReRe: Delay in Feedback on Design Documents

**Email Content:**

"We apologize for the delay in reviewing the design documents. Due to the impact of the infectious disease, we are short-staffed. We will expedite the process as much as possible, so please wait a little longer."

---

**Date Sent:** April 15, 2020

**Sender:** Dan Pearl (Blue Inc.)

**Recipient:** Caesar Swallow (Red Museum)

**Subject:** Re: Delay in Feedback on Design Documents

**Email Content:**

"According to the contract, you are to provide feedback within 30 days of us sending the design documents, but we have yet to receive any response. We would like to confirm the delay in your feedback on the design documents. Our team is proceeding with the final adjustments of the environmental control system design, but it is difficult to prepare for construction without detailed feedback from Red Museum.

We would greatly appreciate it if you could promptly provide your opinions, especially regarding the placement of sensors and adjustments to the piping routes. Delays in this feedback may affect the construction schedule, so we kindly request your immediate attention."

**Exhibit 8**

**Internal Email Correspondence at Red Museum Regarding Resource Allocation for Design Document Review**

**Date Sent:** May 23, 2020

**Sender:** Ran Hawk (Red Museum)

**Recipient:** Caesar Swallow (Red Museum)

**Subject:** Re: Re: Re: Re: Re: Re: Re: Re: Resource Allocation for Design Document Review

**Email Content:**

"It can't be helped. Please proceed as you suggest."

---

**Date Sent:** May 23, 2020

**Sender:** Caesar Swallow (Red Museum)

**Recipient:** Ran Hawk (Red Museum)

**Subject:** ReReReReReReRe: Resource Allocation for Design Document Review

**Email Content:**

"We've done our best to conduct a comprehensive review within our team. The Facilities Management Department and Technical Support Department are still delayed in providing feedback, but after team discussions, we've concluded that there are no major issues at this time. Specifically, we've confirmed that there are no problems with the structural design and the basic design of the environmental control system. While we believe additional confirmation is needed for sensor placement and detailed piping routes, we do not think these are significant issues that would impact the overall progress of the project. Considering Blue, Inc. is a reputable construction company, we believe it should be fine. We would like to inform them that the design documents are acceptable as is. Is that alright?"

---

**Date Sent:** May 11, 2020

**Sender:** Ran Hawk (Red Museum)

**Recipient:** Caesar Swallow (Red Museum)

**Subject:** ReReReReReReRe: Resource Allocation for Design Document Review

**Email Content:**

"I have reached out to them, but both departments are struggling due to the impact of the infectious disease. Please do your best with your team as well."

---

**Date Sent:** May 10, 2020

**Sender:** Caesar Swallow (Red Museum)

**Recipient:** Ran Hawk (Red Museum)

**Subject:** ReReReReReRe: Resource Allocation for Design Document Review

**Email Content:**

"We received a message from Blue, Inc. stating that if we do not provide the review results by May 25, they will need to reorganize their team due to other commitments, which will delay the construction period and require additional fees. We replied that we would provide the review results by May 25. Please urge the Facilities Management Department and Technical Support Department to expedite their reviews."

---

**Date Sent:** May 8, 2020

**Sender:** Caesar Swallow (Red Museum)

**Recipient:** Ran Hawk (Red Museum)

**Subject:** ReReReReRe: Resource Allocation for Design Document Review

**Email Content:**

"We have been doing our best to review the design documents, but another problem has arisen. Last week, to ensure the review request for the design documents was definite, I thought I had sent them to the Facilities Management Department and Technical Support Department as well. However, during today's meeting, I confirmed that they have not yet received the request. There may have been an issue during sending, but it's clear we failed to follow up. As a result, the review is delayed. We have urgently requested both departments to conduct their reviews."

---

**Date Sent:** April 23, 2020

**Sender:** Ran Hawk (Red Museum)

**Recipient:** Caesar Swallow (Red Museum)

**Subject:** ReReReRe: Resource Allocation for Design Document Review

**Email Content:**

"I will discuss this with the HR department, but please don't expect too much. First, proceed promptly with what you can. Also, to ensure thoroughness, please request double-checks of the design document review from the Facilities Management Department and Technical Support Department."

---

**Date Sent:** April 21, 2020

**Sender:** Caesar Swallow (Red Museum)

**Recipient:** Ran Hawk (Red Museum)

**Subject:** ReReRe: Resource Allocation for Design Document Review

**Email Content:**

"I will do my utmost, but the impact of the infectious disease is expanding, and only about five out of eight team members are fully operational. Since further delays in reviewing the design documents will lead to cost increases, please consider increasing our staff."

---

**Date Sent:** April 19, 2020

**Sender:** Ran Hawk (Red Museum)

**Recipient:** Caesar Swallow (Red Museum)

**Subject:** ReRe: Resource Allocation for Design Document Review

**Email Content:**

"Due to the impact of the infectious disease, it's challenging to assign a dedicated reviewer within the museum. Regarding the use of external resources, it's unlikely we'll find suitable personnel who can undertake the review in such a short time, and we don't have the budget to outsource a full review of the design documents to external experts. There are internal opinions that the budget for this new wing construction is already too extravagant. We must avoid further cost increases. Please negotiate with Blue, Inc. to wait a little longer and handle it as best as you can with your team."

---

**Date Sent:** April 16, 2020

**Sender:** Caesar Swallow (Red Museum)

**Recipient:** Ran Hawk (Red Museum)

**Subject:** Re: Resource Allocation for Design Document Review

**Email Content:**

"I have concerns about the progress of the design document review in the ongoing new wing construction project. Our team cannot allocate sufficient time for the review, and although the final design drawings from Blue, Inc. have been submitted, detailed reviews have not been conducted in the progress meetings so far. Delays in the review may lead to delays in work and increased costs.

In this week's internal progress meeting, it was reported that our team, due to concurrent responsibilities with other projects, cannot allocate the necessary resources for the review, and since April, three out of eight members have been absent due to the infectious disease, hindering our team's work. This situation is affecting the design approval process, and I'm concerned that the project may

proceed without a thorough review of the design details.

I believe we need to assign dedicated personnel for the design document review or consider external resources. We urgently need to discuss solutions to this issue."

