

STATEMENT OF WEALTH TRANSFER INTENTIONS AND TRUST MATERIAL PURPOSES

Thoughts and intentions to help guide an estate plan.

This statement is being prepared by me, Larry Johnson, in 2016 to share my thoughts and intentions regarding my estate plan, and also to tell the story of my financial success. My hope is that this statement builds understanding with my family and others about what I've achieved in life, and what I yet hope to achieve after my passing.

I am the eldest son of Bill and Linda Johnson of Cleveland who were married June 6, 1938. My father, the eldest of three sons and no daughters, was the first in his family to attend college, and then go on to successfully complete law school. My Mom was also the eldest of her family, and one of two daughters of a very successful owner and operator of beauty salons. She graduated from Oberlin College in 1936 with a degree in Art History.

Dad was originally a criminal defense attorney who realized that he could practice law, and invest in real estate. My father's parents were Irish-Catholic immigrants who left Ireland under religious persecution and faced heavy discrimination when my grandfather applied for work. My father said that he went into law as a response to the injustices he heard and saw towards his parents. He and a partner began acquiring land and buildings in downtown Cleveland for development into residential and commercial properties. His real estate business proved successful – so successful that my parents began collecting art with the acquisition of a Picasso in 1949.

I was fortunate enough to be able to attend the University School, a private school in the Cleveland suburbs. My neighborhood was very economically diverse growing up so I learned to appreciate the struggles of the "less fortunate." I received good grades in school and, therefore, was accepted to Boston College, where I studied business and excelled at athletics, particularly basketball.

Upon graduation from college, I was quite fortunate to join the Boston Celtics, an unexpected but welcome event. My basketball career was short-lived, however, with an injury and a child, Brian, who I had with a woman I met in college, Lisa. It was a tumultuous time for both me and Lisa, who was applying to graduate school to study physics, and we decided to go our separate ways. Brian was mostly raised by Lisa's parents, as my own parents strongly disapproved of our relationship, and I'm sad to say that I have not had any contact with Brian or Lisa since my child support payments ended.

Shortly after my breakup with Lisa, with the Vietnam War in full swing, I applied to Army Officer Candidate School and was commissioned in June, 1968. My 3 years of active duty took me to the Philippines, Taiwan, Hong Kong, Singapore, Guam and Midway Islands, the Arctic Circle, and Tunisia, among other destinations, I returned to Cleveland to pursue an M.B.A. at Case Western Reserve University, where I met my first wife, Carolyn James. We were married on December 31, 1971.

After my graduation from Case Western I began working for a real estate development company in downtown Cleveland. After a few years of learning the business, I decided to establish my own company, engaging in commercial real estate development. While the business was successful, it was not without risk. With the

volatility of the commercial real estate markets, by 1990 I was in serious danger of declaring bankruptcy. With help from my family, however, I was able to work out arrangements with my lenders to help keep the company afloat.

During this time, Carolyn and I had three children, David, Ann and Gloria. We moved to Shaker Heights, Ohio, for its proximity to the city, and for its peace and quiet. Unfortunately, my marriage to Carolyn was unstable and in 1996 we divorced. It's clear to me that the failure of my marriage caused great harm to our children. David is a law professor at NYU, single, and seems to be wounded in his search for a lasting relationship, while Gloria, a former nun, is now married with two children, and does not communicate with me at all. My relationship with Ann, who has also remained single, had been stable, however, we went for long periods with no contact.

Sadly, Carolyn died of cervical cancer within a year of our divorce. Shortly after her death I met my second wife, Suzanne, and we formed Titan Partners as a real estate management firm. The company landed several lucrative apartment and office building management contracts and flourished. Also, the real estate investments I had made in the 1980s and 1990s recovered and began generating solid cash flow. By the start of the new millennium our life was good.

In 2005 my Dad passed away. Losing him was difficult for me, since I had become accustomed to talking to him about my business ideas and the deals I was working on or thinking about. His knowledge and experience benefitted me greatly. His death, though, helped me financially. My mother, brother and I dismantled the Johnson Family Limited Partnership, my parents' estate planning vehicle, which added to my direct real estate holdings, marketable securities and cash.

In 2012, two things happened that changed the professional direction of my life. One, together with a partner, I acquired a farm in Kentucky to breed racehorses. Second, I made an investment in an antiques gallery in New Orleans specializing in early twentieth century art, jewelry and furniture. Although the antiques business failed, I was introduced to the art world and found my one true passion. I was able to help my daughter Ann launch her own gallery in New Orleans with the contacts I made running my antiques business.

