

Proposal for Art Partnership

As of July 8, 2014

Overview of Art Partnership

An Art Partnership would be formed (“BFAP”) between Narrows Holdings LLC I & II (collectively, “Narrows”), the APO1 Trust Agreement (the “APO1 Trust”) and the APO2 Declaration (the “APO2 Trust”) as limited partners and a new LLC as general partner (the “GP”). BFAP will be managed by and under the control and direction of the GP.

The GP could be owned by Narrows, the APO1 Trust and the APO2 Trust, as non-Managing members. Investment decisions for BFAP would be made by the GP’s Class A Manager (LDB). Liquidation, withdrawal and distribution decisions would be made by the GP’s Class B Manager (to be determined).

The GP would be a .1% (or other percentage) general partner of BFAP. Each of Narrows, the APO1 Trust and the APO2 Trust would contribute fine art to BFAP and receive in exchange a *pro rata* limited partner interest based upon the value of its contributed capital.

The purpose of BFAP would be to acquire and manage a diversified portfolio of fine art for investment purposes. To enhance the value of its collection, BFAP may lend its fine art for temporary exhibition.

Mechanics of Art Partnership

Preliminaries:

- Following the 2014 Restructuring of the LDB 2011 LLC, the LDB 2011 LLC will be wholly owned by the APO1 Trust.
- The LDB 2011 LLC will distribute all its fine art to the APO1 Trust, which will contribute it to BFAP.

Creation of Art Partnership:

- Narrows, the APO1 Trust and the APO2 Trust each contributes to the GP assets totaling .1% (or other percentage) of the value of all property to be contributed to BFAP.
- The GP contributes its assets to BFAP in exchange for a .1% (or other percentage) general partner interest.
- Each of Narrows, the APO1 Trust and the APO2 Trust contributes fine art to BFAP (value at approximately \$1.5 billion, \$215 million and \$351 million respectively) in exchange for a *pro rata* limited partner interest.

Administration of Art Partnership:

- The GP determines when and in what amount BFAP may make distributions of partnership income (if any)—which distributions must be made *pro rata* in accordance with each partner's capital account.
- The GP determines whether and on what terms a partner may use tangible property owned by BFAP.
- No partner may withdraw its capital without the consent of the GP (Alternatively, limited withdrawal could be permitted).
- Partners can sell, transfer, pledge, encumber and dispose of partnership interests without the consent of any other partner. The GP must consent to make the transferee a limited partner. (Alternatively, consent can be required—may increase discounts).

Overview of Art Partnership

Pros:

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

Cons:

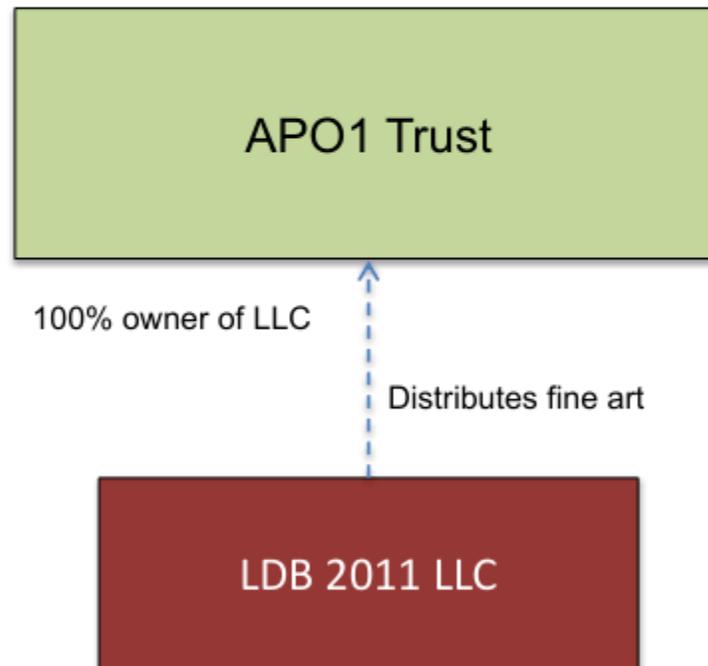
- Art appraisals will be required when capital is contributed and again if capital is withdrawn.
- Unless art is sold, additional capital contributions may be required to cover costs and expenses.
- If art pledged as collateral for a loan is contributed, the contributing partner must notify the lender of (and obtain consent for) the contribution.