## Exhibit 9

### Email Correspondence Regarding Construction Progress Concerns

**Date Sent:** July 30, 2022

**Sender:** Sarah Diamond (Blue, Inc.)

**Recipient:** Ran Hawk (Red Museum)

**Subject:** ReReReRe: Progress Status

**Email Content:**

"Thank you for your detailed explanation of Red Museum's decision regarding the placement of humidity sensors. I understand that this decision was made considering the aesthetics and access conditions of the exhibition rooms. Adjustments on-site are sometimes necessary, and such flexibility is often required in the progress of a project.

We will respect the museum's decision and continue to ensure the system's overall performance, even with the current sensor placement, which differs from the design stage plans. While the sensor locations are not what was originally intended, our construction team will continue to make every effort to ensure the system functions as expected.

Of course, it is impossible to guarantee that there will be no problems with the control of humidity and temperature in future operations. While this adjustment may not cause short-term issues, the long-term effects may only become clear after the system is in operation. Therefore, we will continue to monitor the performance of the system post-installation and take appropriate action if necessary.

Although the final decision rests with Red Museum, we will continue to provide our technical expertise and input as required. We are on track for the January 31 handover and will prioritize system quality while ensuring on-time delivery. While it is difficult to predict long-term results, please rest assured that we are working according to the schedule.

We look forward to continuing to work together."

---

**Date Sent:** July 28, 2022

**Sender:** Ran Hawk (Red Museum)

**Recipient:** Sarah Diamond (Blue, Inc.)

**Subject:** ReReReRe: Progress Status

**Email Content:**

"Thank you for confirming that the January 31 handover remains your top priority. We appreciate the additional resources and the strengthened progress reporting.

However, I must inform you of a decision we made independently regarding the environmental control system. Last week, our technical team proposed changing the humidity sensor placement from the original design to better suit the aesthetics and accessibility of the exhibition rooms. Based on this, we instructed the on-site workers to slightly adjust the sensor placement.

Although this was deemed optimal for on-site conditions, we are concerned about how this adjustment might affect the overall system's performance, particularly regarding humidity and temperature control, which is crucial for preserving the exhibits. I would appreciate your technical team reviewing whether this adjustment could lead to any long-term adverse effects.

While our top priority remains the January 31 handover, we are open to discussing any additional measures needed after the museum's opening, should any performance issues arise. Please inform us promptly if this adjustment may cause any problems. We aim to proceed in a way that ensures both the success of the January 31 opening and the long-term protection of our exhibits."

---

**Date Sent:** July 27, 2022

**Sender:** Sarah Diamond (Blue, Inc.)

**Recipient:** Ran Hawk (Red Museum)

**Subject:** ReReRe: Progress Status

**Email Content:**

"We acknowledge your instruction to prioritize the January 31 handover above all else. We fully understand the significance of the ceremony that is scheduled on May 1 in the presence of the King, and we are committed to delivering on time.

Based on the current progress, we propose the following steps:

- **Additional Resources:** We have already planned to deploy additional labor and equipment to accelerate progress, particularly in the environmental control system and exhibition room installations. By conducting several tasks in parallel, we aim to compress the schedule.
- **Priority Adjustment:** Following your instructions, we will prioritize the areas essential for the ceremony and postpone tasks that can be completed after the opening. For example, adjustments outside the exhibition rooms and some back-end equipment work will be scheduled post-opening.
- **Risk Management and Quality Assurance:** While we are accelerating the project, we are carefully managing the quality to avoid compromising the final outcome. There may be risks associated with speeding up, so please inform us immediately if there are any concerns. Adjustments after the opening will be handled flexibly to ensure smooth museum operations.
- **Enhanced Reporting:** In addition to the regular weekly reports, we will provide ad-hoc updates as necessary. If critical decisions or adjustments are required, we will notify you immediately.

We will do everything in our power to meet the January 31 deadline. However, adjustments related to the delayed review of the design documents may incur additional costs and resource needs, which we will need to discuss further.

We appreciate your continued cooperation."

---

**Date Sent:** July 25, 2022

**Sender:** Lan Hawk (Red Museum)

**Recipient:** Sarah Diamond (Blue Corporation)

**Subject:** ReRe: Regarding the Progress

**Email Content:**

"Following your recent report, I would like to communicate Red Museum's policy. The handover deadline of January 31 is of utmost importance, especially considering that a ceremony, which will include the presence of the King and other dignitaries, is scheduled for May 1. I would like you to make every effort to meet this deadline.

Of course, we understand that the delay in reviewing the design documents has caused a burden, but we must prioritize adhering to the handover deadline. It is essential to complete the equipment and exhibition-related parts that are critical for the museum's opening. As for other sections that can be addressed after the opening, it is acceptable to postpone them. We also consider it inevitable to address any fine adjustments or corrections after January 31.

To meet this deadline at all costs, we kindly request that you review the schedule. Please consider deploying additional resources or re-prioritizing tasks, and we await a detailed progress report going forward.

Thank you."

---

**Date Sent:** July 16, 2022

**Sender:** Sarah Diamond (Blue Corporation)

**Recipient:** Lan Hawk (Red Museum)

**Subject:** Re: Regarding the Progress

**Email Content:**

"I have some concerns about the current situation, which I would like to report. The delay in reviewing the design documents has placed a significant burden on the entire project. Specifically, the final

design approval has been delayed considerably, and at the current pace, it seems highly unlikely that we will be able to complete all processes according to schedule.

We are proceeding with the original schedule, but at this rate, it is highly probable that we will not meet the completion deadline of January 31, 2023. To make up for the delay, we may need to either add additional resources or proceed with some parts of the construction simultaneously. However, we must also consider that such measures may have an impact on costs and quality.

Given this situation, we would like to discuss the schedule with you as soon as possible. We would appreciate your opinion on which areas we should prioritize for resource allocation and where we should take risks.

Thank you in advance for your input."



## Exhibit 10

### Meeting Minutes

**Date:** October 1, 2022

**Location:** Red Museum Conference Room

**Participants:**

- **Red Museum:**
  - Ran Hawk (Director of Facilities)
  - Caesar Swallow (Project Manager)
  - Hanako Pigeon (Assistant Project Manager)
- **Blue, Inc.:**
  - Sarah Diamond (Head of Construction Division)
  - Tom Sapphire (Head of Overseas Division)
  - Dan Pearl (Design Lead)
  - Hikaru Emerald (Site Supervisor)

#### 1. Regarding the Construction Schedule

**Blue, Inc. (Sarah Diamond)**

We have made every effort, such as adding personnel, to minimize the impact of the delayed confirmation of the design documents on the construction schedule. However, despite our efforts, we simply cannot meet the deadline. If we rush any further, it will affect the quality of the construction. Would it be possible to postpone the deadline from January 31 to March 31?

