

ART ENTITY: TERM SHEET

- I. Form
 - A. LLC
 - B. Amended and Restated Narrows Holdings LLC
 - C. Subject to working out loan/pledge arrangements (alternative: Amended and Restated Narrows Holdings II LLC and fund with art not pledged)

- II. Governance
 - A. Manager: APO1 Trust, by its Trustees
 - 1. Distribution
 - 2. Use
 - 3. Liquidation
 - 4. Appoints/oversees officers and committee members

 - B. Officers
 - 1. Chief Financial Officer: Leon
 - 2. Treasurer: Eileen
 - 3. Secretary: Diana

 - C. Finance Committee
 - 1. Chief Financial Officer as Chair
 - 2. Makes investment decisions, including financial investments and investments in art, other tangible property and real estate
 - 3. Makes recommendations to Manager regarding capital calls
 - 4. Finance Committee provides to Manager and Members:
 - (a) Annual reports describing investments and sales, investment policy statements and overview of market
 - (b) Quarterly reports, including schedule of investments and sales

D. Removal, Replacement and Succession

1. As to Manager, by majority in interest; provided if Leon participates, successor may not be related or subordinate
2. Manager can remove officers and committee members
3. Note that Leon has power to remove and replace APO1 Trustees and therefore the Manager

III. Funding LLC/Contributions of Capital

A. Need to identify works to be contributed/works not to be contributed (The Scream?), subject to working out loan/pledge agreements

B. Other Contributions:

1. APO1 to contribute its interest in the LDB 2011 LLC (which, in turn, owns art, interests in investment partnerships and an interest in PLB LLC)
2. APO2 to contribute its interest in PLB LLC
3. GST Exempt Trust under the Black Family 1997 Trust to contribute its interest in PLB LLC
4. Cash/financial assets (for initial operating expenses)

C. Acquisitions

1. Finance Committee makes determination regarding sufficiency of assets
2. If assets are insufficient, Finance Committee makes recommendation to Manager for capital call
3. Manager decides whether to make capital call

D. Additional Funding/Capital Calls for:

1. Servicing any LLC debt (e.g., bank loans)
2. Employee compensation/benefits
3. Insurance of LLC assets
4. Storage/care and maintenance of LLC assets

IV. Members

A. Leon

- B. APOI and APO2
- C. Black Family 1997 GST Exempt Trust
- V. Withdrawal Rights/Transfers
 - A. No withdrawals without consent of Manager
 - B. Limited transferability to family members and trusts
- VI. Use of Art, Other Tangible Property and Real Estate
 - A. By Members
 - B. For exhibition, to enhance value
 - C. As collateral for loans made to the LLC
 - D. No rent, but subject to use agreement, if Leon/Debra use property while both are living and married; otherwise rent would be warranted unless use among members is consistent with relative membership interests
 - E. By beneficiaries of Members (e.g., Debra and children), subject to use agreement
- VII. Tax Status
 - A. Initially, disregarded entity
 - B. Consider making it a partnership prior to substitution or sale of LLC interests