Other Considerations:

- To make a charitable donation of a work of art contributed to BFAP, the GP must consent to the partner's in-kind withdrawal of the work—which will reduce the partner's capital account.
- Consider whether partners can use BFAP property without paying rent to BFAP.

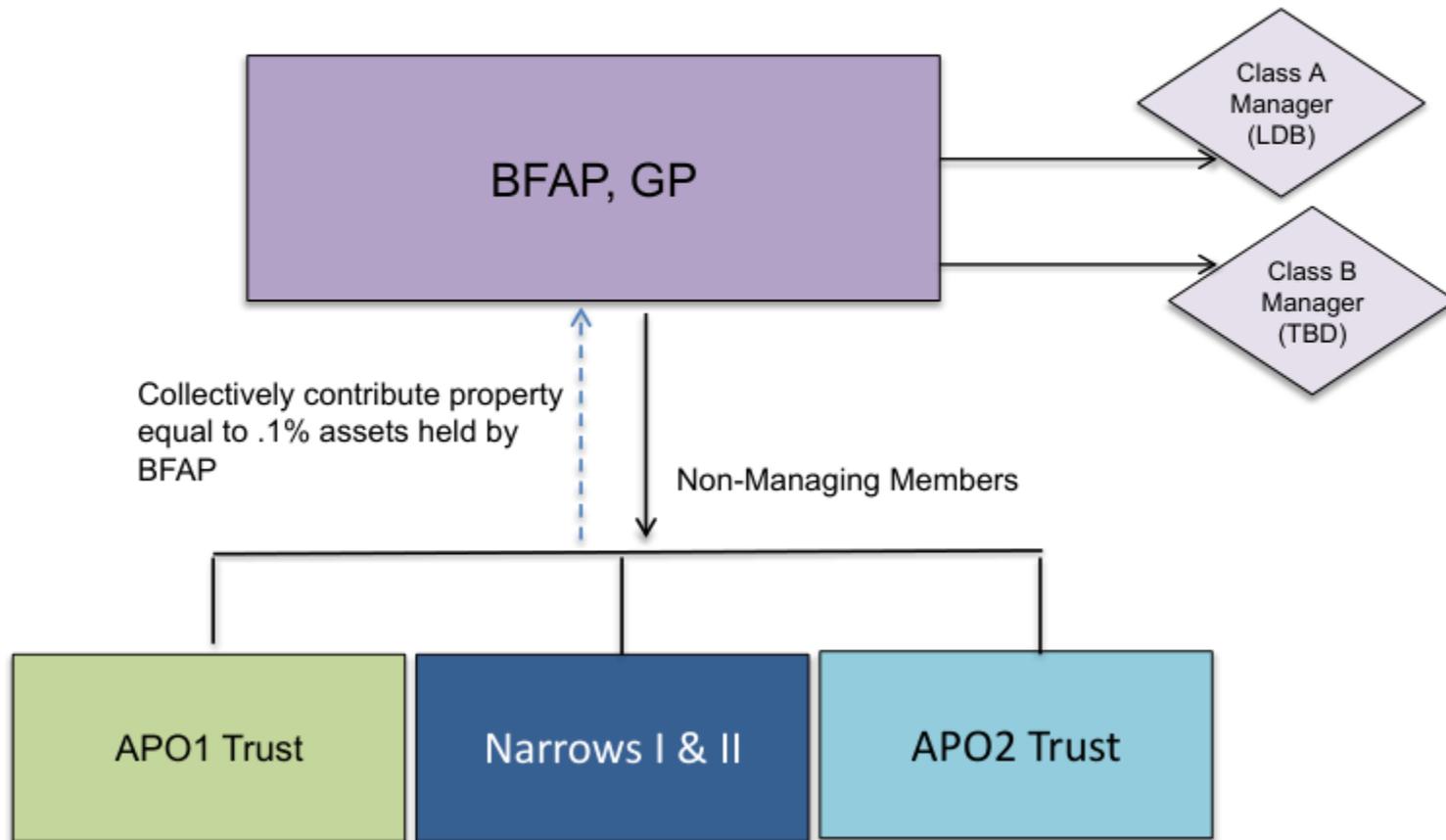
Mechanics of Art Partnership

Preliminaries: LDB 2011 LLC distributes fine art to APO1 Trust



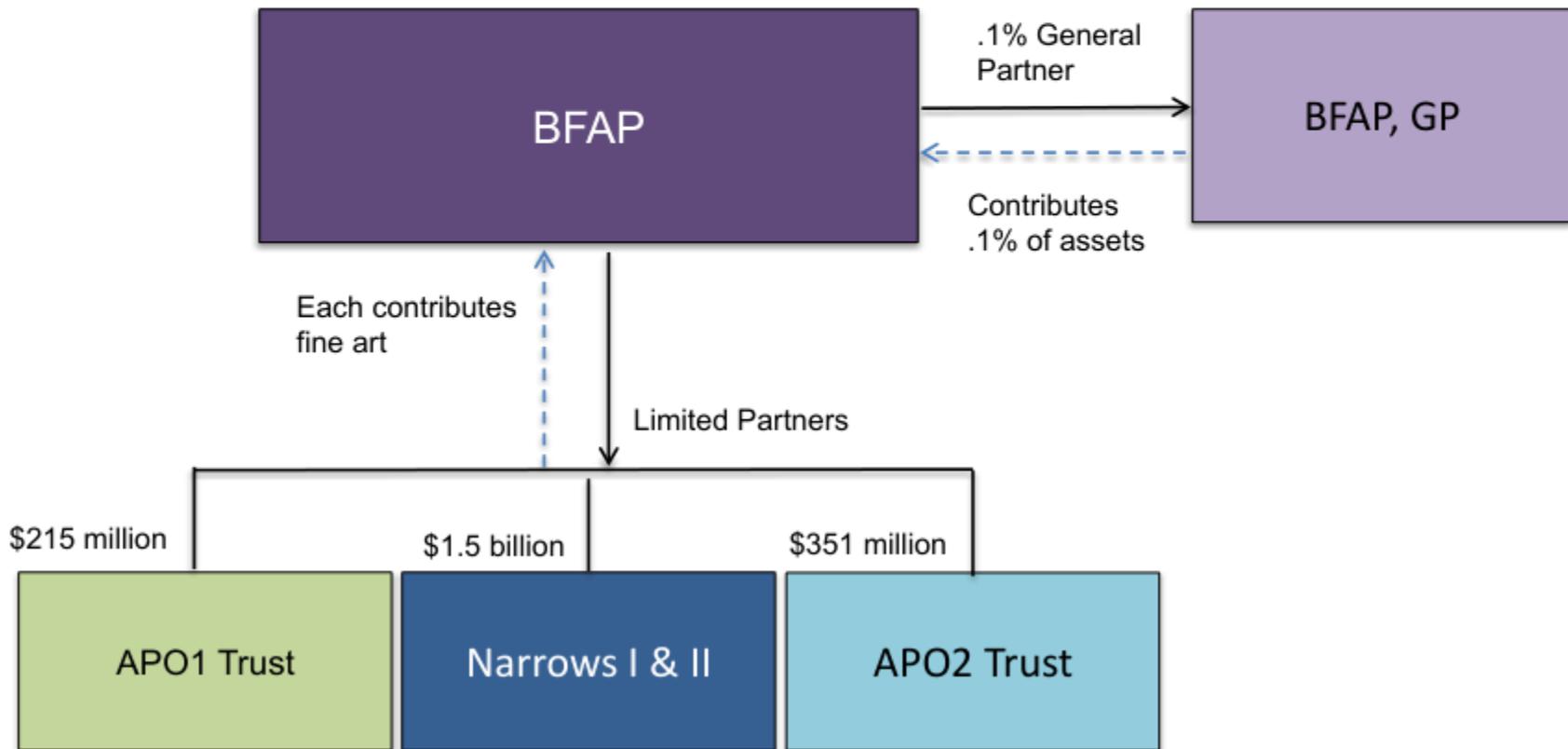
Mechanics of Art Partnership

