

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: City Manager – Approve a First Amendment to Amended and Restated Lease with South End Racquet and Health Club, Inc.

RECOMMENDATION

Recommendation of the City Manager that City Council authorize the Mayor to Execute and the City Clerk to Attest to a First Amendment to Amended and Restated Lease (C1990) by and between the City of Torrance and South End Racquet and Health Club, Inc for City-owned property located at 2800 Skypark Drive.

FUNDING

No funding is required for the requested action.

BACKGROUND/ANALYSIS

The subject Lease was adopted February 1, 2005. At the time the Lease was Amended and Restated there was discussion with regard to changing the Lease restriction on alcohol sales. The current Lease allows for:

- (4) A restaurant, including the service of beer and wine, incidental to the athletic, health and therapeutic facilities for the primary use of members and their guests; and as incidental use may be open to the general public. Said restaurant shall conform to the conditions set forth in Planning Resolution No. 79-43 which amended Planning Commission Resolution No. 77-118 regarding CUP 77-65 and that no expansion of use above, beyond, in addition to or differing from that stipulation in said CUP shall be allowed without the prior written consent of the City, as Lessor.*
- (5) Banquet facilities and a catering service utilizing the restaurant and the poolside area for use by the club members and non members.*

The change was not included in the Lease and the Lessee is now requesting the modification to the Lease. The proposed Amendment will allow for full alcohol service at the facility:

- (4) A restaurant, including the service of all types of liquor, including without limitation, beer, wine, hard liquor, mixed drinks and other types of alcohol pursuant to a California Full Liquor License ("FLL"), incidental to the athletic, health, and therapeutic facilities for the primary use of members and their guests; and as incidental use may be open to the general public. Said*

restaurant shall conform to the conditions set forth in Planning Resolution No. 79-43, which amended Planning Commission Resolution No. 77-118 regarding CUP 77-65, and that no expansion of the use above, beyond, in addition to, or different from that stipulation in said CUP shall be allowed without the prior written consent of the City as Lessor.

(5) Banquet facilities and a catering service utilizing the restaurant and the pool side area for use by club members and non-members, including, without limitation, the service of liquor pursuant to a FLL in and by such facilities.

The Amendment, if adopted, will be the first step in the process for this request. The Lessee will need to submit for and have approved an amendment to the existing Conditional Use Permit (77-65) as well as apply and secure the required Alcohol Beverage Control (ABC) license.

The action before you this evening is as landlord of the property. Action on the CUP, both through Planning Commission and ultimately the City Council, will be as a Legislative Body.

Respectfully submitted,

LeROY J. JACKSON
City Manager



By: Brian K. Sunshine
Assistant to the City Manager

CONCUR:



LeRoy J. Jackson
City Manager

Attachments:

- A) First Amendment to Amended and Restated Lease
- B) Amended and Restated Lease dated 2/1/05 ~ LIMITED DISTRIBUTION

FIRST AMENDMENT TO AMENDED AND RESTATED LEASE

THIS FIRST AMENDMENT TO AMENDED AND RESTATED LEASE (this “Amendment”), made and entered into as of March 25, 2008 (“Effective Date”), by and between the CITY OF TORRANCE, a municipal corporation, as Lessor, hereinafter referred to as the “City”, and SOUTH END RACQUET AND HEALTH CLUB, INC., a California corporation, as Lessee, hereinafter referred to as “Lessee.”

RECITALS

A. The City is the owner in fee of the real property constituting the Leased Premises (as hereinafter defined), which is approximately 6.4 acres in size, and is located on the south side of Skypark Drive, westerly of Crenshaw Boulevard, in the City of Torrance, California. The Leased Premises are a part of the Torrance Municipal Airport, the boundaries of which are described in that certain Quitclaim Deed executed by the United States of America, dated March 5, 1948, recorded on May 13, 1948, in Book 27145, Page 362, of Official Records in the Office of the County Recorder of Los Angeles County.

B. By Instrument of Release dated July 25, 1962, recorded on August 24, 1962, in Book R-1308, Page 800, of Official Records in the Office of the County Recorder of Los Angeles County, the United States of America acting by and through the Administrator of the Federal Aviation Administration released, with certain exceptions,

the land comprising Parcels A, C and northerly sixty-three (63) feet of Parcel B, among other lands, from the conditions, reservations and restrictions of said Quitclaim Deed.

C. Pursuant to that certain Lease dated July 1, 1977 (the “1977 Lease”), the City, as Lessor, leased the Leased Premises to La Casa De Vida Management, a California corporation (“LCV”), predecessor in interest to Lessee, as lessee. Pursuant to the 1977 Lease, an athletic center and health club and related appurtenances commonly known as “South End Racquet and Health Club, formerly known as La Casa De Vida” has been constructed on the Leased Premises.

D. The 1977 Lease has been amended by (i) that certain Amendment to Lease dated December 1, 1977 (the “First Amendment”) executed by City and LVC; (ii) that certain Second Amendment to Lease dated May 2, 1978 (the “Second Amendment”) executed by City and LVC; (iii) that certain Third Amendment to Lease dated October 19, 1978 (the “Third Amendment”) executed by the City and Lessee; and (iv) that certain Fourth Amendment to Lease dated December 31, 1980 (the “Fourth Amendment”) executed by the City and Lessee (the 1977 Lease, as amended by the First, Second, Third and Fourth Amendments, is herein after referred to as the “Original Lease”).