**Red Museum (Lan Hawk)**

March 31 would be too difficult. How about February 28? It will be very challenging, but since our delay in reviewing the design documents caused part of the issue, we will expedite the preparations for the opening to cover for some of the delay.

**Blue, Inc. (Sarah Diamond)**

In that case, let's proceed with the change to February 28.

## **Exhibit 11**

**Email Sent Date:** August 25, 2023

**Sender:** Ran Hawk (Red Museum)

**Recipient:** Sarah Diamond (Blue, Inc.)

**Re: Regarding the Malfunction of the Environmental Control System**

"Greetings. Unfortunately, I have some very disappointing news. On August 12, a serious malfunction was discovered in the environmental control system of Exhibition Room B in the new wing.

Specifically, the humidity and temperature control system failed to operate within the designated parameters, and the conditions significantly deviated from the set values. As a result, the environment in the room became unstable, posing a potential threat to the exhibits. It appears that the malfunction of the sensors and the failure of some control functions to respond appropriately were the direct causes of this issue.

We are currently conducting an internal investigation into the cause and circumstances of this malfunction, but at this point, we believe there may be issues related to the installation and adjustment of the equipment. Additionally, as previously mentioned, we made changes to the placement and arrangement of the sensors based on our judgment, and further investigation is needed to determine whether this played a role in the problem.

To avoid long-term damage to the exhibits caused by this malfunction, it is imperative that we conduct repairs as soon as possible. We would like to plan the repair and readjustment of the equipment, so we request the cooperation of your technical team. The new wing has been closed since August 15 to prevent further damage and to investigate the cause.

We will consult with you about the detailed repair plan and work schedule at a later time, but for now, I wanted to provide you with an update on this issue.

Thank you for your attention to this matter."

### Internal Report on the Investigation of the Environmental Control System Failure

The results of an internal investigation confirmed that the temperature and humidity control system in Exhibition Room B was not functioning as designed. In particular, it was confirmed that the placement of the temperature sensors was inappropriate, with some sensors installed in locations that differed from the design drawings. As a result, the system was controlling based on incorrect data, and as a result, inappropriate temperature and humidity control was taking place.

Furthermore, the layout of the pipes and vents did not match the design drawings, which reduced the efficiency of the entire system and prevented uniform temperature and humidity control.

These defects are thought to be the direct cause of the damage to the exhibits.

The current damage and the estimated cost of restoration are as follows.

1. **The Golden Horizon** (Artist: Hiroshi Takeda)
  - **Damage:** Moderate (requires partial reconstruction of the canvas and color correction)
  - **Restoration Cost:** USD 60,000
2. **Reflections of Time** (Artist: Lin Wong)
  - **Damage:** Minor (surface dirt removal and slight discoloration correction)
  - **Restoration Cost:** USD 15,000
3. **The Silent Stream** (Artist: Li Songyon)
  - **Damage:** Minor (surface dirt removal and minor crack repairs)
  - **Restoration Cost:** USD 10,000
4. **Autumn's Grace** (Artist: Kenji Fujimoto)
  - **Damage:** Severe (requires large tear repair and color reconstruction)
  - **Restoration Cost:** USD 120,000
5. **Shadows of the Past** (Artist: Mika Saito)
  - **Damage:** Moderate (small tear and color correction needed)
  - **Restoration Cost:** USD 50,000
6. **The Eternal Flame** (Artist: Haru Yoshida)
  - **Damage:** Moderate (partial canvas damage and color correction needed)
  - **Restoration Cost:** USD 40,000
7. **Whispers of the Wind** (Artist: Song Jin)
  - **Damage:** Minor (surface dirt removal and discoloration correction)
  - **Restoration Cost:** USD 12,000
8. **Midnight Blossom** (Artist: Sarah Kensington)
  - **Damage:** Severe (structural damage and large-scale repainting needed)
  - **Restoration Cost:** USD 110,000
9. **The Forgotten Path** (Artist: Richard E. Moore)
  - **Damage:** Moderate (small tear in canvas and color correction needed)

- **Restoration Cost:** USD 45,000

10. **Distant Memories** (Artist: Lina Sorensen)

- **Damage:** Minor (surface dirt removal and color correction)
- **Restoration Cost:** USD 18,000

**Exhibit 13**

**Email Sent Date:** September 10, 2023

**Sender:** Ran Hawk (Red Museum)

**Recipient:** Sarah Diamond (Blue, Inc.)

**ReReRe: Results of the Internal Investigation**

**Email Content:**

"Understood. We are waiting for your staff to arrive."

---

**Email Sent Date:** September 10, 2023

**Sender:** Sarah Diamond (Blue, Inc.)

**Recipient:** Ran Hawk (Red Museum)

**ReRe: Results of the Internal Investigation**

**Email Content:**

"Thank you for your message. I will review the internal investigation report. I also understand that you plan to conduct an expert evaluation. Since the evaluation will be conducted by the renowned Dr. John Smith and Dr. Catherine Gogh, I believe it will be trustworthy. However, we would also like to send our staff to participate and observe the evaluation process."

---

**Email Sent Date:** September 10, 2023

**Sender:** Ran Hawk (Red Museum)

**Recipient:** Sarah Diamond (Blue, Inc.)

**Re: Results of the Internal Investigation**

**Email Content:**

"I am sending you the internal investigation report regarding the issues with the temperature and humidity control system that I mentioned earlier. As you will see, there are deficiencies in the temperature and humidity control system. The damage to the artworks was caused by sudden fluctuations in humidity and temperature, leading to cracks and discoloration in some of the pieces. If left unresolved, the damage will worsen. We would like to promptly repair the environmental control system to prevent the same issue from occurring again.

For now, the new wing has been temporarily closed. To conduct a more specialized investigation, we plan to have an evaluation by Dr. John Smith and Dr. Catherine Gogh."

