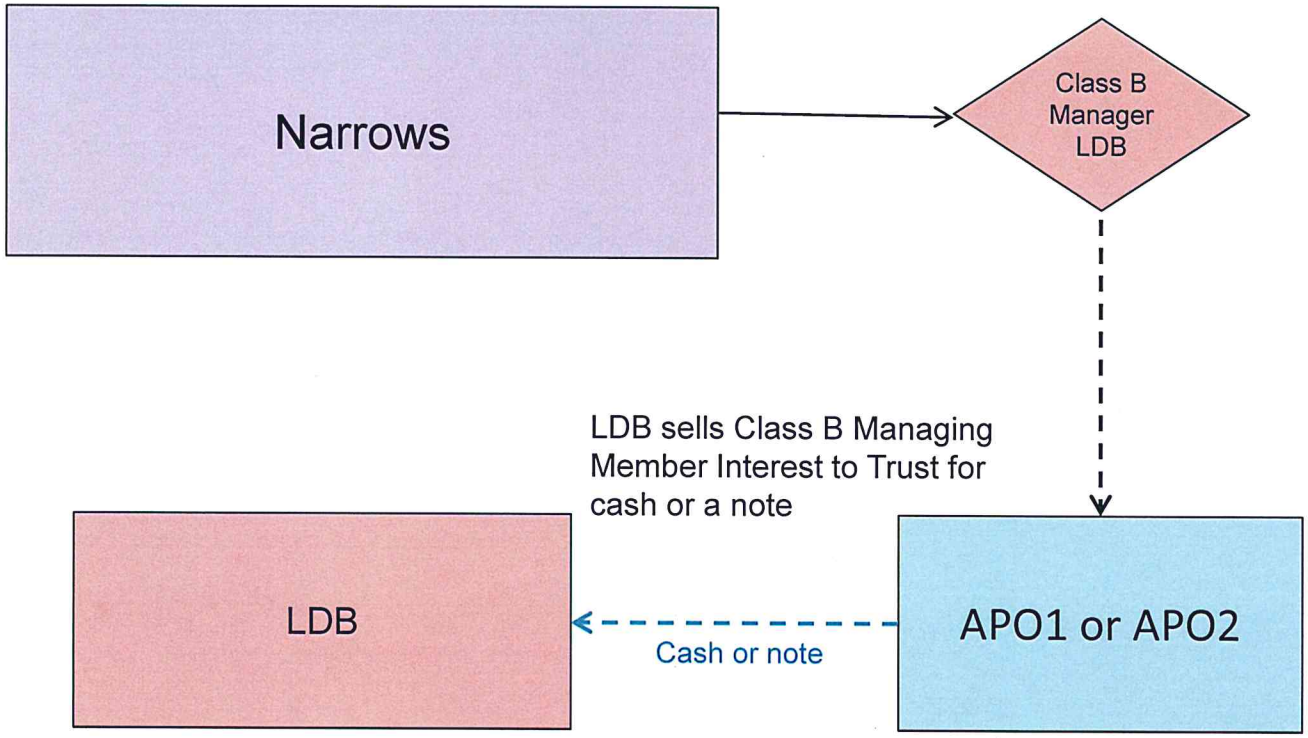
Proposal for Narrows Restructuring

As of September 10, 2014

Mechanics of Narrows Restructuring