E. City and Lessee amended and restated the Original Lease in its entirety pursuant to that certain Amended and Restated Lease dated February 1, 2005 (the “Restated Lease”) in order to, among other things, consolidate the Original Lease into

one comprehensive document and set forth certain agreements between City and Lessee concerning rent issues.

F. The Leased Premises are more particularly described in Exhibit "A", Legal Description, to the Restated Lease.

G. City and Lessee now desire to amend the Restated Lease by this First Amendment to, among other matters, allow for expanded uses of the Leased Premises, including, without limitation, the service, pursuant to a California full liquor license, of all types of liquor in the restaurant, banquet facilities and catering facilities located in the Leased Premises.

NOW, THEREFORE, for a valuable consideration, the CITY and LESSEE hereby amend the Restated Lease and agree as follows:

1. Paragraphs 5A (4), and 5A (5), are deleted in their entirety and replaced with the following:

"(4) A restaurant, including the service of all types of liquor, including without limitation, beer, wine, hard liquor, mixed drinks and other types of alcohol pursuant to a California Full Liquor License ("FLL"), incidental to the athletic, health, and therapeutic

facilities for the primary use of members and their guests; and as incidental use may be open to the general public. Said restaurant shall conform to the conditions set forth in Planning Resolution No. 79-43, which amended Planning Commission Resolution No. 77-118 regarding CUP 77-65, and that no expansion of the use above, beyond, in addition to, or different from that stipulation in said CUP shall be allowed without the prior written consent of the City as Lessor. “

“(5) Banquet facilities and a catering service utilizing the restaurant and the pool side area for use by club members and non-members, including, without limitation, the service of liquor pursuant to a FLL in and by such facilities.”

2. Exhibit “E”, Subparagraph 5, shall be revised by deleting the reference to “Cuisine of Angels, lease expires October 1, 2008” as an approved sublease, and adding the words “Intentionally Deleted.”

3. Hooshang Nader, as the General Manager of Lessee, hereby represents and warrants to the City that he has the full right, legal capacity and authority to enter into the obligations of Lessee under this Lease; that said Lessee is or shall be the sole owner of the leasehold interest under this Lease as of the instant prior to the time of effectiveness

of this Lease; that no approval or consent is necessary in connection with his execution of this Lease on behalf of Lessee or the performance of Lessee's obligations hereunder; that a true and correct copy of Lessee's Articles of Organization, as filed with the California Secretary of State, have been delivered to the City, and that Lessee is a duly qualified corporation in good standing under the laws of the State of California.

4. In all other respects, the Restated Lease is hereby ratified and remains in full force and effect.

This Amendment is executed as of the Effective Date.

LESSOR:

The City of Torrance

By: _____

Frank Scotto, Mayor

ATTEST:

By: _____

Sue Herbers

City Clerk, City of Torrance

APPROVED AS TO FORM:

John Fellows III, City Attorney

By: _____

Ron Pohl, Assistant City Attorney

LESSEE:

**SOUTH END RACQUET AND
HEALTH CLUB, INC., a California
corporation**

Hooshang Nader, _____

OFFICE OF THE
CITY MANAGER

05 FEB 24 AM 11:04

AMENDED AND RESTATED LEASE

By and Between

**The City of Torrance,
a municipal corporation**

and

**South End Racquet And Health Club, Inc.,
a California corporation**

February 1, 2005

C-1990

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AMENDED AND RESTATED LEASE

THIS AMENDED AND RESTATED LEASE (this "Lease"), made and entered into as of February 1, 2005 ("Effective Date"), by and between the CITY OF TORRANCE, a municipal corporation, as Lessor, hereinafter referred to as the "City", and SOUTH END RACQUET AND HEALTH CLUB, INC., a California corporation, as Lessee, hereinafter referred to as "Lessee".

R E C I T A L S

A. The City is the owner in fee of the real property constituting the Leased Premises (as hereinafter defined), approximately 6.4 acres in size, which Leased Premises are located on the south side of Skypark Drive westerly of Crenshaw Boulevard in the City of Torrance, California. Leased Premises are a part of the Torrance Municipal Airport, the boundaries of which are described in that certain Quitclaim Deed executed by the United States of America, dated March 5, 1948, recorded on May 13, 1948, in Book 27145, Page 362, of Official Records in the Office of the County Recorder of Los Angeles County.

B. By Instrument of Release dated July 25, 1962, recorded on August 24, 1962, in Book R-1308, Page 800, of Official Records in the Office of the County Recorder of Los Angeles County, the United States of America acting by and through the Administrator of the Federal Aviation Administration released, with certain exceptions, the land comprising Parcels A, C and the northerly sixty-three (63) feet of Parcel B, among other lands, from the conditions, reservations and restrictions of said Quitclaim Deed.

C. Pursuant to that certain Lease dated July 1, 1977 (the "1977 Lease"), the City, as lessor, leased to La Casa de Vida Management, a California corporation ("LCV"), predecessor in interest to Lessee, as lessee, that certain real property located in the City of Torrance, County of Los Angeles, State of California more particularly described in Section 1 below as the "Leased Premises". Pursuant to the 1977 Lease, an athletic center and health club and related appurtenances commonly known as "South End Racquet and Health Club, formerly known as La Casa De Vida" has been constructed on the Leased Premises.

D. The 1977 Lease has been amended by (i) that certain Amendment to Lease dated December 1, 1977 (the "First Amendment") executed by City and LVC; (ii) that certain Second Amendment to Lease dated May 2, 1978 (the "Second Amendment") executed by City and LVC; (iii) that certain Third Amendment to Lease dated October 19, 1978 (the "Third Amendment") executed by City and Lessee; and (iv) that certain Fourth Amendment to Lease dated December 31, 1980 (the "Fourth Amendment") executed by City and Lessee (the 1977 Lease, as amended by the First, Second, Third, and Fourth Amendments, is herein referred to as the "Original Lease").

