

Proposal for Narrows Holdings III L.P.

As of November 24, 2014

Overview of Narrows Holdings III LP

Narrows Holdings, III (‘‘Narrows III’’) will be the family investment vehicle through which art and art related investments will be acquired, held and sold. One of its principal purposes will be to acquire and manage a diversified portfolio of fine art for investment purposes. To enhance the value of its collection, Narrows III will lend its fine art for temporary exhibition.

Narrows III will be governed by two General Partners (each a ‘‘GP’’); a Class A GP and a Class B GP. Each GP interest will represent 1% of the partnership’s assets. The interests of the Limited Partners (or ‘‘LPs’’) will represent 98% the partnership’s assets. The Class A GP will make all investment and business decisions not reserved to the Class B GP. The Class B GP will make all decisions regarding distributions, use of partnership assets, exhibition loans, capital calls and liquidation of Narrows III.

Narrows Holdings LLC (‘‘Narrows I’’) will be the Class A GP. A newly created Trust (‘‘Trust B’’) will be the Class B GP. Narrows I, Leon Black (‘‘LDB’’), the APO1 Agreement (‘‘APO1’’) and the APO2 Declaration (‘‘APO2’’) will be the LPs and will receive LP interests in proportion to the capital contributed by each.

Narrows III will have its own art lawyer on staff and will have contractual arrangements with curators and art consultants. It will rent office and storage space and carry fine art insurance on its art portfolio.

Preliminaries

Restructure Bank Loans Secured by Art Held in Narrows I:

- Obtain bank consent to amend Narrows I Operating Agreement (to provide Managing and non-Managing Member interests) and for Narrows I to contribute art collateral to Narrows III.
- Restructure Loan and Pledge Agreements to replace the guaranty and pledge of art by Narrows I with LDB's personal guaranty and pledge of non-Managing Member interests in Narrows I.

Creation of New Trust:

- LDB to create "Trust B". LDB can remove Trustees (must replace with someone not related or subordinate).
- Trust B will be funded via a decanting by APO1 of a portion of the Note receivable it holds from LDB that is equal to the value of the Narrows III Class B GP interest.

Restructure Assets for Capital Contributions:

- Black Family Partners, ■■■ ("BFP") to create a new LLC called NAR Investments LLC ("NAR LLC") and fund it with non-Apollo investments. BFP to distribute interests in NAR LLC to its partners, *pro-rata*.
- GRATs to distribute NAR LLC interests to LDB as part of his annuity payments.

Capitalization of Narrows III

Capital Contributions of General Partners:

- Narrows I will contribute art or cash in exchange for a 1% Class A GP interest.
- LDB will contribute art or cash in exchange for a 1% Class B GP interest.
- Trust B will purchase the Class B GP interest from LDB in exchange for the LDB's Note receivable of equal value (received from APO1)--which Note will merge in LDB's hands and be cancelled.

Capital Contributions of Limited Partners:

- Narrows I will contribute art in exchange for a *pro-rata* LP interest.
- LDB will contribute art and interests in NAR LLC in exchange for a *pro-rata* LP interest.
- APO1 will contribute art, interests in LDB 2011 LLC (which will own art, cash and investment partnerships) and NAR LLC in exchange for a *pro-rata* LP interest.
- APO2 will contribute art and interests in NAR LLC (and possibly cash) in exchange for a *pro-rata* LP interest.
- Art and LLC interests must be valued at the time of contribution.

Administration of Narrows III

Class A GP makes all investment decisions:

- Provides partners an investment policy statement and quarterly reports of investment activities.
- Makes capital call recommendations to Class B GP (*e.g.*, for new investments, servicing debt, paying employees, insuring, storing and maintaining partnership property, *etc.*).

Class B GP determines:

- When and in what amount Narrows III may make distributions of partnership property (to be made *pro rata* in accordance with each partner's ownership percentage);
- When partners must contribute additional capital; and
- Who may use partnership property (including for exhibition loans).

Partners may not withdraw capital without the consent of the Class B GP.

LP and GP interests may be transferred only to family members and family trusts.

