

ARTICLE ____
SPECIAL CALIFORNIA REAL PROPERTY INTEREST PROVISIONS.

1. Purpose. The purpose of this Article is to permit the Special Trustee to prevent a reassessment of real property which might otherwise be excluded from reassessment except for certain terms of this Declaration of Trust. The provisions of this Article apply only to trusts under this Declaration into which a California Real Property Interest would be transferred (except for the provisions of this Article) and such transfer would, as of the date of transfer, be deemed a change in ownership triggering reassessment of real property. If such a transfer to a trust would otherwise occur, then with respect on that trust, the provisions of this Article shall supersede (except as noted below) other provisions of this Declaration. In no event shall this Article jeopardize the marital deduction or the allocation of the GST Exemption as provided in this Declaration. Any term contained in this Article contrary to such provisions shall have no affect on such provisions. The provisions of this Declaration concerning the marital deduction and the GST Exemption shall take precedence over the terms set forth in this Article.

2. Definitions. For purposes of this Article, the following definitions apply:

a. "California Real Property Interest" means any interests in real property located in the State of California, or any interests in any legal entity or any other trust which owns real property in the State of California.

b. "Change in ownership" has the same meaning as "change in ownership" and "change of ownership" (i) as the terms are used in Article XIII A of the California Constitution, (ii) as the terms are used in Chapter 2 of Division 1 of the California Revenue and Taxation Code and are defined in section 60 of such Code, and (iii) as the terms are used in 18 California Code of Regulations sections 462.001 through 462.5 and are defined in section 462.001(b) of such Code; as each of such provisions may be amended from time to time. On the date this Declaration is signed, California Revenue and Taxation Code section 60 states, "A 'change in ownership' means a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest."

c. "Real property" has the same meaning as these terms are used in Article XIII A of the California Constitution, in Chapter 2 of Division 1 of the California Revenue and Taxation Code, and in 18 California Code of Regulations sections 462.001 through 462.5, as each of such provisions may be amended from time to time.

d. "Transfer" has the same meaning as "transfer" and as "purchase" as these terms are used in Article XIII A of the California Constitution, in Chapter 2 of Division 1 of the California Revenue and Taxation Code, and in 18 California Code of Regulations sections 462.001 through 462.5, as each of such provisions may be amended from time to time.

e. "Transferor" and "transferee" have the same meaning as these terms are used in Article XIII A of the California Constitution, in Chapter 2 of Division 1 of the California Revenue and Taxation Code, and in 18 California Code of Regulations sections 462.001 through 462.5, as each of such provisions may be amended from time to time.

f. "Date of transfer" has the same meaning as these terms as used in Chapter 2 of Division 1 of the California Revenue and Taxation Code, and as the terms "date of change in ownership" are defined at 18 California Code of Regulations section 462.260. On the date this Declaration is signed, 18 California Code of Regulations section 462.260, defines the date for an irrevocable trust as the date property is placed in trust and defines the date for a revocable trust as the date the trust becomes irrevocable.

3. Transfer: If it is anticipated that any trust created herein might come to own California Real Property Interests, for which on the date of transfer no exclusion from being a change in ownership is available to be used and will in fact be used, and a change in ownership will occur because of the inclusion of ineligible transferees in the class of the trust's present beneficiaries, then the trust shall be further divided into two separate subtrusts:

a. One subtrust shall contain the California Real Property Interests that are excluded from creating a change in ownership by their transfer to such trust. As to this subtrust, the sole present beneficiaries shall be those eligible transferees from among the beneficial interests otherwise named in this instrument. All other beneficial interests, whether as to principal or income, and including potential recipients of principal or income under "sprinkling powers," otherwise provided in this Declaration are void as to this subtrust. At such time as the California Real Property Interest owned by this subtrust is subsequently distributed, sold or otherwise transferred, or if a change in ownership occurs because no remaining exclusions are available, then the assets of this subtrust shall be added to the assets of the second subtrust, referred to in subparagraph b., below, and shall be held, managed and distributed as a part of the second subtrust.

b. The second subtrust shall contain all other assets of the trust, including any remaining interests in California Real Property Interests, and shall be held, managed and distributed without regard to the provisions of this Article.

4. Combining of Trusts: At any time that two (or more) subtrusts created under this Article shall thereafter come to have essentially the same terms and have the same beneficiary (or beneficiaries in the same respective proportional interests), the Trustee may elect to combine such subtrusts together and administer them as one trust.