E. City and Lessee desire to amend and restate the Original Lease in its entirety in order to, among other things, consolidate the Original Lease into one comprehensive document and set forth certain agreements between City and Lessee concerning rent issues.

F. The City will benefit from the execution of this Lease, inter alia, by reason of (i) the potential for greater rents which may flow to it as contrasted to the rents receivable under the Original Lease, and (ii) the increased property taxes that will result from the reconstruction and upgrading of the structures on the Leased Premises.

G. The City Council therefore declares that the Leased Premises are being leased hereby for commercial development for business purposes pursuant to the authority contained in Sections 37380 and 37395 of the California Government Code and pursuant to the powers conferred on the City by the provisions of Article XI of the Constitution of the State of California and by the Torrance Municipal Code.

H. The City, acting by and through the City Council, has determined by Resolution Number 2005-_____ adopted on February 1, 2005, that such property is not required for other City purposes and that it is in the public interest that this Lease be executed.

I. This Lease amends, replaces and supplants, in its entirety, the Original Lease and constitutes an amendment to and continuation of the Original Lease rather than a conveyance of a new leasehold estate in and to the Leased Premises following a termination of the Original Lease, and sets forth all of the covenants, rights and obligations of the parties with respect to the Leased Premises.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. PREMISES

For and in consideration of the rents, covenants and conditions herein contained, the City does hereby lease to Lessee and Lessee hereby hires from City that certain real property commonly known as 2800 Skypark Drive, in the City of Torrance, State of California, which real property is legally described on Exhibit "A", and located as shown on Exhibit "B", attached hereto and incorporated herein by reference, which real property is hereinafter referred to as the "Leased Premises."

2. TERM

The "Term" of this Lease shall be deemed to have commenced on July 1, 1977, and shall expire at midnight June 30, 2050.

3. RENT

A. Rent. On or before the first day of each month during the Term of the Lease, Lessee shall pay, in advance, to the City monthly rent (together, along with any and all applicable adjustments hereinafter referred to as "Rent") pursuant to the following schedule:

Date	Monthly Rent
Effective Date through December 31, 2006	\$15,000.00 per month, subject to annual adjustment based on the Index, as more particularly described in this Section 3(A) below
January 1, 2007 through December 31, 2007	The <u>greater</u> of: (a) \$16,131.00 per month, or (b) the amount of monthly Rent due for the month of December 31, 2006
January 1, 2008 through December 31, 2013	The amount of monthly Rent due for the month of December 31, 2007, subject to annual adjustment based on the Index, as more particularly described in this Section 3(A) below
January 1, 2014 (the "First Fair Market Rent Adjustment Date") through December 31, 2023	Fair Market Rent (defined in Section 3(B) below) as determined by the City and Lessee to commence on January 1, 2014, subject to annual adjustment based on the Index, as more particularly described in this Section 3(A) below
January 1, 2024 (the "Second Fair Market Rent Adjustment Date") through December 31, 2033	Fair Market Rent (defined in Section 3(B) below) as determined by the City and Lessee to commence on January 1, 2024, subject to annual adjustment based on the Index, as more particularly described in this Section 3(A) below
January 1, 2034 (the "Third Fair Market Rent Adjustment Date") through December 31, 2043	Fair Market Rent (defined in Section 3(B) below) as determined by the City and Lessee to commence on January 1, 2034, subject to annual adjustment based on the Index, as more particularly described in this Section 3(A) below
January 1, 2044 (the "Fourth Fair Market Rent Adjustment Date") through June 30, 2050	Fair Market Rent (defined in Section 3(B) below) as determined by the City and Lessee to commence on January 1, 2044, subject to annual adjustment based on the Index, as more particularly described in this Section 3(A) below

Commencing on January 1, 2006, and the commencement of each calendar year thereafter, except in a calendar year for which the Fair Market Rent Analysis (as defined in Section 3(B) below) is operative (the "Index Adjustment Date"), the monthly Rent shall be increased in proportion to the increase, if any, in the "Consumers Price Index, All Urban Consumers", 1982-84 = 100 ("Index"), prepared by the United States Bureau of Labor Statistics, Department of Labor (the "Bureau") for the immediately preceding year. The proportionate increase in the Index for each year shall be determined by dividing the Index published for the second month preceding the then current Adjustment Date by the Index for the second month preceding the immediately preceding Adjustment Date. In the event that the Index is not published in the requisite month, then the Index utilized shall be the Index published for the month that is closest chronologically. In no event shall monthly Rent decrease as a result of the adjustment formula set forth herein. If the Rent is increased pursuant to the terms hereof, the increased Rent shall be subject to further adjustment on each Adjustment Date using the same formula provided above.

If said Bureau shall revise said Index, the parties shall accept the method of revision or conversion recommended by said Bureau; if said Index shall be discontinued with no recommended substitute, another index generally recognized as authoritative shall be substituted by agreement of the parties. If the parties are unable to agree upon a substitute index within thirty (30) days after demand by either party, on application of either party, then the substitute index shall be selected by the Chief Officer of the San Francisco Regional Office of the Bureau of Labor Statistics or its successor.