Overview of Narrows III

Pros:

- Provides for professional management and investment of fine art by a sophisticated art investor.
- Narrows III will employ its own art lawyer to handle all legal transactions with respect to its art collection.
- By combining their collections into a larger, more diversified collection, APO1 and APO2 reduce market risk for their beneficiaries.
- Art can be insured as a single collection, resulting in cost efficiency.
- With the Class B GP's consent, partners may use art owned by Narrows III.

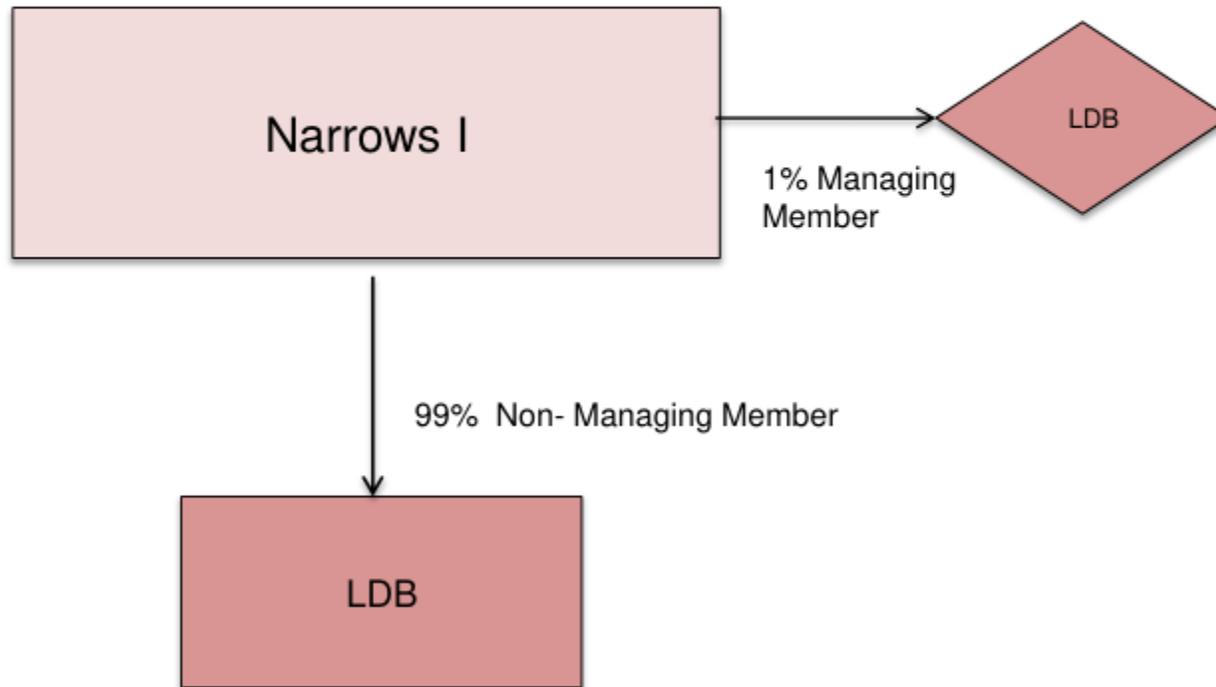
Cons:

- Appraisals of art and interests in LLC entities will be required when contributed as capital and again if distributed or withdrawn in-kind.
- Art may have to be sold or additional capital contributions may be required to cover costs and expenses.