## Exhibit 14

### Meeting Minutes

**Date:** September 25, 2023

**Location:** Red Museum Conference Room

**Participants:**

- **Red Museum:**
  - Ran Hawk (Director of Facilities)
  - Caesar Swallow (Project Manager)
  - Hanako Pigeon (Assistant Project Manager)
- **Blue, Inc.:**
  - Sarah Diamond (Head of Construction Division)
  - Tom Sapphire (Head of Overseas Division)
  - Dan Pearl (Design Lead)
  - Hikaru Emerald (Site Supervisor)

Both Red Museum and Blue, Inc. attended the meeting to discuss the cause of the environmental control system malfunction in Exhibition Room B of the new wing.

1. **Discussion of the Cause of the Environmental Control System Malfunction in Exhibition Room B**

Red Museum suggested that the malfunction may have been caused by Blue Inc.'s design and construction. In contrast, Blue, Inc. pointed out that delays in reviewing the design documents was the reason for the malfunction. There were differing opinions regarding responsibility, and it was agreed that further discussions would be necessary.

2. **Agreement on the Priority of Repairs**

Both parties acknowledged that further discussions were needed to determine responsibility, but they agreed to prioritize repairs. Considering the damage to the exhibits and to prevent further harm, it was agreed that repairs would begin immediately.

Blue, Inc. promised to create a repair schedule as soon as possible and to arrange additional resources and technicians needed for the repair work. Red Museum also promised to cooperate with Blue, Inc. during the repair process.

3. **Future Investigations and Countermeasures**

Both parties agreed to conduct further investigations after the repairs were completed to identify the root cause of the malfunction. The aim is to identify any issues during the design and construction stages and implement specific countermeasures to prevent recurrence. It was also agreed that the repair costs would be borne based on the determination of responsibility.

## Exhibit 15

### Expert Evaluation Report by External Experts

**Date:** November 10, 2023

**Evaluators:**

- Dr. John Smith (Expert in Architectural Engineering)
- Dr. Catherine Gogh (Expert in Painting Restoration)

#### 1. Environmental Control System

The system described in the design documents meets the general standards for maintaining the environment, and there were no major defects in Blue, Inc.'s design. However, it is possible that the impact of sudden changes in external temperature on the system was not adequately considered during the design stage. Specifically, there may not have been sufficient consideration of how high temperatures and humidity in the summer would affect indoor climate control. It is necessary to confirm the environmental conditions that were assumed during the design process.

Furthermore, there were several instances where the actual placement of sensors and piping differed from the design documents. These changes may have reduced the overall efficiency of the system, leading to inadequate control of temperature and humidity in certain exhibition rooms. The changes in sensor placement were made based on instructions from Red Museum. On the other hand, the changes in piping placement were made by Blue, Inc. to meet construction deadlines.

However, even if the piping was changed, it is certain that if the sensors had been placed according to the design, the situation would not have become as severe (although some fluctuation might have occurred, it likely would not have resulted in such drastic changes in temperature and humidity).

Tests were conducted on the system, and the results are as follows:

**Tests Conducted:**

- **Temperature Control Test:** Verified if the room temperature could be maintained at a constant level.
- **Humidity Control Test:** Verified if the room humidity could be maintained at a constant level.
- **Sensor Response Test:** Verified the response speed and accuracy of the sensors to changes in temperature and humidity.

**Summary of Results:**

- **Temperature Control:** During the 24-hour test period, the room temperature fluctuated between 20.5°C and 23.5°C, deviating from the target value. The largest fluctuation was observed between 2:00 PM and 4:00 PM.
- **Humidity Control:** The room humidity fluctuated between 48% and 58%, exceeding the target range of 50% ± 5% at certain times.
- **Sensor Response:** The average sensor response time exceeded 30 minutes, slower than the expected reaction speed, making the system unable to respond quickly to sudden environmental changes.

**Conclusion:**

The environmental control system in Exhibition Room B failed to meet the design targets, particularly during peak afternoon hours when significant temperature and humidity fluctuations were observed. Such fluctuations are likely to have a negative impact on the exhibits, and a complete recalibration of the system is necessary.

#### 2. Damage to the Paintings

The damage to the 10 paintings is consistent with what was described in the internal report. This damage was primarily caused by large fluctuations in temperature and humidity over a short period.

The sudden changes in humidity weakened the binding of the paint, leading to cracks. The conditions of the artworks and the restoration costs listed in the internal report are considered appropriate.

### **3. Failure to Address Abnormal Values**

Between the completion of construction on February 28, 2023, and the museum's opening on May 1, 2023, tests were conducted on the environmental control system. Upon reviewing the test records, the following minor abnormalities were recorded:

- **Temperature Control Equipment:** Some sensors detected slight fluctuations beyond the set temperature range, with temperatures recorded about 2°C higher than the set value during specific periods.
- **Humidity Control Equipment:** There were periods when the humidity sensors were not functioning accurately, and humidity levels temporarily exceeded the set range (with fluctuations of approximately 8%).

These abnormalities were detected during system logs and early inspections by Red Museum technicians, but since the issues were minor, and the museum's opening schedule was prioritized, Red Museum chose not to conduct a thorough investigation or recalibrate the system. Several representatives from Red Museum testified that this decision was made internally.

Had a thorough inspection of the environmental control system been conducted at this stage, it is highly likely that the improper installation of parts of the system and issues with sensor settings would have been discovered. Had a complete investigation been carried out before the museum's opening and the abnormalities corrected, the persistent malfunction of the system and the resulting damage to the paintings could have been avoided.



## Exhibit 16

### Meeting Minutes

**Date:** January 15, 2024

**Location:** Red Museum Conference Room

**Participants:**

- **Red Museum:**
  - Ran Hawk (Director of Facilities)
  - Caesar Swallow (Project Manager)
  - Hanako Pigeon (Assistant Project Manager)
- **Blue, Inc.:**
  - Sarah Diamond (Head of Construction Division)
  - Tom Sapphire (Head of Overseas Division)
  - Dan Pearl (Design Lead)
  - Hikaru Emerald (Site Supervisor)

#### **1. Repairs to the Environmental Control System**

Repairs to the environmental control system were completed as scheduled, and Exhibition Room B reopened on November 15. The repairs included adjustments to the sensor placement, modifications to the piping arrangement, and measures to address high temperatures. After a third-party inspection, it was confirmed that there were no issues with the functionality of the environmental control system. The total cost of the repairs amounted to USD 200,000. Blue, Inc. covered this cost; however, Blue, Inc. argued that the responsibility for the malfunction of the environmental control system lay with Red Museum, and therefore, the museum should bear the cost. Red Museum, on the other hand, maintained that Blue Inc. was responsible for the malfunction and should bear the cost.