B. Fair Market Rent.

Notwithstanding the provisions of Section 3(A) above, or any other provision to the contrary set forth herein on or before the date that is six (6) calendar months prior to the commencement of, as applicable, the First Fair Market Rent Adjustment Date, the Second Fair Market Rent Adjustment Date, the Third Fair Market Rent Adjustment Date, or the Fourth Fair Market Rent Adjustment Date (as each of those terms is defined in the schedule set forth in Section 3(A) above, City and Lessee shall conduct a Fair Market Rent Analysis (as hereinafter described) and, commencing on the First Fair Market Rent Adjustment Date, the Second Fair Market Rent Adjustment Date, the Third Fair Market Rent Adjustment Date, or the Fourth Fair Market Rent Adjustment Date, respectively, the monthly Rent shall be adjusted to the Fair Rental Value (as hereinafter defined) in accordance with this Section 3(B). As used in this Section 3(B), the term "Fair Rental Value" shall mean the amount determined by the parties to be the fair market value of the Leased Premises, exclusive of the improvements thereon, based upon the use of the Leased Premises as a first-class athletic center and health club, as of the date that is six (6) months prior to the commencement of the First Fair Market Rent Adjustment Date, the Second Fair Market Rent Adjustment Date, the Third Fair Market Rent Adjustment Date, or the Fourth Fair Market Rent Adjustment Date, respectively, multiplied by an seven and one-quarter percent (7.25%) annual rate of return. Notwithstanding the foregoing or any provision to the contrary set forth herein, in no event shall the adjustment of the monthly Rent provided by this Section 3(B) be less than the monthly Rent for the month immediately preceding the First Fair Market Rent Adjustment Date, the Second Fair Market Rent Adjustment Date, the Third Fair Market Rent Adjustment Date, or the Fourth Fair Market Rent Adjustment Date, as applicable. The foregoing calculation may be referred to herein as the "Fair Rental Value Analysis."

The parties hereto acknowledge that the Rent has not been calculated in the manner described in the immediately preceding Section, and that, accordingly, the Rent shall not be considered in determining the Fair Rental Value of the Leased Premises during any period for which these Fair Rental Value provisions are applicable.

If the parties cannot agree on the Fair Rental Value of the Leased Premises for any given Fair Market Rent Adjustment Date, then such Fair Rental Value shall be determined by arbitration in accordance with Section 4(C) below. Pending such determination by the arbitrators, Lessee shall continue to pay the Rent in accordance with this Lease until the Fair Rental Value of the Leased Premises has been determined by the arbitrators. The adjusted Rent determined by the arbitrators (which shall be equal to the Fair Rental Value of the Leased Premises) shall be retroactive to the date upon which the applicable Fair Market Rent Adjustment Date commenced, and on the first day of the month following the date on which the

arbitrators determine the Fair Rental Value of the Leased Premises, Lessee shall pay to City for the period commencing on the applicable Fair Market Rent Adjustment Date through the date that the arbitrators determine the Fair Rental Value, the difference between the Rent paid to date for such period and the Fair Rental Value.

C. Arbitration

(1) If arbitration is required to fix the Fair Rental Value of the Leased Premises, such arbitration shall be conducted in the following manner: Within ten (10) days after the parties determine that they have failed to determine a mutually acceptable figure for the Fair Rental Value, the City shall appoint an arbitrator and give written notice thereof to Lessee, and within ten (10) days after the receipt of such notice, Lessee shall appoint an arbitrator and give written notice thereof to the City, or in case of the failure of either party hereto so to do, the other party shall have the right to apply to the Superior Court of Los Angeles County, California, to appoint an arbitrator to represent the defaulting party. The two arbitrators thus appointed (in either manner) shall select and appoint in writing a third arbitrator and give written notice thereof to the City and Lessee, or if within ten (10) days after their appointment, the two arbitrators shall fail to appoint a third, then either party hereto shall have the right to make application to said Superior Court to appoint such third arbitrator. All such arbitrators shall have a minimum of ten (10) years experience commercial real estate appraisal and shall be both impartial and unrelated to either of the City or the Lessee.

(2) The three arbitrators so appointed (in either manner) shall within ten (10) days after all have been appointed fix a convenient time and place in the County of Los Angeles within thirty (30) days thereafter for hearing the matter to be arbitrated and shall give written notice thereof to each party hereto at least five (5) days prior to the date so fixed, and said arbitrators shall with reasonable diligence hear and determine the matter in accordance with the provisions hereof and of the statutes and judicial decisions of the State of California at the time applicable thereto, and shall execute and acknowledge their award thereon in writing and cause a copy thereof to be delivered to each of the parties hereto.

(3) The award of a majority of said arbitrators shall determine the question arbitrated, and a judgment may be rendered by said Superior Court confirming said award, or the same may be vacated, modified, or corrected by said Court, at the instance of either of the parties hereto, in accordance with the then existing statutes of the State of California applicable to arbitrations, the provisions of which statutes shall apply hereto as fully as though incorporated herein.

(4) If two of the three arbitrators first appointed as aforesaid shall fail to reach an agreement in the determination of the matter in question, the same shall be decided by three new arbitrators, who shall be appointed and shall proceed in the same manner as hereinabove set forth, and said process shall be repeated until a decision is finally reached by two of the three arbitrators selected.

(5) Each of the parties hereto shall pay for the services of its appointee and one-half (1/2) of the fee charged by the arbitrator selected by their appointees and of all

other proper costs of arbitration, with the exception of attorneys' fees and witness fees which shall be borne solely by the party incurring such fees.