Formation of the GP



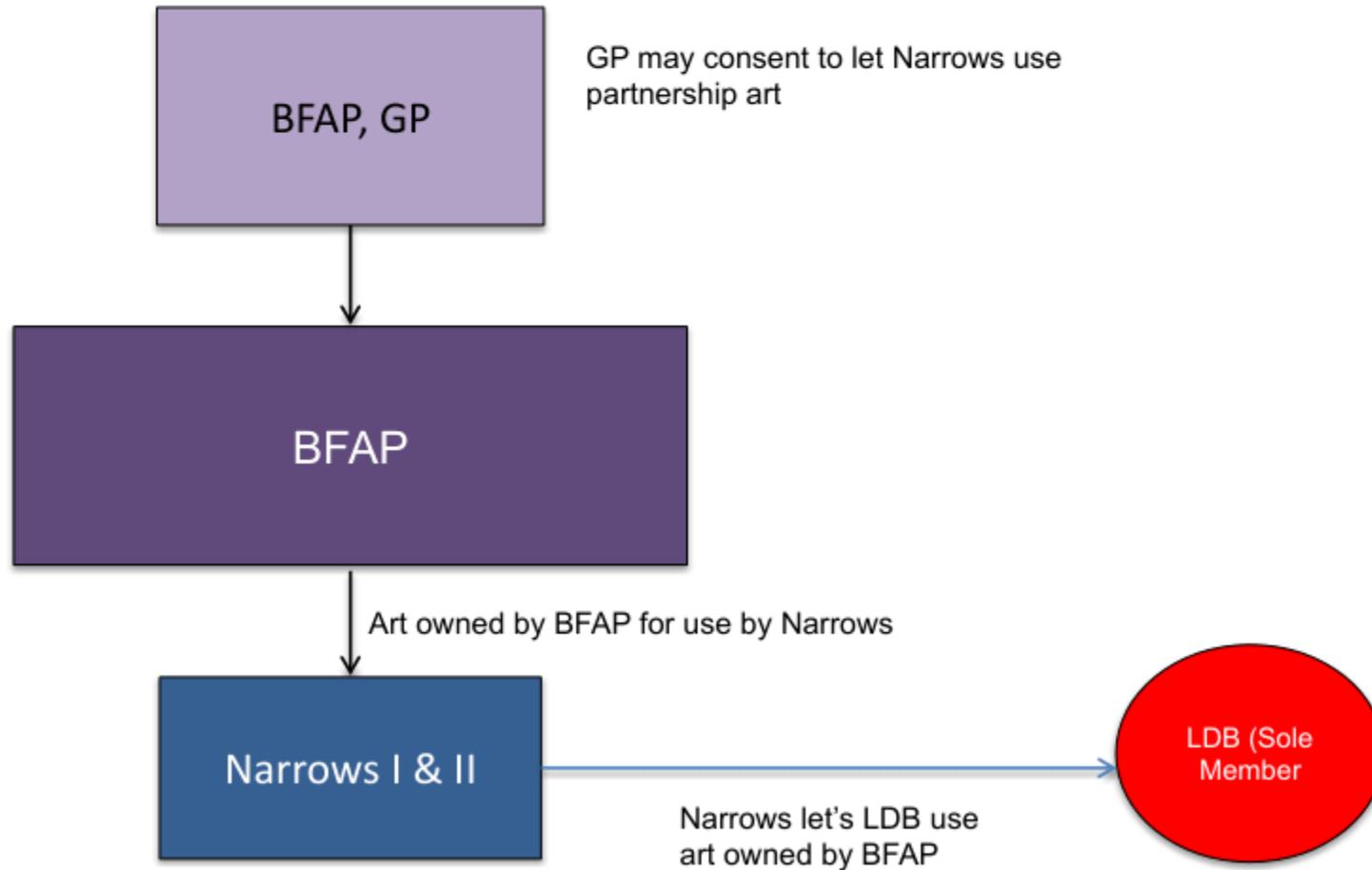
Mechanics of Art Partnership

Formation of BFAP



Mechanics of Art Partnership

Use of Partnership Property



Mechanics of Art Partnership

Use of Partnership Property (Continued)