#### **2. Responsibility for the Environmental Control System Malfunction**

Regarding responsibility for the malfunction of the environmental control system, Red Museum claimed that the issue was caused by Blue, Inc.'s design and construction errors, including the adjustment of the piping arrangement. In contrast, Blue, Inc. argued that the delay in reviewing the design documents, the changes in sensor placement made at Red Museum's request, and the failure to address detected abnormalities were the causes.

The discussion on what caused the issue and who should bear the damages remained inconclusive.

#### **3. Restoration of the Paintings**

The restoration of the paintings has already been completed. However, one of the paintings (No. 4) was severely damaged, and despite consulting experts, it could not be restored. According to Red Museum, several restoration experts were consulted, but they declined to take on the project, and in the end, the work was handled by a younger restorer.

The restoration contract stipulated that the museum would pay USD 120,000 for the restoration work, regardless of the result, and in the case of damage caused by negligence or misconduct during the restoration process, the expert's liability would be capped at USD 50,000. In the end, the restorer failed, and the painting lost its value. Experts have indicated that even if the restorer were sued, there is only a 50/50 chance of proving negligence in the restoration process.

Red Museum purchased this painting for USD 1,000,000. Recently, however, a well-known professor from the Negoland National University of Arts publicly claimed that this painting was a forgery, which Red Museum denied. If it is indeed a forgery, the value would be at most USD 10,000, but due to the restoration work, it has now become technically difficult to determine whether it is a forgery or not.

Red Museum is seeking compensation from Blue, Inc. for the total cost of the restoration (including the restoration cost of the fourth painting) and the purchase price of the fourth painting, amounting to

USD 1,480,000. Blue, Inc. has refused to pay.

#### **4. Impact on Revenue Due to the Closure of the New Wing**

Red Museum claims that the closure of the new wing for approximately three months caused a 20% reduction in visitor numbers. Evidence shows that from the opening of the new wing to its closure, visitor numbers increased by 20% compared to the same period the previous year. After the reopening of the new wing, visitor numbers were up 10% compared to the same period the previous year.

Red Museum is claiming USD 2,000,000 in damages for the decrease in revenue due to the decline in visitor numbers during the three-month closure. Experts agree that had visitor numbers increased by 20%, Red Museum would have earned more than USD 2,000,000. Blue, Inc. has refused to pay.

## Exhibit 17

### Meeting Minutes

**Date:** May 15, 2021

**Participants:**

- Tonior Crane (Curatorial Director)
  - Junko Swan (Planning Director)
  - Jojo Lark (Administration Director)
- 
- Curatorial Director Crane explained the museum's future collection policy, noting that interest in Arbitrian art was increasing in Negoland and that the museum planned to expand its collection of Arbitrian artworks.
  - Planning Director Swan and Administration Director Lark agreed. Swan proposed that the new wing, which was under construction, should include a special exhibition room dedicated to Arbitrian art and suggested that this could be one of the key attractions of the new wing. Both Crane and Lark agreed.
  - Swan then proposed that the museum should aim to acquire the famous Orange Collection of Arbitrian art. She noted that if the museum could exhibit the Orange Collection in its entirety in the new wing, it would generate significant interest. Both Crane and Lark agreed that they were familiar with the Orange Collection and supported the idea of acquiring it.
  - Crane noted that Red Museum had never actively collected Arbitrian art before and lacked strong connections in Arbitria. He proposed that the museum ask Blue, Inc., which had been contracted to construct the new wing, to assist in acquiring Arbitrian artworks. Crane cited several reasons for this suggestion: Blue Museum, managed by Blue, Inc., had a rich collection of Arbitrian art; one of the top five curators in Arbitria was employed by Blue Museum; and the connections held by the Blue family in Arbitria could help Red Museum acquire valuable artworks. He also noted that Blue, Inc. had been reliable in handling the construction project.
  - Swan and Lark agreed with this suggestion.
  - Crane added that the total value of the Orange Collection was estimated at around USD 200 million. Fortunately, the curatorial department had sufficient funds, and they could secure the required budget by selling some of the museum's current works.

## Exhibit 18

### Meeting Minutes

**Date:** June 20, 2021

**Location:** Blue, Inc. Conference Room

**Participants:**

- **Red Museum:**
  - Tonior Crane (Curatorial Director)
  - Ran Pigeon (Deputy Curatorial Director)
- **Blue, Inc.:**
  - Satoko Ruby (Director of Blue Museum)
  - Kaz Topaz (Curatorial Director of Blue Museum)
- **Red Museum (Crane):** "Red Museum is planning to expand its collection of Arbitrian art, and we are particularly interested in the Orange Collection. We are currently constructing a new wing, and we would like to make the Orange Collection one of the centerpieces of the new exhibition. However, we lack the connections in Arbitria to purchase the collection and are looking for an agent to handle the acquisition on our behalf. It is also rumored that Papa Orange and Mama Orange, who own the collection, are difficult to deal with and are not on good terms with each other. We believe that acquiring all 20 pieces of the Orange Collection will be quite challenging. However, given that your museum employs one of the top five curators in Arbitria and that the Blue family has significant influence, we believe that you are the right partner to handle this purchase. We have a budget of USD 200 million for this acquisition."
- **Blue, Inc. (Ruby):** "Understood. We would be happy to take on this task. I believe that the budget you've allocated will be sufficient. However, we would like to handle this acquisition exclusively, as this would allow us to negotiate most effectively, and it would be beneficial for both parties."
- **Red Museum (Crane):** "We understand the desire for exclusivity, but in some cases—such as if your approach does not succeed or if the Orange family contacts us directly—we would like to retain the flexibility to make exceptions."
- **Blue, Inc. (Ruby):** "Of course, we understand that there may be special situations. The important thing is that, in principle, we will handle this exclusively. As long as there is a system in place to adjust to specific circumstances, we can work with that."
- **Red Museum (Crane):** "Understood. Let's proceed that way. Will it be possible to complete the acquisition before the new wing opens?"
- **Blue, Inc. (Ruby):** "This is a delicate matter, as we are dealing with artworks that are considered treasures of Arbitrian art, and Papa Orange and Mama Orange's intentions remain unclear. Building a relationship of trust with them may take time, but we aim to complete the acquisition before the new wing opens in May 2023."