D. Additional Rent. In addition to the Rent described in this Article 3 (as such Rent may be adjusted pursuant to Sections 3(A) and 3(B) above), all other charges and sums payable by Lessee hereunder shall be deemed to be additional rent ("Additional Rent") hereunder, whether or not the same be designated as such, and shall be due and payable (if payable to a third party) not later than the dates on which the same are due and payable, or (if payable to City) within ten (10) days of City's written demand or together with the next succeeding installment of Rent, whichever shall first occur, and City shall have the same rights and remedies upon Lessee's failure to pay the same as for the nonpayment of the Rent.

E. Place of Payment and Late Payment.

(1) Place of Payment. All Rent and Additional Rent payments shall be paid, without deduction or offset, to the office of the Treasurer of the City at 3031 Torrance Boulevard, Torrance, California, 90503, or at such place as the City shall from time to time designate in writing.

(2) Late Payment. In the event any payment required hereunder is not made within ten (10) days after the date City delivers written notice that the payment has not been made when due, the Lessee acknowledges that the amount necessary to adequately compensate the City would be impracticable and extremely difficult to calculate. Therefore, Lessee agrees that in addition to the Rent and Additional Rent, Lessee shall pay an additional 3% of the overdue amount as a late charge; provided, however, that in no event shall the amounts payable to the City pursuant to this Section 3(E) exceed the maximum amounts allowed by law.

(3) No Relief from Default. The provisions herein for payment of late charges shall not be construed to extend the date for payment of any sums required to be paid by Lessee hereunder or to relieve Lessee of its obligation to pay all such sums at the time or times herein stipulated. Notwithstanding the imposition of such late charges, Lessee shall be in default under this Lease if any or all payments required to be made by Lessee are not made at the time herein stipulated (including any grace periods set forth in this Lease), and neither the demand for, nor collection by, City of such late charges shall be construed as a curing of such default on the part of Lessee.

4. POSSESSION AND AUTHORITY

A. Possession. Lessee acknowledges and agrees that Lessee (and/or its predecessors-in-interest) has had exclusive possession of the Leased Premises since July 1, 1977 and that Lessee is and shall be responsible for the current condition of the Leased Premises. Lessee agrees that it shall defend, indemnify and hold City and the City's officers, directors, trustees, members, agents, employees, contractors, consultants and representatives, and City's property, harmless from any and all claims, demands, liabilities, obligations, expenses and/or penalties arising out of or in connection Lessee's possession and use of the Leased Premises.

B. Authority. Hooshang Nader, as the General Manager of Lessee, hereby represents and warrants to the City that he/she has the full right, legal capacity and authority to enter into the obligations of Lessee under this Lease; that said Lessee is or shall be the sole owner of the leasehold interest under this Lease as of the instant prior to the time of effectiveness of this Lease; that no approval or consent is necessary in connection with his execution of this Lease on behalf of Lessee or the performance of Lessee's obligations hereunder; that a true and correct copy of Lessee's Articles of Organization, as filed with the California Secretary of State, have been delivered to the City, and that Lessee is a duly qualified corporation in good standing under the laws of the State of California.

5. USE

The Leased Premises shall be used for the following purposes and for no other purpose or purposes unless the prior written consent of the City Council thereto has been obtained.

A. "Parcel A", as described on Exhibit "A" and depicted on Exhibit "B", shall be used for the operation and maintenance of a clubhouse and facilities for the following purposes:

(1) An athletic center and health club including tennis courts, racquetball-handball courts, swimming pool, cross-country jogging track, exercise rooms and other similar athletic and health facilities; and

(2) Saunas, Jacuzzis, steam and sun rooms and other similar therapeutic facilities; and

(3) A hair salon, cosmetic service, sports shop, and sports chiropractic care incidental to the operation of the athletic, health and therapeutic facilities; and

(4) A restaurant, including the service of beer and wine, incidental to the athletic, health and therapeutic facilities for the primary use of members and their guests; and as incidental use may be open to the general public. Said restaurant shall conform to the conditions set forth in Planning Resolution No. 79-43 which amended Planning Commission Resolution No. 77-118 regarding CUP 77-65 and that no expansion of use above, beyond, in addition to or differing from that stipulation in said CUP shall be allowed without the prior written consent of the City, as Lessor.

(5) Banquet facilities and a catering service utilizing the restaurant and the poolside area for use by the club members and non members.

B. "Parcel B", as depicted on Exhibit "B", shall be used for the parking of automobiles of members, customers and employees of Lessee.

C. "Parcel C", as depicted on Exhibit "B", shall be used for landscaping.

D. "Parcel D", as depicted on Exhibit "B", shall be used for a driveway and parking only.

6. ALTERATIONS AND ADDITIONAL IMPROVEMENTS

A. Construction Approval

Lessee shall not construct any building, structure or other improvement on the Leased Premises unless the plan showing the location thereof and construction plans and specifications are first approved by the Director of Building and Safety and by the City Council of the City and the giving of such consent shall be within such Director's and City Council's sole discretion and shall not be a waiver of any rights to object to further or future construction.

B. Alteration Approval

Lessee shall not make any changes or alterations, structural or otherwise, to any building, structure or other improvement on the Leased Premises costing, in the aggregate, more than \$10,000 in any given 12-month period unless the consent of the City Council is first obtained. Such consent shall not be unreasonably withheld and the giving of such consent shall not be a waiver of any rights to object to further or future alterations.