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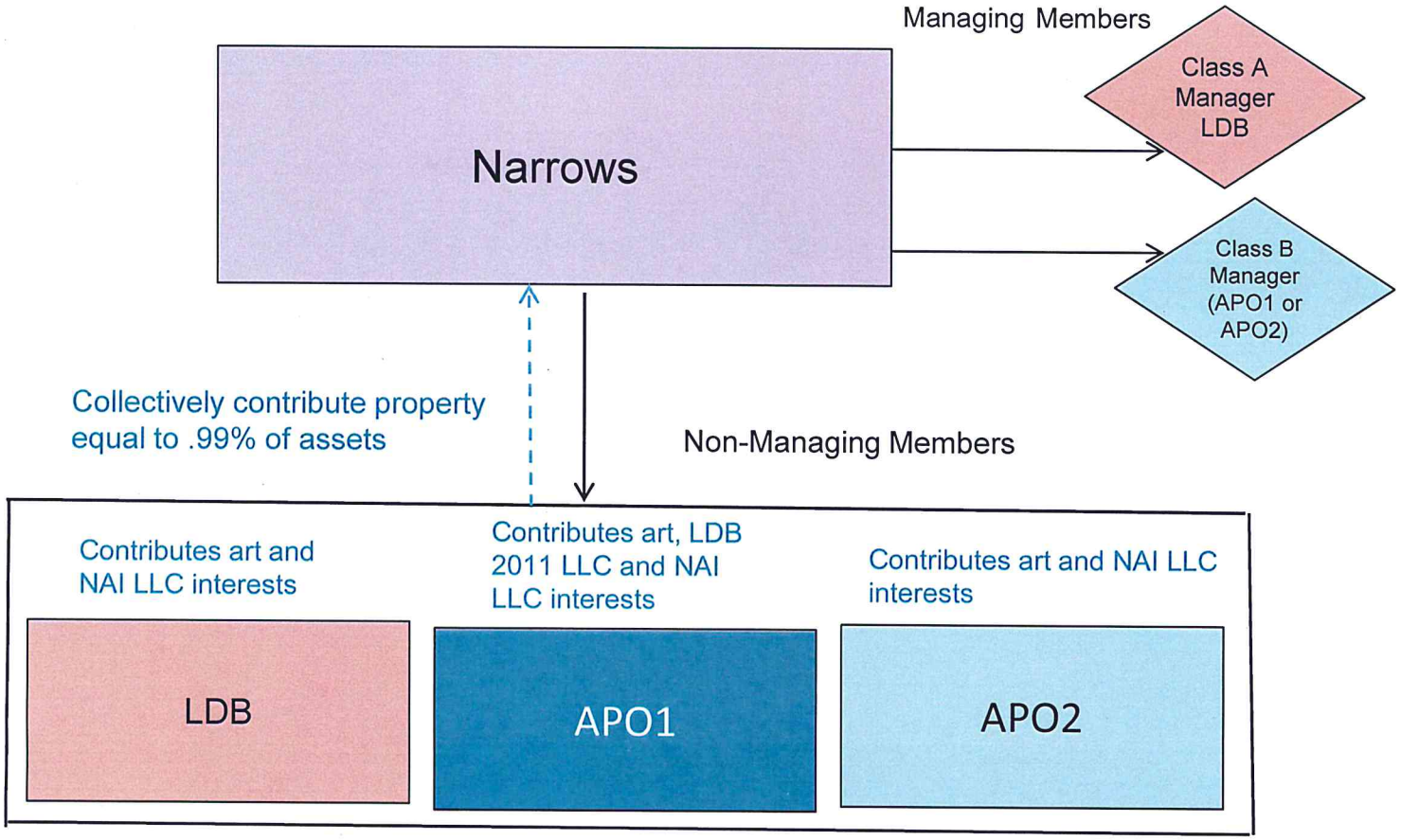
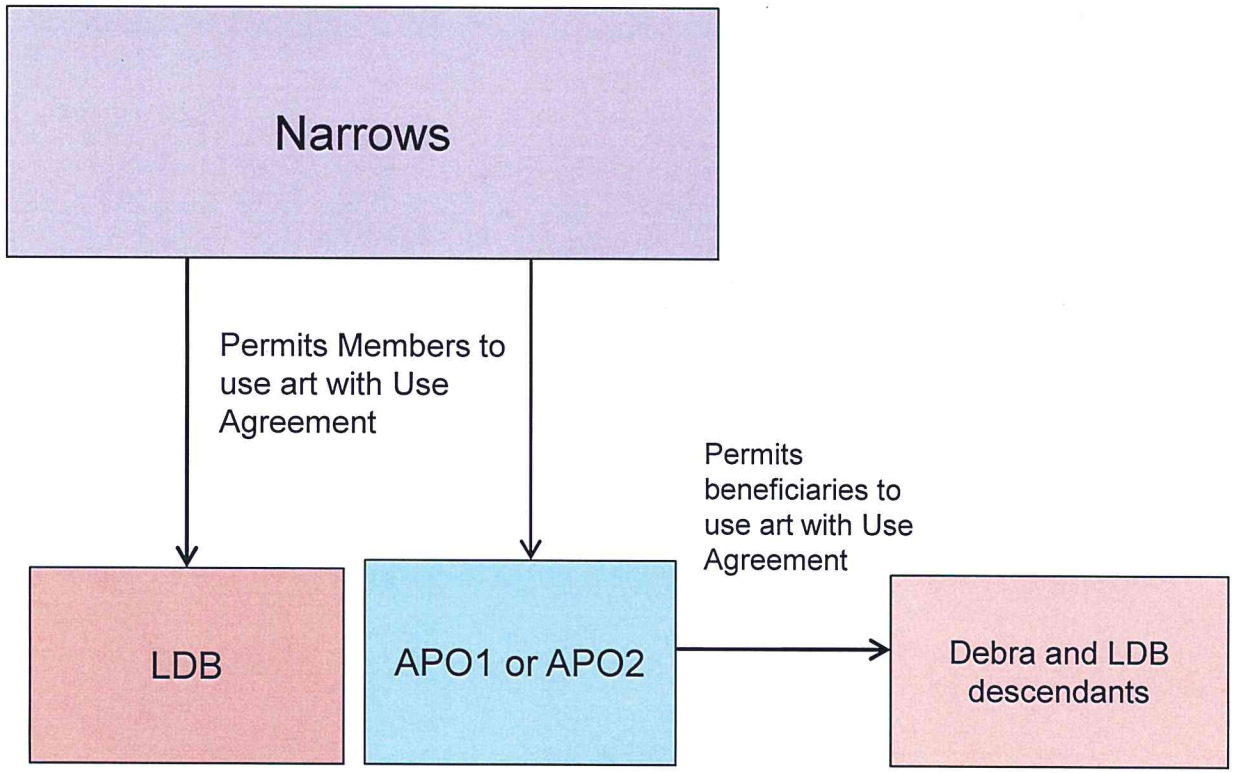


