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July 25, 1985

Mr. Seymour Rosen
1804 North Van Ness Avenue
Los Angeles, California 90028

Re: The Preservation of Rock Castle

Dear Seymour:

You have asked me to suggest ways to provide for the preservation of John Medica's Rock Castle. It is my understanding that Mr. Medica wants to remain on the property during his lifetime and provide for its maintenance and use by the public later. I have set out below some very general ideas for how this might be done. Mr. Medica should discuss with his attorney which arrangement would be best for him. I have assumed in doing this that some sort of non-profit organization can be found or set up to administer the Santa Rosa property and that any necessary funding can be arranged.

1. Fee Interest. The preservation of the Rock Castle might be achieved through an outright transfer of ownership. Mr. Medica could give or sell the property to the preservation organization. The transfer of the property could take place now, in which case he would not keep any interest in or control over the property, or it could take place through a devise in his will.

2. Life Estate. Alternatively, he could transfer the property subject to a reservation by Mr. Medica of a life estate for himself. The life estate would entitle him to live on the property for the rest of his life or lease all or a portion of it to third parties during his life. In fact, during his life he would be in much the same position as he is now as the owner, with the exception that

Mr. Seymour Rosen
July 25, 1985
Page 2

he could not make material changes to the property without the consent of the owner (who until Mr. Medica's death would only own what is known as a "remainder" interest in the property). Of course, Mr. Medica should understand that his transfer of ownership would be irrevocable, and upon his death the entire interest in the property would be owned by the transferee.

3. Long-Term Lease. Another device for transferring a partial interest in property is a long-term lease. The owner keeps some control over the property and receives income during the term of the lease; at its expiration, full control of the property would go back to the owner or his heirs.

4. Easement. A preservation device that involves the transfer of a lesser property interest than fee ownership is the gift (or sale) by the owner of a negative easement. One type of easement is the architectural easement. It could be drafted in a form which would prohibit the owner of the property from demolishing or changing the Rock Castle. Another type of easement might limit the development rights in the property, for example, by prohibiting the owner from building on certain portions of the property or limiting the number of dwellings that may be placed thereon.

Easements are permanent property interests. Any future owner of the property can be prevented from violating the terms of the easement, whether that owner is the person who transferred the easement or a subsequent owner of the land. The property remains subject to the easement whether it is sold, devised, given, or leased to another. The easement deed should be well drafted so that it will be enforceable. It must be distinguished from a covenant or promise not to do something with regard to the land, which can be difficult to enforce against anyone other than the owner who originally made the covenant.

If Mr. Medica is interested in preservation, I assume he would have no interest in imposing an obligation to preserve on himself. Rather, this might be a way to assure that a subsequent fee owner preserves the Rock Castle, i.e., by giving a negative easement to a preservation organization concurrently with the sale of the fee.

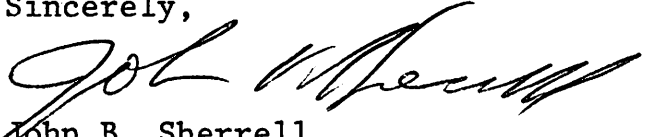
Mr. Seymour Rosen
July 25, 1985
Page 3

5. Trust. An alternative to the property transfers described above would be the creation of a trust. Trusts may be of several different types. They may be created during the lifetime of the grantor or by will. If created during his lifetime, the trust may be revocable or irrevocable. A person who creates a revocable trust keeps control over it. He may change the trustee, the beneficiaries, or the terms of the trust, or he may revoke the entire trust. A trust could contain various elements, including some of those discussed above. For example, if Mr. Medica created a trust during his lifetime, he could reserve for himself a life estate in the property and give a remainder interest to the preservation organization. The trust instrument could impose various conditions which would restrict the use of the property in order to preserve it. Any trust which is set up should be coordinated with Mr. Medica's will.

6. Will. As mentioned in paragraphs 1 and 5 above, Mr. Medica could give the property to the preservation organization through a devise in his will, either by outright gift or by the creation of a trust. In that case, he could avoid giving up any interest in the property during his lifetime.

As you see, I have not tried to assess the relative advantages or disadvantages of the different devices. Mr. Medica will want to discuss them with his attorney to be sure he selects the transfer device which will best carry out his wishes regarding preservation of the property and which will best serve other purposes, such as tax planning.

Sincerely,



John B. Sherrell
of LATHAM & WATKINS