C. Provisions Governing

In the event that the Director of Building and Safety and the City Council approve and Lessee shall construct any additional or replacement buildings, structures or other improvements (including alterations or additions to existing buildings on the Leased Premises, Lessee shall construct such improvements, and each of them, in accordance with the following provisions:

(1) FAA Filing

Prior to the commencement of any construction, Lessee shall comply with all requirements of the Federal Aviation Administration (the "FAA"), including, without limitation, Lessee shall file Form 7460-1 for approval of the Federal Aviation Administration.

(2) Construction Covenants

(a) Lighting. Lessee shall not light or operate or cause or permit to be lighted or operated, any equipment which would interfere with the navigation, landing or takeoff of aircraft on the runways and in the aeronautical areas of the Airport.

(b) Acoustical Treatment. All buildings located on the Leased Premises shall be designed to provide an interior noise level within a L_{egA} weighted sound level of 50-50 dBA and a L_{max} peak value of 60 dBA. The designer must prepare detailed plans of construction showing the sound insulation assembly to resist the airborne community noise equivalent level contours of 60 dB CNEL or greater. The contour map will be provided by the Airport Division of the City's Department of Transportation. At the time the construction plans are submitted to the Department of Building and Safety for approval, Lessee shall submit therewith an analysis of the plans by an acoustical engineer certifying that, in his opinion, such level will not be exceeded. A building permit will not be issued for said building unless and until the City's acoustical consultant certifies that, in his opinion, such level will not be exceeded.

Definitions of standards specified in Section 1092 of Part I of Title 25 of the California State Housing Code are incorporated in this Lease as a minimum standard of compliance. Before a certificate of occupancy for any part of any constructed, remodeled or reconstructed building is issued, the Lessee shall submit to the Department of Building and Safety a statement by an acoustical engineer certifying that said building has been constructed in accordance with such acoustical plans and that, in his opinion, such level has not been exceeded. Such certificate shall not be issued unless and until the City's acoustical consultant certifies that, in his opinion, such level has not been exceeded.

(c) Building Permits and Parcel Map. Before commencing any construction, Lessee shall obtain all applicable permit(s), including, without limitation building permits, as required by the Torrance Municipal Code (which incorporates the City's Building and Fire Codes) and any amendments thereto, or any other Applicable Laws. Lessee agrees that if, in the reasonable opinion of the City Attorney of the City, this Lease, or any transaction contemplated by this Lease, requires the filing for record, in accordance with the Torrance Municipal Code and the California Subdivision Map Act, of a parcel map with respect to this Lease, Lessee shall fully cooperate (which cooperation shall include, without limitation, execution by both Lessee and Lessee's Approved Leasehold Mortgagee(s), if applicable of any an all consents, applications, and maps as may be necessary or desirable), at no expense to Lessee, with the City in the preparation, processing and filing for record of such a parcel map.

(3) Bonds

(a) On or before the date of commencement of construction of any building, structure or other improvement, Lessee shall file or cause to be filed with the City Clerk of the City, a Performance Bond and a Payment Bond executed by Lessee or Lessee's contractor and by a surety authorized to do business in the State of California as surety guaranteeing the performance of Lessee's obligations with respect to said construction. If said bond is executed by the Lessee's contractor it shall name the Lessee and the City as joint obligees.

(b) The term of both bonds shall commence on or before the date of filing with the City Clerk. The Performance Bond shall remain in effect until the date of completion of the work to the reasonable satisfaction of the City Manager of the City, or his designate. The Payment Bond shall remain in effect until the expiration of the period of filing a claim of lien as provided in Title 15 of Part 4 of the California Civil Code, and as hereafter amended, or if a claim of lien is filed, the expiration of the period for filing an action to foreclose such lien, or until the Leased Premises are freed from the effect of such claim of lien and any action brought to foreclose such lien pursuant to the provisions of said Title 15 of Part 4 or the lien is otherwise discharged.

(c) The Performance Bond shall be in the amount and provide a penalty of 100% of the valuation of the improvements to be constructed. The Payment Bond shall be in the amount and provide a penalty of 100% of the valuation of the improvements to be constructed.

(d) In lieu of the Performance Bond and Payment Bond required herein, Lessee may furnish cash, assignment of account, or a time certificate of deposit.

(4) Force Majeure

The time within which Lessee is obligated hereunder to construct, repair or rebuild any building or other improvement, or cure any default on the part of Lessee hereunder shall be extended for a period of time equal in duration to, and performance in the meantime shall be excused on account of and for and during the period of, any delay caused by strikes, threats of strikes, lockouts, war, threats of war, insurrection, invasion, acts of God, calamities, violent action of the elements, fire, action or regulation of any governmental agency, law or ordinance, impossibility of obtaining materials, or other things beyond the reasonable control of Lessee.

D. Demolition

In case any building or structure is demolished, Lessee shall restore the land to City's reasonable satisfaction and in the same condition as existed upon commencement of the Original Lease, free of all Lessee Contamination, within twelve (12) months following such demolition or such longer time as may be reasonably necessary to remediate any Lessee Contamination. Failure of Lessee to comply with the provisions of this Section 6(D) shall constitute a default of this Lease. This provision shall expressly survive the expiration or earlier termination of the term of this Lease

E. Value and Utility

All changes and alterations shall be of such a character that when completed, the value and utility of the building, structure or other improvement changed or altered by such changes or alterations shall not be less than the value and utility thereof immediately before any such change or alteration.

F. Alterations Following Commencement

All work done in connection with any changes or alterations following the commencement thereof shall be performed in a good and workmanlike manner and with due diligence.