My financial success has led me to my other major activity, philanthropy. Saint Ignatius of Loyola said, "Teach us to give and not count the cost." Suzanne and I take the time to use our financial resources to support the causes that grew out of our life story. We used the seed money from my mother's estate to establish our family foundation, which focuses on organ transplantation. I'm alive today because of a kidney transplant I needed 20 years ago. I have funded specific research projects for organ transplantation at Case Medical Center, UC Davis Medical Center, and the Mayo Clinic. Suzanne and I also make significant annual personal contributions to the foundation.

The second major focus of the foundation is the Catholic Charities. Suzanne and I both come from Irish Catholic ancestry with a strong commitment to supporting the Catholic institutions that help those less fortunate. We've also established several college scholarship funds to Catholic colleges. And, the foundation serves as a vehicle to make donations to projects that care for elderly Irish—Catholics priests and nuns who have faithfully and honorably served others.

The third focus of my philanthropy is education. I believe that all lives are improved by education. My grandfather was a janitor, but my father completed law school, changing the lives of everyone in the family. Through the Larry Johnson Foundation Scholarship fund, Suzanne and I have endowed 2 four year



scholarships at Boston College, and the foundation is partially funding a third four-year scholarship at Case Western Reserve University. My estate plan directs the foundation to also endow a full seven-year scholarship for economically disadvantaged kids to the University School outside of Cleveland. A student with excellent academic achievement and good behavior will receive full tuition, fee and expense payments for sixth grade through high school graduation. I believe that graduation from the University School with a full scholarship will make a college scholarship a relatively easy achievement, thereby paving the way for a major shift in the future for that young person and future generations.

The fourth and final area I'm interested in is post-impressionist art. My parents were art collectors and I used to joke that I grew up in an art museum. The fact is that I certainly have developed an interest in art, and Suzanne and I enjoy our collecting activities. Therefore, the foundation provides financial assistance to numerous art museums. Also, my parents' art collection was donated to the Bill and Linda Johnson Arts Foundation, which has sold the artwork and is now focused on supporting emerging artists.

With this background, I have made suggestions and directions for the future, after my passing. My estate plan is simple. If I die before Suzanne, then two GST trusts established by my parents are directed to my son David, along with additional cash or marketable securities from me, all to a trust to be established for his benefit with The Northern Trust Company as Trustee. My current estimate of the corpus of this Trust, as of today, is \$10 million. With an estimated 4% withdrawal rate, this will generate \$400,000 annually. This is an enormous sum for my son and I think it would be disruptive to his lifestyle if it were automatically distributed to him. While he's enjoyed a successful career as a law professor, his true passion is music, and he would like to enjoy a second career creating, performing and recording his own work. I envision that any distribution to David will be used to fund his music passion in a way that will enhance his joy and the enjoyment of others.

Living in Manhattan is expensive. Even with his legal salary, his lifestyle remains fairly modest. The Trust has been established to provide him with latitude to pursue his interests, including supporting other performing artists. The Trustee of his trust is to have great leeway to assist him with utilizing the income from his trust, or to invade the principal if needed. For example, as of today, David has no car but is thinking of buying one and renting a parking space in his building. He paid about \$800,000 for his apartment in Manhattan and has a \$500,000 mortgage. David does not spend his entire salary, and his income is supplemented by investments.

Although David is to have "principal invasion rights," this right is to be limited to funds that are either for David's direct benefit (which could include additional funding for his musical work) or for donations to recognized 501(c)(3) charities in which he has an interest. Although he may utilize interest from the Trust solely as he sees fit, it is my intention that NO principal be utilized for the benefit of any of his cousins.

As I mentioned earlier, my daughter Gloria and I do not communicate. We've had a bad relationship for years, especially after her mother's passing. In 2005 we had a major disagreement while on a Mediterranean cruise with David and Suzanne. Real communication between us was never restored after that. In 2006, just before Gloria moved to Seattle with her then-fiancé, we consulted with a therapist in Chicago to attempt to repair the relationship. It was during these sessions that Gloria told me how damaging the events leading up to my divorce from her mother had been to her. She was so terrified by the yelling between her mother and me that she had hidden in her bedroom as a young girl when we were fighting. At the end of the fourth session, she told me that she was in such a fragile state that she wanted no contact from me, and to wait for her to call when she was ready.