Use of Narrows Property



ART ENTITY: ACTION STEPS

As of September 10, 2014

I. **Existing Loan** --Renegotiate Bank of America loan agreement such that Narrows Holdings LLC ("Narrows") assumes Leon and Debra's personal indebtedness

   A. Eileen to set up meeting with Leon and Jane

II. **Amendment and Restatement of Narrows LLC Agreement**

   A. 0.5% Class A Managing Membership Interest: Leon

   B. 0.5% Class B Managing Membership Interest: Leon

   C. 99% Non-Managing Membership Interest: Leon

   D. If Narrows is to hold additional artwork, Leon to transfer such artwork prior to III

      1. Identify additional works to be contributed (The Scream? bronzes?)

   E. Distribute out some art currently held in Narrows prior to III

      1. Identify works to be owned by Leon (jointly owned, promised, and/or sentimental value), subject to working out loan/pledge agreements

III. **Transfer of Class B Managing Membership Interest**

   A. Leon sells 0.5% Class B Managing Membership Interest to APO1 or APO2

   B. Two-step process (described in II and III) designed to address 2704(a) risk

IV. **LDB 2011 LLC to Distribute PLB LLC**

   A. LDB 2011 LLC will distribute its interests in PLB LLC to APO1

V. **Black Family Partners LP ("BFP")/Non-Apollo Investments**

   A. BFP to create LLC to hold non-Apollo investments ("NAI LLC")

   B. BFP to distribute interests in NAI LLC to its partners

   C. GRATs to distribute interests in NAI LLC to Leon as part of annuity payments

VI. **Second Amendment and Restatement of Narrows Agreement and Admission of Members**

   A. Incorporate terms outlined in term sheet

B. Admit additional Members/Add additional capital

1 APO1 to contribute art, LDB 2011 LLC interests (which will own art, cash and investment partnerships) and NAI LLC interests