7. LIENS

A. Payment by Lessee

(1) Subject to Lessee's right to contest the same as hereinafter provided in Section 7(D) below, Lessee agrees that it will pay as soon as due all mechanics', laborers', materialmen's, contractors', subcontractors', or similar charges, and all other charges of whatever nature which may become due, attached to or payable on said property or any part thereof or any building, structure or other improvements thereon, from and after the date as of which this Lease is executed.

(2) Nothing herein contained shall in any respect make Lessee the agent of the City, or authorize Lessee to do any act or to make any contract encumbering or in any manner affecting the title or rights of the City in or to the Leased Premises or the improvements thereon.

B. Notice

Before any buildings, structures or other improvements, repairs or additions thereto, of an aggregate cost in excess of Ten Thousand Dollars (\$10,000.00) are constructed or reconstructed upon the Leased Premises, Lessee shall serve written notice upon the City, in the manner provided in Section 28 herein, twenty (20) days prior to commencement of Lessee's intention to perform such work for the purpose of enabling the City to post and record notices of non-responsibility under the provisions of Section 3094 of the California Civil Code, or any other similar notices which may be required by law.

C. Bond

If any such mechanics' or other liens shall at any time be filed against the Leased Premises or any portion thereof or interest therein, Lessee shall cause the same to be discharged of record within thirty (30) days after the date of filing the same, or otherwise free the Leased Premises from the effect of such claim of lien and any action brought to foreclose such lien, or Lessee shall promptly furnish to the City a bond in an amount and issued by a surety company satisfactory to the City, securing the City against payment of such lien and against any and all loss or damage whatsoever in any way arising from the failure of Lessee to discharge such lien.

D. Contest

Any contest by Lessee of any such liens shall be made by Lessee in good faith and with due diligence and Lessee shall fully pay and immediately discharge the amount of any final judgment rendered against the City or Lessee in any litigation involving the enforcement of such liens or the validity thereof.

E. Discharge by City

In the event of Lessee's failure to discharge of record any such uncontested lien within said thirty (30)-day period or to pay and satisfy any such judgment as aforesaid, the City may, but shall not be obligated to, pay the amount thereof, inclusive of any interest thereon and any costs assessed against Lessee in said litigation, or may discharge such lien by contesting its validity or by any other lawful means.

F. Repayment by Lessee

Any amount paid by the City for any of the aforesaid purposes, and all reasonable legal and other expenses of the City, including reasonable counsel fees, in defending any such action or in connection with procuring the discharge of such lien, with all necessary disbursements in connection therewith, together with interest thereon at the rate of six percent (6%) per annum from the date of payment shall 'be repaid by Lessee to the City on demand; provided that, interest payable hereunder shall in no event exceed the maximum per annum rate permitted under applicable law. To the extent any such payment of interest hereunder would exceed such maximum rate, such payment shall be deemed to be an advance against Rent as to which Lessee shall be credited on the next installment of Rent payable hereunder.

G. Survival.

The provisions of this Article 7 shall expressly survive the expiration or earlier termination of this Lease.

8. OFF-STREET PARKING

A. Lot Coverage

Buildings shall not occupy more than one-third of the total lot area of the Leased Premises.

B. Compliance

Lessee shall comply with the off-street parking requirements of all ordinances of the City and laws of the State. This provision shall not limit the scope of the provisions of Section 25 herein.

9. SIGNS

Lessee agrees that no signs or advertising material may be erected or maintained on or upon Leased Premises or on or upon any buildings, structures or other improvements thereon, without prior written consent of the City Manager; provided, however, that permanent signs solely advertising the business conducted on Leased Premises which comply with all State laws and City ordinances may be erected or maintained thereon without the prior written consent of the city Council.

10. UTILITY INSTALLATIONS

A. Sanitary Sewers (Wastewater Services)

Lessee acknowledges that the City has constructed a public sanitary sewer (wastewater) system to serve Leased Premises. Lessee has connected the private sewer facilities on the Leased Premises to the public sewer main serving the Leased Premises and the Lessee shall pay to the City such fees as are provided by law in accordance with Division 7, Chapter 2 of the City Code and any amendments thereto, and any other applicable laws.

B. Water Mains (Domestic Water and Fire Suppression Flow Services)

Lessee acknowledges that the City has provided a water main to serve the Leased Premises with the capacity to adequately serve the reasonable domestic water and fire suppression flow needs of the Leased Premises. The installation and construction of service and fire hydrant assemblies, and other facilities outside the boundaries of the Leased Premises to carry domestic water and provide fire suppression flow from said main to serve the Leased Premises shall be at the expense of Lessee. The installation, construction, maintenance and repair of service and fire hydrant assemblies and other facilities within the boundaries of the Leased Premises to carry domestic water and provide fire suppression flow from said main to serve the Leased Premises shall be at the expense of Lessee.

C. Gas, Electric and Telephone Services

The City does not warrant or affirm that gas, electric, telephone or other public utility services, except water, are available to Lessee. Lessee, at its own risk and without cost or expense to the City, shall install on said premises all such public utility services.

11. MAINTENANCE

A. Lessee Maintain

Lessee, at its own expense, shall maintain Leased Premises and all buildings, structures, roadways, landscaping, parking, sewer and other improvements thereon (collectively, the "Improvements"), and shall keep the same in good and sanitary condition and repair.

B. Periodic - Structures

As often as necessary to properly maintain the appearance and at least once each ten (10) years during the term of this Lease, Lessee shall, at its own expense, paint or clean or otherwise preserve and beautify the surfaces of the interior and exterior of all buildings, structures, structural members and other improvements on Leased Premises.. The treatment applied shall restore the appearance of and act as a preservative of the building: structures, structural members and other improvements.

