

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 Art Officer: Leon
 - 2. Chief Financial Officer: Leon
 - 3. Treasurer: Eileen
 - 4. Secretary: Diana
 - C. Committees
 - 1. Art Acquisition and Sales: Leon (and Diana and one or more children?)
 - 2. Financial Investments: Leon (and Eileen? Barry Cohen?)
 - 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. Process for Purchasing or Selling Art
 - A. Chief Art Officer has authority to purchase and sell art
 - B. Acquisition and Sales Committee (with Chief Art Officer as Chair), provides to Manager and Members:
 - 1. Annual reports describing purchases and sales, art investment policy statements and overview of current art market
 - 2. Quarterly reports, including schedule of purchases and sales
- IV. 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. Chief Financial Officer (Leon) makes determination regarding sufficiency of assets
 - 2. If assets are insufficient, Chief Financial Officer 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

- V. Members
 - A. Leon
 - B. APOI and APO2
 - C. Black Family 1997 GST Exempt Trust
- VI. Withdrawal Rights/Transfers
 - A. No withdrawals without consent of Manager
 - B. Limited transferability to family members and trusts
- VII. Use of Art
 - 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
- VIII. Tax Status
 - A. Initially, disregarded entity
 - B. Consider making it a partnership prior to substitution or sale of LLC interests