

DOCUMENT SUMMARY

To: Leon D. Black
From: Heather Gray
Date: September 8, 2014
Re: Summary of Operating Agreement of Friends Ventures LLC (the "Company")

- I. Purpose/Members. The Company's purpose is to acquire the Schwitters painting as an investment. You and Ronald Lauder are the Members and will each hold a 50% interest in the Company.
- II. Capital Contributions. You and Ronald will each contribute 50% of the acquisition cost of the painting (including use tax) to the Company to enable it to acquire the work from Christie's. You will also share the expenses of ownership of the painting (including transporting the painting from Christie's) and creation of the LLC.
- III. Management. The Company is managed by the Members, acting unanimously.
- IV. Possession Period. Members possess the painting for alternating two and one-half year periods. Ronald will have first possession. The Member in possession:
 - A. Must keep the painting in a "Permitted Location", unless both Members agree to a different location. Your Permitted Locations are your homes in Manhattan, Bedford and Southampton. *Please let us know if there is another location you wish to include. We also need to know Ronald's Permitted Locations.*
 - B. Must insure the painting, unless the Company elects to insure it. See below.
 - C. Must pay out-of pocket costs in connection with maintaining the painting and transporting it to the other Member at the end of the two and one-half year period.
 - D. May not lend the painting without the other Member's consent.
- V. Insurance. The Company may insure the painting under a fine arts insurance policy acceptable to the Members. If it does not, each Member must insure it (either separately or under his blanket policy) during his possession period. To reinforce the Company's purpose, Herrick recommends that the Company insure the work.
- VI. Transfer of Membership Interests/ Rights on Death of a Member.
 - A. A Member cannot sell, assign or transfer his Membership Interest to anyone except the other Member unless the other Member consents.

- B. If a Member dies, the surviving Member has the right (for 5 months) to purchase the deceased Member's Membership Interest at its estate tax value. If the surviving Member does not exercise this right, the deceased Member's Executors must either:
 - 1. Purchase the surviving Member's Membership Interest at the estate tax value; or
 - 2. Force the Company to sell the painting through one of the major auction houses and distribute the sale proceeds to the Members.
- VII. Dissolution of the Company. The Company will be dissolved when the painting is sold or sooner if you and Ronald agree to dissolve.