A year later I tried to engage her in conversation about some of the issues that had been raised during our therapy, but she was unwilling to do so. She was busy planning her wedding without input from us. The

wedding, on July 22, 2007, was at the Washington Park Arboretum in Seattle. My mother, Ellen, who was 92 at the time and very frail, could not attend the wedding due to the travel and outdoor setting, which required a lot of walking. Even so, Suzanne and I flew to Seattle to host the reception.

On Sunday, the wedding day, the weather was terrible. Instead of warm and dry, it was cold with intermittent rain. After the wedding ceremony, which was performed by a non-denominational minister because Gloria's husband is not Catholic, I learned that my mother had become very ill, so we did not go to the reception and instead Suzanne and I went back to Cleveland the same evening. My mother died a week later.

The final rift with Gloria came with the birth of her second child in May, 2011. I flew to Seattle for the baby's baptism, but I had not been feeling well for several days leading up to this trip. As a result, I was unable to stay the entire day. Gloria never forgave me for leaving right after the ceremony, and later attempts at reconciliation were unsuccessful.

My wealth transfer intentions toward Gloria can be expressed very simply - since Gloria wants nothing to do with me while I am still alive, then she will get nothing from me after my death. For purposes of my estate plan, she has been treated as if she and her entire family had predeceased me. The only material things she will receive are from a life insurance policy and an investment vehicle she shares with David, and from which I cannot excise her interest.

I have improved my relationship with my daughter Ann, but I have always felt that she wishes to remain loyal to her mother and sister, while being courteously cordial but aloof with me. I am, however, very proud that she has taken up our art passion and has fully immersed herself in the gallery, and in the culture of New Orleans. Ann is a fiercely independent woman and would never take money from me if it appeared that I had any expectation attached to it. Therefore, I have created a trust funded with \$1,000,000 to make discretionary distributions to artists, artwork, the gallery or general cultural endeavors in New Orleans or any other activity suggested by Ann. I recognize that this trust will not qualify as a charitable trust and that distributions may carry out taxable income to anyone receiving a distribution. However, I envision that once Ann warms up to the reality that she has unfettered control over the trustee distributions without any strings attached, she will use up the funds fairly rapidly.

After all bequests, the balance of my estate is to remain in a trust in which Suzanne is to have a life estate and access to all of the income generated by the trust. Currently, this approximates \$3 million annually. Our lifestyle is modest relative to our income. We own only one home with a required mortgage payment of \$4,000 each month, we each have a car with lease payments of about \$600 per vehicle, and, although we typically travel first class, we do so by upgrading from coach with the miles we collect. We do little traveling for pleasure, and do not book suites when we do. Our clothing purchases are modest for our means, and Suzanne has repeatedly stated that she would prefer to just stay home rather than travel or go out. Her income from two existing trusts I've established for her benefit is about \$200,000, with the taxes paid by the trust. I cannot image how she could spend all of the income that will be available to her. However, since my intent is to take care of her, she is to have the right to invade principal if needed, and is to be her own trustee.

The art will belong to Suzanne to dispose of as she, and she alone, deems appropriate. Upon her death, the trust is to be passed on to the Larry Johnson Foundation ("LJF"), as described below.

If Suzanne predeceases me, then I continue as trustee of the trust until my death or incapacity. At the present time, Suzanne has my healthcare power of attorney which will need to be modified if she goes first.

At my death, under this second scenario, David is entitled to the same GST trusts and cash or marketable securities, but also one-third of the artwork. Ann will also receive one third of the art, and the balance of, along with the monetary assets including cash, marketable securities, commercial real estate and investments in privately held companies, are to be left to the LJF, which The Northern Trust Company is to administer. The art held by the foundation is to be sold within five years. I have specified five years to avoid a short window to sell that occurs during unfavorable economic events, such as the 2008 recession. My strong preference is for a faster sale as long as the relevant markets are healthy.

As stated in my estate planning documents, the art that is desired by the museums with which Suzanne and I have had a relationship should be donated to those museums and not simply sold for cash. These museums include: The Museum of Modern Art (MoMA) New York; The Allen Memorial Art Museum at Oberlin College; and the Cleveland Museum of Art. In the event that two or more institutions wish to have the same work(s), then Northern Trust shall give preference to the institution that will commit to the longer or greater display schedule in writing for the work(s) in question.

As for the cash that will be generated in the LJF, my estate plan sets forth the disposition of the proceeds very clearly. There are specific grants such as those described above, and any remainder is to be donated, by percentages, to the charities I have specified in the LJF documents.

I have been extremely fortunate to have done so well in life, and I hope that I have also done some good. It is my wish to do even more good after my death, and I am counting on The Northern Trust Company to make that happen after Suzanne and I are both gone.

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