## Exhibit 19

### Exclusive Agency Agreement

This Exclusive Agency Agreement ("Agreement") is made and entered into on this September 1, 2021, by and between:

#### 1. Parties

Principal: Red Museum (hereinafter referred to as "Red"), located at ..., Nego-Nego City, Negoland ("Principal")

Agent: Blue, Inc. (hereinafter referred to as "Blue"), located at ..., Abu-Abu City, Arbitria ("Agent")

#### 2. Purpose

The purpose of this Agreement is to appoint Agent as the exclusive agent for the purchase of 20 masterpieces of Arbitria, called Orange Collection ("Collection").

#### 3. Exclusive Agency Rights

Principal grants Agent the exclusive right to act as the agent in the sale of the Collection. Agent shall be the sole and exclusive representative for all sales transactions regarding the Collection, except as outlined in Clause 5 (Exceptions).

#### 4. Agent's Obligations

Agent agrees to make its best efforts to purchase Collection on behalf of Principal and maintain open and regular communication with Principal regarding the status of the purchase of the Collection.

#### 5. Exceptions to Exclusive Agency

Notwithstanding the exclusivity granted to Agent in Clause 3, Principal retains the right to engage other agents or proceed without Agent under the following circumstances:

- a. Where an owner of the Collection directly approaches Principal without Agent's involvement.
- b. Where Agent fails to perform its best effort to purchase the Collection and Principal cannot reasonably expect Agent to succeed to purchase the Collection.

#### 6. Compensation

Agent shall receive a commission of 10 % on the final purchase price of the Collection. This fee shall be paid upon successful completion of each transaction.

#### 7. Term and Termination

This Agreement shall remain in effect for a period of 2 years. Either party may terminate this Agreement upon 30 days written notice if the terms of the Agreement are not met or if unforeseen circumstances arise.

#### 8. Dispute Resolution

All disputes in connection with this Agreement or the execution thereof shall be settled in a friendly manner through negotiations. In case no settlement can be reached, the case may then be submitted for arbitration in Japan in accordance with the UNCITRAL Arbitration Rules.

#### 9. Governing Law

This Agreement shall be governed by and construed in accordance with UNIDROIT Principles of International Commercial Contracts 2016.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Red Museum:

By: \_\_\_\_\_

Name: Hiromi Red

Title: President

Blue, Inc.:

By: \_\_\_\_\_

Name: Lin Blue

Title: President

## Exhibit 20

**Date Sent:** October 5, 2022

**Sender:** Satoko Ruby (Blue, Inc.)

**Recipient:** Tonior Crane (Red Museum)

**ReReReRe: Progress on the Sale of the Collection**

**Email Content:**

"Understood. I will take care of it by then. Based on the reports, I believe everything will be fine. You can leave it to us."

---

**Date Sent:** October 4, 2022

**Sender:** Tonior Crane (Red Museum)

**Recipient:** Satoko Ruby (Blue, Inc.)

**ReReRe: Regarding the Orange Collection**

**Email Content:**

"Understood. Considering the preparation for the exhibition, we would like you to complete this by around December. We trust your company, so please ensure it is taken care of."

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**Date Sent:** October 3, 2022

**Sender:** Satoko Ruby (Blue, Inc.)

**Recipient:** Tonior Crane (Red Museum)

**ReRe: Progress on the Sale of the Collection**

**Email Content:**

"My apologies for the concern. We are doing our best. I was just about to report that after multiple meetings with Papa Orange and Mama Orange, there seems to be a possibility of a sale under the right conditions. We are currently working out the details. However, as this is a very valuable collection, we are carefully negotiating the transaction under appropriate terms. We will continue to update you on any further developments."

---

**Date Sent:** September 30, 2022

**Sender:** Tonior Crane (Red Museum)

**Recipient:** Satoko Ruby (Blue, Inc.)

**Re: Regarding the Orange Collection**

**Email Content:**

"We have not seen much progress regarding the purchase of the Orange Collection. Is everything okay? As you know, we plan to unveil the new wing at the bicentennial ceremony on May 1, 2023, and the Orange Collection is intended to be the centerpiece of the new exhibition. We are concerned it might not be ready in time. Could you please explain the current status and whether any improvements can be made?"

## **Exhibit 21**

**Date:** December 20, 2022

**Location:** Red Museum Conference Room

**Participants:**

- **Red Museum:**
  - Tonior Crane (Curatorial Director)
  - Ran Pigeon (Deputy Curatorial Director)
- **Blue, Inc.:**
  - Satoko Ruby (Director of Blue Museum)
  - Kaz Topaz (Curatorial Director)

**1. Purpose of the Meeting**

At the outset, it was confirmed that the purpose of the meeting was to clarify the positions of both parties regarding Blue, Inc.'s claim that Red Museum had breached the exclusive agency contract for the purchase of paintings from the Orange Collection by making a direct purchase.

**2. Blue, Inc.'s Claim**

Blue, Inc. argued the following:

- Under the contract between Blue, Inc. and Red Museum, Blue, Inc. held exclusive agency rights for the purchase of the 20 paintings from the Orange Collection. Any purchases made through a third party or directly, without involving Blue, Inc., would constitute a breach of contract.

**3. Red Museum's Counterargument**

Red Museum countered as follows:

- According to the contract with Blue, Inc., the museum was permitted to purchase paintings without Blue, Inc.'s involvement under specific conditions.
- Although Blue, Inc. had indicated that the purchase would be completed by December, no success was achieved by that time.
- While it is true that the museum purchased paintings from Papa Orange through another intermediary, this decision was made because we considered that Blue, Inc. had no prospects of success in their negotiations. The intermediary that facilitated the purchase from Papa Orange was a company founded by Mr. Green, who had worked for Blue, Inc. until the end of October 2022. Mr. Green contacted Red Museum in early November 2022 and explained that Papa Orange had a favorable opinion of him and that he would be willing to sell 10 pieces from the Orange Collection to the world-renowned Red Museum for USD 1 billion. However, Papa Orange had become extremely angry with Mr. Black, a senior executive at Blue, Inc., who visited Papa Orange with Mr. Green in early October, and he said he would never sell the Orange Collection through Blue, Inc.. According to Mr. Green, Mr. Black had told Papa Orange that since the Orange family business was not doing well, they should sell the Orange Collection to raise cash, which severely offended Papa Orange's pride. It became clear that as long as Blue, Inc. was involved, there was no prospect of purchasing the collection from Papa Orange, so the museum decided to proceed with the purchase through Mr. Green's company.
- The purchase from Mama Orange was initiated by her.