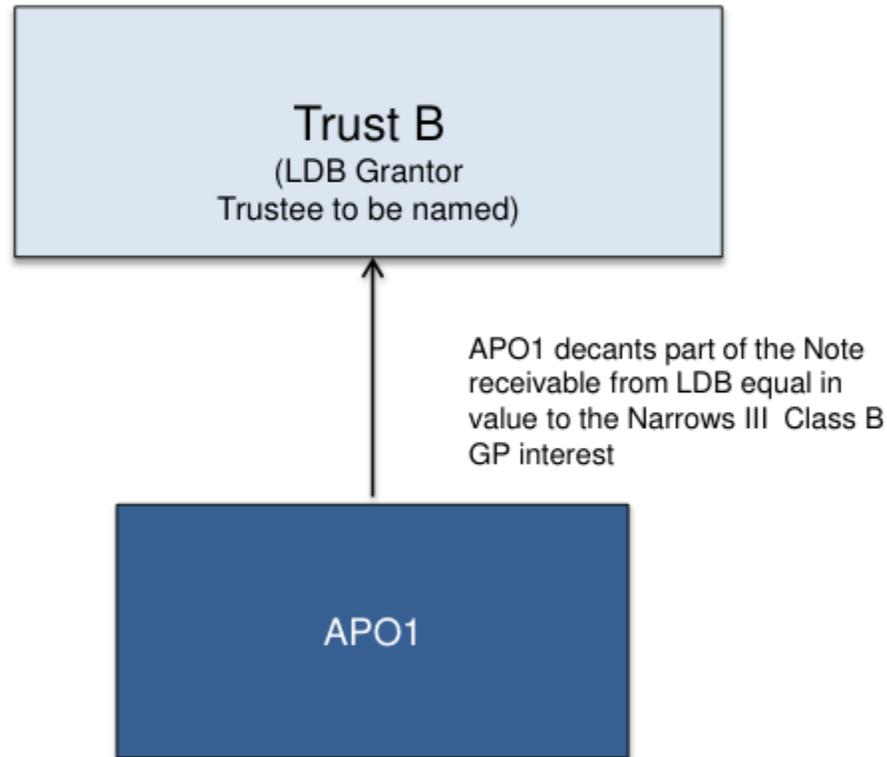
Other Considerations:

- For a partner to make a charitable gift of a work of art owned by Narrows III, Class B GP must consent to the partner's in-kind withdrawal of the work—which will reduce the partner's LP interest.
- If LDB and Debra Black use Narrows property while both are living, no rent is required but use will be subject to a use agreement. Rent may otherwise be warranted unless use of Narrows property by the partners is consistent with relative partnership interests.

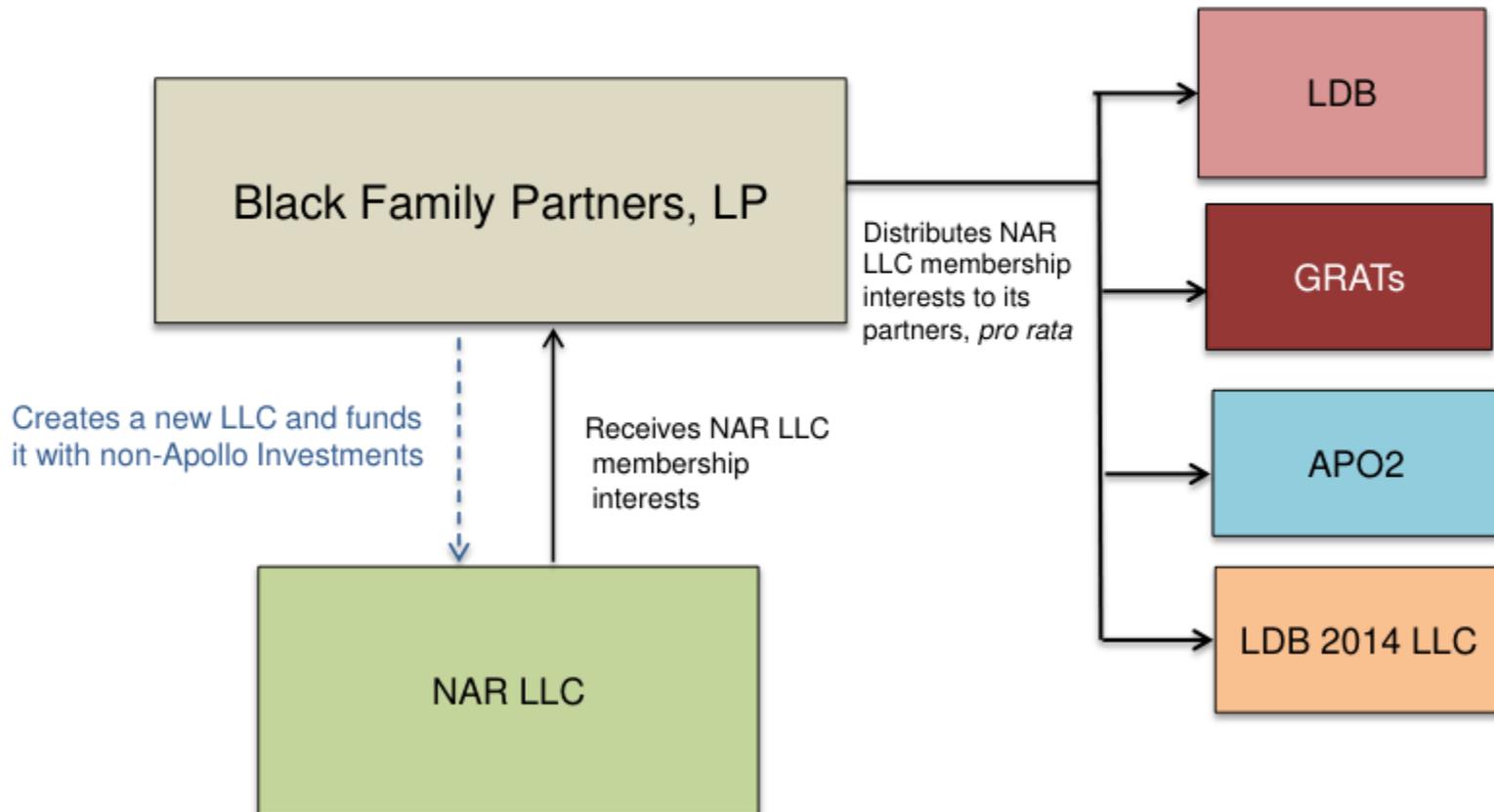
Preliminaries - Restructuring of Narrows I



