

From: Richard Joslin <[REDACTED]>
To: jeffrey E. <jeevacation@gmail.com>
Subject: FW: New Art Entity - review of existing art loan documents
Date: Tue, 28 Oct 2014 15:35:21 +0000

As FYI, I had Brad Finkestein who negotiates all of the Apollo debt deals look at the BAC loan for input on whether they were market standard. He has been helping recently with discussions with Heller/BAC attorney. We had discussed these terms as they are observed in the breach and his commentary was that this can be addressed when re-negotiating and often terms can be made more flexible and parties can start fresh. To my knowledge we have been, as of late, in disclosure compliance x-international loans. It is possible a work or two has moved within residences. Otherwise Ok.

From: Heather Gray
Sent: Tuesday, October 28, 2014 11:28 AM
To: Richard Joslin
Subject: FW: New Art Entity - review of existing art loan documents

Rich,

Sorry for not copying you on this originally. Based on Ada's email exchange with Jeffrey (scroll down to the bottom), she asked me to review all of the documents that we have that relate to the Bank of America loan and to summarize for her, Eileen and Jeffrey the restrictions in those documents that might affect our plans for the new art entity. Please let me know if you have any questions.

Thanks,
Heather

From: Heather Gray
Sent: Wednesday, October 22, 2014 3:01 PM
To: Eileen Alexanderson ([REDACTED]); Ada Clapp ([REDACTED]); Jeffrey Epstein (jeevacation@gmail.com)
Subject: New Art Entity - review of existing art loan documents

Dear Eileen, Ada and Jeffrey,

I reviewed all of the documents that we have that relate to the Bank of America art loan to determine which provisions in the documents should be taken into account in connection with our proposed restructuring of Narrows Holdings LLC, and which provisions address Narrows' use of the art that is pledged as collateral.

Restructuring of Narrows

As Ada noted in her email below, the Amended and Restated Loan Agreement dated June 10, 2003 provides that, without the prior written consent of the bank, Leon may not:

- (i) sell, transfer or otherwise dispose of his interest in Narrows, or
- (ii) amend or otherwise modify or waive any provisions of Narrows' Articles of Organization or Operating Agreement.

Arguably not applicable to our proposed restructuring of Narrows, although in a similar vein as the above, without the prior written consent of the bank, Narrows may not enter into any merger or consolidation, or form or acquire any

subsidiary, and Narrows is required to promptly advise the bank in writing of any condition, event or act which comes to its attention that might materially affect its "financial condition, prospects or operations."

Narrows' use of Art Collateral

Here is a list of the provisions in the documents that address Narrows' use of the art that is pledged as collateral:

- Narrows is prohibited from placing any of the art in storage.
- Narrows is prohibited from moving any of the art from its current location unless (i) Narrows has given the bank ten days' prior notice of the move, (ii) all necessary UCC filings have been made prior to the movement of the art, (iii) the bank continues to have a valid first priority security interest in the art in the new location, and (iv) the new location is within the United States. The location of each item of art collateral is set out in the amendments to the pledge agreement.
- Narrows is required to keep the art in good condition, to not allow any liens or encumbrances to be placed upon it (other than the bank's lien) and to defend the art against any claims.
- Narrows is required to insure the art with companies acceptable to the bank and for an amount that is not less than 130% of the loans currently outstanding. The insurance policy is supposed to be written for the benefit of Narrows and the bank as their interests may appear and the bank is meant to be named on the policy as loss payee.
- As you know, we are notifying the bank of loans of art collateral to US museums. With these loans, the bank requires Narrows and the borrowing museum to sign a bailment agreement with the bank, and also requires a certificate of insurance from the museum's insurer naming the bank as loss payee in the event of a claim.
- Narrows is required to give the bank three business days' prior notice before selling, leasing, pledging, assigning or otherwise disposing or transferring any of the art, and such sale, lease, etc. must confirm to the requirements of the loan documents with regard to substitution and release of collateral.

Please let me know if you have any questions.

Best,
Heather

Heather Gray
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From: jeffrey E. [<mailto:jeevacation@gmail.com>]
Sent: Tuesday, October 21, 2014 12:37 PM
To: Ada Clapp
Subject: Re: Art Entity-Negative Covenants

we need the full review of doc first

On Tue, Oct 21, 2014 at 12:34 PM, Ada Clapp <[REDACTED]> wrote:

Hi Jeffrey,

Since I don't really know what we are doing vis a vis the BAC loans and the art entity, I will take your response to mean that signing the documents to move forward with the proposed art entity is on hold until I hear back from you. Please let me know if I have misunderstood your response.

Thanks.

Ada Clapp

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From: jeffrey E. [mailto:jeevacation@gmail.com]

Sent: Tuesday, October 21, 2014 12:12 PM

To: Ada Clapp

Subject: Re: Art Entity-Negative Covenants

notify them of what we are doing. when we do it. no more no less

On Tue, Oct 21, 2014 at 11:35 AM, Ada Clapp <[REDACTED]> wrote:

Hi Jeffrey,

With respect to the timing of the proposed art partnership, I just wanted to remind you that there are Negative Covenants in the BAC loan documents that require Leon to obtain the bank's prior written consent before he can (i) amend or modify any provision of the Operating Agreement of Narrows, or (ii) sell, transfer or dispose of his interests in Narrows. Accordingly, we technically need the bank's prior written consent for Leon to (i) sign the proposed Amendment to the Narrows LLC Agreement that Paul Weiss has prepared (creating Class A and Class B Managing Members) and thereafter for Leon to sell his Class B Managing Member interests to the APO1 or APO2 Trust.

How do you wish to proceed in this regard? Are we negotiating new loan agreements (so that perhaps we deal with this issue in the new documents)? Or are we planning to continue under the current agreements? Heather and I discussed with Eileen the need to review the current documents to see what other provisions might affect the new art entity. However, if we are starting from scratch with new loan documents, this would be a waste of time. Please advise whether you would like one of us to do that anyway.

Thanks.

Ada Clapp

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