**4. Blue, Inc.'s Rebuttal**

Blue, Inc. rebutted as follows:

- While we mentioned that the purchase would be completed by December, this was not a promise to complete the purchase by early December.



- It is true that there was some tension between Mr. Black and Papa Orange during their meeting, but Blue, Inc. continued negotiations with another representative after Mr. Green left the company. Therefore, it cannot be said that Blue, Inc. had no prospects of completing the purchase of the Orange Collection. Furthermore, Mr. Green had signed a non-compete agreement with Blue, Inc. when he left, agreeing not to engage in any work that competed with Blue, Inc. for one year. The relationship Mr. Green had with Papa Orange was developed while he was at Blue, Inc., making it an asset of Blue, Inc. Red Museum should have easily inferred these circumstances, and when Mr. Green contacted them, they should have consulted Blue, Inc., but they did not.
- Our investigation shows that a grandchild of Mama Orange was hired by Red Museum, and it has come to light that this grandchild persuaded Mama Orange to sell the collection to Red Museum.

#### **5. Red Museum's Rebuttal**

Red Museum responded as follows:

- It is true that Mama Orange's grandchild was hired by the museum, and it is also true that the grandchild conveyed to Mama Orange that Red Museum was interested in purchasing the Orange Collection. However, the grandchild was not involved in the purchase negotiations. When a staff member from the curatorial department learned that Mama Orange's grandchild had joined the company, that staff member told the grandchild during a newcomer welcome party that Red Museum was interested in purchasing Mama Orange's 'Orange Collection.' Later, when the grandchild visited Mama Orange's home for personal reasons, the grandchild simply told Mama Orange that Red Museum was interested in purchasing the 'Orange Collection' owned by Mama Orange. Given that Mama Orange was fond of her grandchild, it seems likely that she agreed to sell the collection to make her grandchild happy.

#### **6. Conclusion**

The positions of Red Museum and Blue, Inc. remained at an impasse, and it was decided to continue negotiations. Blue, Inc. is seeking USD 20 million in damages as compensation for the fees it would have earned had the purchase been made through them. Both parties confirmed that this issue would be treated separately from the new wing construction project and that it would not affect their overall relationship.

## **Exhibit 22**

### **<New Wing Case>**

**Claim by Red Museum:** Blue, Inc. should pay Red Museum USD 3.48 million.

**Response by Blue, Inc.:** Blue Inc. seeks an arbitration decision dismissing Red Museum's claim.

**Preliminary Application by Blue, Inc.:** Blue, Inc. requests that the arbitration proceedings be suspended until a decision on technical matters is made by an expert agreed upon by both parties and that the expert's decision be used as the basis for the arbitration process.

#### **Issues:**

1. Did Blue, Inc. breach its obligations under the September 15, 2019 contract with Red Museum regarding the design and construction of the environmental control system?
2. If Blue, Inc. is found liable, how much compensation should Blue, Inc. pay Red Museum?
3. Should the arbitration proceedings be suspended? Should the decision by the technical expert agreed upon by both parties be used as the basis for the arbitration process?

### **<Orange Collection Case>**

**Claim by Blue, Inc.:** Red Museum should pay Blue, Inc. USD 20 million.

**Response by Red Museum:** Red Museum seeks an arbitration decision dismissing Blue, Inc.'s claim.

#### **Issues:**

1. Did Red Museum breach its obligations under the September 1, 2021 contract with Blue, Inc. regarding the purchase of the Orange Collection?
2. If Red Museum is found liable, how much compensation should Red Museum pay Blue, Inc.?

**Exhibit 23**

**Written Statement of Abraham Green**

**Date:** May 10, 2024

I was responsible for handling the Orange Collection at Blue, Inc. My role was to deal with Papa Orange. I visited him many times and built a strong relationship of trust. Initially, Papa Orange was adamant that he would never sell the Orange Collection, but after many discussions about the importance of showcasing such incredible artworks at the world-renowned Red Museum, by around September 2022, he began to express a willingness to sell under the right conditions.

However, in early October, during a visit with Mr. Black, my supervisor, Mr. Black told Papa Orange that since the Orange family business was struggling, it would be in their best interest to sell the collection and secure cash. Papa Orange was deeply offended and said he would no longer deal with Blue, Inc.

I had already planned to leave Blue, Inc. and start my own company at the end of October. When I visited Papa Orange at the end of October to bid farewell, he told me that if I became an agent for Red Museum, he would be willing to sell 10 pieces from the Orange Collection for USD 100 million.

Although I had signed a non-compete agreement with Blue, Inc. prohibiting me from engaging in any competing activities for one year, I contacted Red Museum in early November and explained that Papa Orange was willing to sell 10 pieces from the collection if they made me their agent.

In mid-November, Red Museum appointed me as their agent, and on December 10, we signed a sales agreement for 10 pieces from the Orange Collection.

**Exhibit 24**

**Written Statement of Papa Orange**

**Date:** May 25, 2024

I have read Abraham Green's written statement, and everything stated there is true as far as I know. On November 5, the president of Blue, Inc. came to apologize for Mr. Black's rudeness and introduced a new representative, so I decided to forgive Blue, Inc. However, I was unable to make a decision regarding the sale of the Orange Collection.

However, shortly after that, Mr. Green was appointed as Red Museum's agent, so I decided to sell the Orange Collection to Red Museum through Mr. Green.

**Exhibit 25**

**Written Statement of Mama Orange**

**Date:** June 1, 2024

My grandchild has always been interested in art and, after studying in Negoland, joined Red Museum in October 2023. When my grandchild visited me at the end of October, the grandchild told me, "Red Museum is interested in purchasing the Orange Collection. It would make me feel proud if you sold it to Red Museum as a commemoration of my joining the company."

Before that, Blue, Inc. had visited me several times to ask if I would sell the Orange Collection to Red Museum, but I was hesitant to sell such a precious collection that had been passed down from my ancestors.

However, since my grandchild asked me, and I have grown old, I reconsidered and thought that perhaps selling the collection to the world-renowned Red Museum would be acceptable. When I told my grandchild this, they said, "My supervisor will be delighted. I'll introduce them to you."

Soon after, my grandchild visited with their supervisor, who offered USD 100 million for the collection. Since the price was higher than I expected, I agreed to the sale.