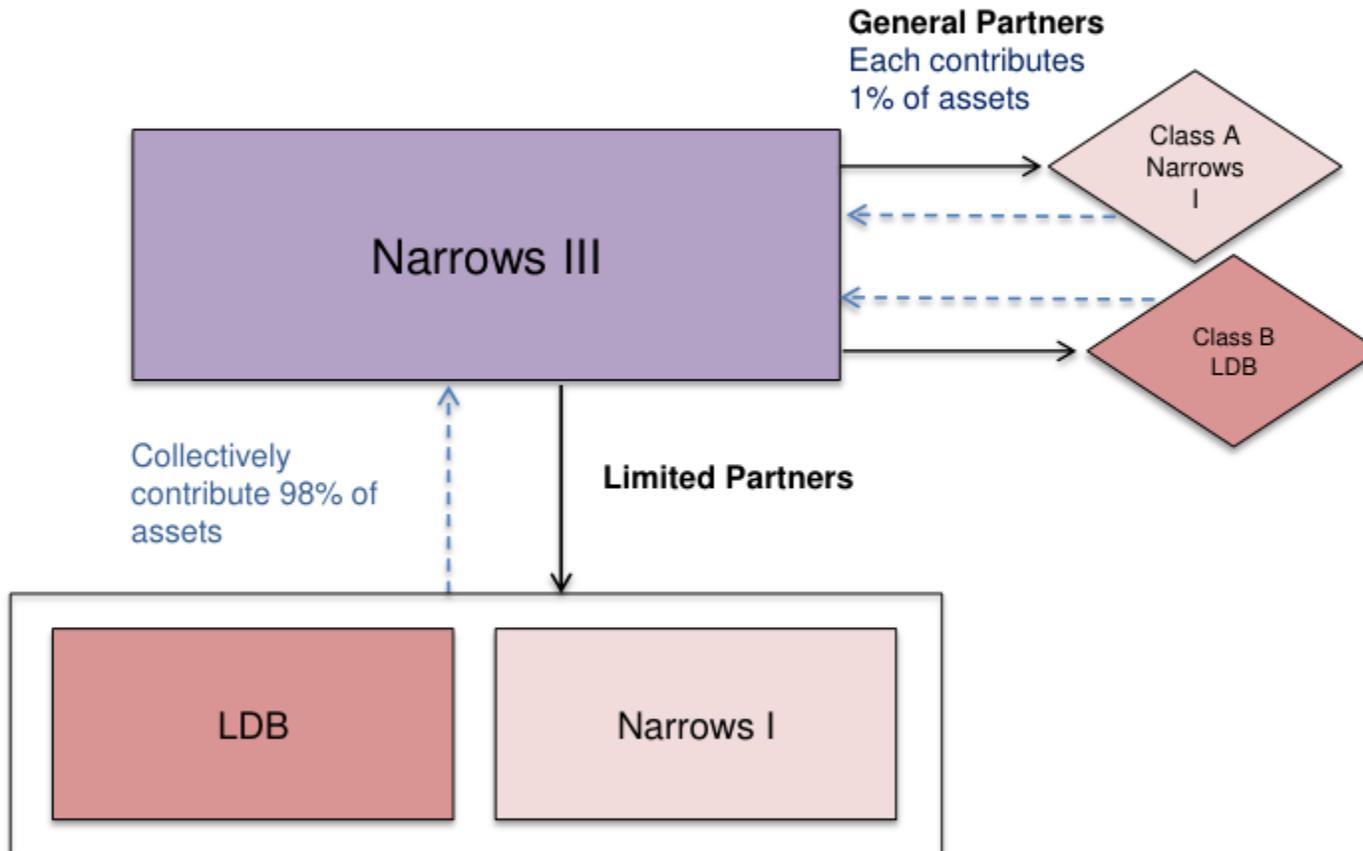
Preliminaries – Creation of New Trust



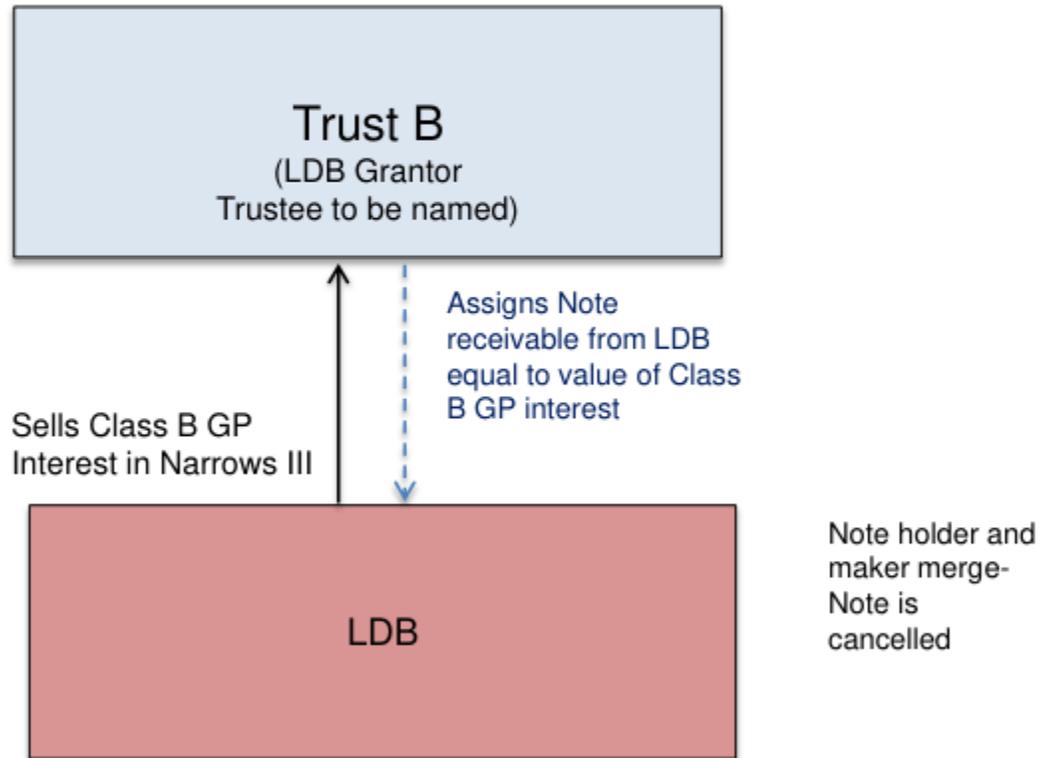
Preliminaries – Restructure Assets for Capital Contributions



Capitalization of Narrows III



Sale of Class B GP Interest in Narrows III



Admission of New Limited Partners to Narrows III