2. APO2 to contribute art and NAI LLC interests (possibly cash)

3. Leon to contribute NAI LLC interests (art already contributed)

4. Determine how much initial cash is required for near-term operating expenses, which Members will contribute such cash and how much

C. Change name to incorporate Phaidon

1. Get licensing agreement from Phaidon.

VII. Other Agreements

A. Enter into Art Use Agreements

B. If Narrows Holdings LLC assumes Leon and Debra's debt and BAC requires a personal guaranty from Leon, Members agree to contribute proportionately if Leon is called upon to satisfy the guaranty

VIII. Art Insurance/Storage

A. Narrows to acquire fine-arts insurance coverage for art owned by Narrows

B. Ascertain whether any art should be held in storage and locate storage facility

IX. Employees/Office Space

A. Hire employees (Heather Gray) and set up benefits for them

B. Enter into independent contractor agreement with Diana Howard

C. Enter into office use agreement with Elysium to provide office space for employees and determine how to calculate rent

D. Determine how Elysium will charge Narrows for accounting, legal and administrative services provided by Elysium employees (hourly rate, percentage of employee's time/salary)

ART ENTITY: TERM SHEET

As of September 10, 2014

I. **Entity** Amended and Restated Narrows Holdings LLC ("Narrows") to be the new investment entity; subject to working out loan/pledge arrangements

II. **Governance**

A. Leon is the Class A Managing Member with power to make all decisions other than: distributions, use of Narrows property and liquidation of Narrows

1. Makes investment decisions, including financial investments and investments in art, other tangible property and real estate

2. Makes recommendations to the Class B Managing Member regarding capital calls for such purposes as:

(a) Servicing bank or other debt

(b) Paying employee compensation/benefits

(c) Insuring, storing and maintaining the property of Narrows

(d) Making additional investments or acquisitions.

3. Provides to Members:

(a) Annual reports describing investments and sales, investment policy statements and overview of market

(b) Quarterly reports, including schedule of investments and sales

B. APO1 or APO2 is the Class B Managing Member with power to make decisions regarding distributions, use of Narrows property (including exhibition loans), capital calls and liquidation of Narrows.

C. Removal, Replacement and Succession

1. A majority in interest of the Members can remove a Managing Member; provided if Leon participates, successor may not be related or subordinate to Leon

2. Note that Leon has power to remove and replace APO1 and APO2 Trustees under the trust agreements

III. **Members:** Leon, APO1 and APO2

IV. Funding LI Contributions of Capital

A. Men will make initial capital contributions as noted in the Action Steps.

B. Men must contribute additional capital requested by the Class B Managing Men

V. Withdrawa ghts/Transfers

A. No v rawals without consent of the Class B Managing Member

B. Limi**C/C** ransferability to family members and trusts

VI. Use of Art, bers **er Tangible Property and Real Estate**

A. By Nbers bers with consent of Class B Managing Member:
ber

1. o rent, but subject to use agreement, if Leon/Debra use property while **Rig** th are living and married; otherwise rent would be warranted unless use hong members is consistent with relative membership interests
thd

2. y beneficiaries of Members (e.g., Debra and children), subject to use ed t reement

B. For e **the** ition loans, to enhance value, upon consent of Class B Managing Mem
emb

C. As co eral for loans made to the LLC upon the determination of the Class A Mana N g Member
bo
an

VII. Tax Status

A. Initia B disregarded entity
ag

B. Consi making it a partnership prior to substitution or sale of interests in Narro hib
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late
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y, c

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vs