Exhibit 26

1. 富士(Fuji)



4. 銀河 (Galaxy)



2. トーキョー(Tokyo)



5. ある貴婦人 (A Lady)



3. 風神雷神 (Gods of Winds and Thunder)



6. ある少女 (A Girl)



7. 夜警達 (Night Watches)



10. 北斎 (Hokusai)



8. 落ち草拾い (Gleaners)



11. 広重 (Hiroshige)



9. ひまわり (Sunflower)



12. 女神 (Goddess)



## Information of Each Painting

1. **Fuji**
  - **Provenance:** Painted by the first master of Abu Art, depicting the sacred mountain of Arbitria. It is considered a national symbol, passed down through generations.
  - **Estimated Value:** USD 500,000
2. **Tokyo**
  - **Provenance:** A work depicting the exotic cityscape of a fictional country, Tokyo, which has influenced Arbitria. It symbolizes cultural exchange.
  - **Estimated Value:** USD 450,000
3. **Gods of Winds and Thunder**
  - **Provenance:** This piece portrays the mythological theme of the personification of two natural forces, wind and thunder, expressing power and mystique.
  - **Estimated Value:** USD 550,000
4. **Galaxy**
  - **Provenance:** A work reflecting Arbitria's view of the cosmos, majestically depicting the night sky and the galaxy, with religious significance.
  - **Estimated Value:** USD 480,000
5. **A Lady**
  - **Provenance:** This painting symbolizes the aristocratic society of Arbitria, depicting a lady whose beauty and dignity embody the nation's aesthetic values.
  - **Estimated Value:** USD 1,500,000
6. **A Girl**
  - **Provenance:** A depiction of a simple, innocent girl, this painting is cherished as a symbol of peaceful daily life in Arbitria.
  - **Estimated Value:** USD 400,000
7. **Night Watches**
  - **Provenance:** This work depicts the guards of the night in Arbitria with a unique tension, symbolizing the nation's stability and security.
  - **Estimated Value:** USD 520,000
8. **Gleaners**
  - **Provenance:** A painting portraying the everyday life of farmers, reflecting the agricultural culture of Arbitria with a calm post-harvest scene.
  - **Estimated Value:** USD 420,000
9. **Sunflower**
  - **Provenance:** The iconic flower "Sunflower" symbolizes the natural beauty of Arbitria, with an expression of reverence for the sun.
  - **Estimated Value:** USD 380,000
10. **Hokusai**
  - **Provenance:** A work by an Abu artist influenced by Hokusai, incorporating foreign techniques, showcasing cultural fusion in Arbitria.



- **Estimated Value:** USD 650,000

#### 11. **Hiroshige**

- **Provenance:** A painting that replaces Hiroshige's landscapes with scenes from Arbitria, known for its delicate brushwork and as a masterpiece influenced by foreign cultures.
- **Estimated Value:** USD 600,000

#### 12. **Goddess**

- **Provenance:** A depiction of a goddess from Arbitrian mythology, serving as an important spiritual symbol for the nation.
- **Estimated Value:** USD 700,000

## Exhibit 27

### Meeting Minutes

**Date:** September 7, 2024

**Location:** Blue Museum Conference Room

**Participants:**

- **Red Museum:**
  - Tonior Crane (Curatorial Director)
  - Junko Swan (Planning Director)
  - Ran Pigeon (Deputy Curatorial Director)
- **Blue, Inc.:**
  - Satoko Ruby (Director of Blue Museum)
  - Kaz Topaz (Curatorial Director)

**Agenda:**

Loan of 12 paintings owned by Blue, Inc. to Red Museum

**Blue, Inc.'s Requests:**

1. **Selection of Loaned Paintings:**

Blue, Inc. expressed that loaning all 12 paintings requested by Red Museum posed significant risks and proposed lending 6 to 8 paintings instead. They emphasized the need for careful handling of high-value works, such as "A Lady" and "Gods of Winds and Thunder."
2. **Loan Fees:**

Blue, Inc. proposed a monthly loan fee of approximately 3% of the estimated value of the paintings per month. They stressed the importance of appropriate pricing for high-value works. For example, they expected the monthly loan fee for "A Lady" to be over USD 45,000.
3. **Insurance:**

Blue, Inc. required Red Museum to cover the full cost of insurance based on the market value of the high-value paintings. They requested appropriate insurance contracts to cover the risk of damage during transportation and exhibition.
4. **Transportation:**

Blue, Inc. requested that a specialized transportation company designated by them be used, and they required Red Museum to cover the transportation costs, including the expenses for temperature and humidity control, if necessary.
5. **Exhibition Conditions:**

Blue, Inc. requested adherence to their standards for managing the exhibition environment, including temperature, humidity, lighting, and security, and expressed their desire for Red Museum to comply with these specified exhibition methods.

**Red Museum's Requests:**

1. **Request for Loaned Paintings:**

Red Museum strongly expressed its desire to borrow all 12 paintings at once for a six-month period starting in April 2025. They plan to exhibit the paintings in the A Gallery of the new wing as part of a special exhibition on Abu Art. They argued that borrowing fewer than 12 works, such as 6 to 8, would not be sufficient for the exhibition.
2. **Negotiation of Loan Fees:**

Red Museum proposed a loan fee of approximately 1% of the estimated value of the paintings

per month. They also requested a reduction in fees for borrowing all 12 paintings and emphasized the overall exhibition impact of showcasing all the works together. They hoped for a discount for borrowing multiple works at once.

3. **Insurance:**

While Red Museum indicated that their current insurance policy could cover most of the artworks, they expressed their willingness to cooperate with Blue, Inc.'s request for additional insurance. However, they wished to negotiate the details of the cost burden for the additional insurance.

4. **Transportation:**

Red Museum generally agreed to bear the transportation costs but suggested considering the use of a transportation company with which the museum already had a partnership, instead of using Blue, Inc.'s designated company.

5. **Exhibition Guidebook:**

Red Museum requested Blue, Inc.'s cooperation in producing the exhibition guidebook and specifically asked Blue, Inc.'s curatorial staff to provide information and write descriptions of the paintings. The museum expressed its intention to cover part of the cost of producing the guidebook.

The next meeting is scheduled for November 17 at Blue, Inc.'s headquarters, where detailed negotiations regarding the number of paintings to be loaned, loan fees, insurance, transportation, and exhibition conditions will take place.