C. Periodic - Pavement

Lessee, at its own expense, shall at least once each five (5) years during the term of this Lease repair or replace any area of pavement or slabs on the leasehold as have spalled, weathered, alligatored, or otherwise failed, with like materials and workmanship.

D. Landscaping

Lessee, at its own expense, shall landscape with flora, including trees, in an attractive manner and thereafter maintain said landscaping on the entire unpaved portion of Skypark Drive right of way between the curb and sidewalk on said street and Leased Premises.

12. OWNERSHIP OF IMPROVEMENTS; SURRENDER

A. Ownership During Term.

Any Improvements existing as of the commencement of the Term of this Lease or which shall be constructed, remodeled, reconstructed or placed on the Leased Premises shall become the property of Lessee for the Term of this Lease, subject to the terms and conditions hereof, and shall become the property of the City (exclusive of Lessee's trade fixture and equipment) upon the expiration or sooner termination of this Lease as provided herein. Lessee shall be responsible for all maintenance of all Improvements in accordance with the provisions of this Lease.

B. Structures

At the expiration of the Term of this Lease or upon the sooner termination thereof, Lessee shall surrender Leased Premises to the City and all Improvements thereon, including but not by way of limitation, any alterations, additions or improvements, shall, remain for the benefit of the City (exclusive of Lessee's trade fixtures, equipment and personal property). Any holding over by Lessee after expiration shall not constitute a renewal or extension or give Lessee any rights in or to the Leased Premises except as otherwise expressly provided in this Lease.

C. Removal

No buildings, structures or other improvements shall be removed from Leased Premises or voluntarily destroyed or damaged during the Term of this Lease without the prior written consent of the City Council.

D. Movable Structures

Machines, trade fixtures and similar installations which are installed in any building, structure or other improvement on the Leased Premises shall not be deemed to be part of the realty even though such installations are attached to the floors, walls or roof of any building or structure or to outside pavements, so long as such installation can be removed without structural damage to any building, structure or other improvement on the Leased Premises; provided, however, that if the removal of any such installation damages any part of the

building, structure, other improvement, pavements or premises, Lessee shall repair such damage and restore said building, structure, other improvement, pavements or premises to the same condition as originally existed upon the completion of construction, ordinary and usual wear and tear excepted; and provided further, that no holes or apertures, or unpainted or otherwise unfinished walls shall be left by Lessee in any building, structure or other improvement at the expiration of the term of this Lease; provided, however, that if the removal of any such installation damages any part of the building, structure, other improvement, pavements or premises, Lessee shall repair such damage and restore said building, structure, other improvement, pavements or premises to the same condition as originally existed upon the completion of construction, ordinary and usual wear and tear excepted; and provided further, that no holes or apertures, or unpainted or otherwise unfinished walls shall be left by Lessee in any building, structure or other improvement at the expiration of the term of this Lease.

E. Personal Property

Any and all personal property of every kind and nature whatsoever, not attached to or installed in any building, structure or other improvement which Lessee or its sublessees places in, upon or about the Leased Premises during the term hereof may be removed therefrom prior to the expiration of the Term of this Lease and shall, as between the City and Lessee, be and remain the personal property of Lessee or its sublessees, as the case may be, provided that any such personal property left on the Leased Premises upon surrender to the City shall be presumed to be abandoned by Lessee.

F. Lighting, etc.

Notwithstanding anything to the contrary set forth herein any and all lighting, plumbing, air cooling, air conditioning, heating and ventilating equipment shall be deemed to be a part of the realty, and regardless of whether or not any such item of equipment can be removed without structural damage to the building, structure or other improvement in which it is installed, it shall not be removed from such building, structure or other improvement except for repairs, alterations and replacement with newer equipment, without the consent of the City Council, and all such equipment shall remain as a part of the realty at the expiration of the term of this Lease.

G. Removal at Expiration

Notwithstanding the above provisions of this Section 12 the City may give notice of its election, not less than one (1) year prior to the expiration of this Lease, to require the removal of any or all improvements and restoration of the premises, upon expiration of this Lease.

13. SUBORDINATION

A. Quitclaim Deed. Lessee acknowledges that it has received a copy of the Quitclaim Deed executed by the United States of America, dated March 5, 1948, Exhibit "C" attached hereto and made a part hereof, (recorded on May 13, 1948 in Book 27145, Page 362 of Official Records in the office of the County Recorder of Los Angeles County), upon which the City holds title to Leased Premises and Lessee agrees to comply with the provisions thereof as

amended to the date of this Lease. This Lease shall be subordinate to such provisions as amended and to any further agreements between the City and the United States of America required by such provisions as amended. Lessee acknowledges that it has been informed that the southerly twenty-seven (27) feet of Parcel B was not released from the provisions of said Quitclaim Deed by the Instrument of Release dated July 25, 1962 as described in Section (B) of the Recitals herein, or otherwise.

B. Federal Aviation Administration Provisions. Lessee acknowledges its acceptance of and its agreement to comply with all the Federal Aviation Administration provisions as shown on Exhibit "D" attached hereto and made a part hereof.

C. Changes in FAA Requirements. Lessee shall, at its sole cost and expense, be responsible for (and shall not be entitled to receive any reduction of rent for any changes to) changes to the requirements promulgated by the FAA or any other governmental entity regulating the Torrance Municipal Airport relating to the construction and operation of the Leased Premises (the "FAA Requirements") and the City shall not be obligated to the Lessee in any manner with respect to changes in the FAA Requirements.

14. AVIGATION EASEMENTS

A. Interference with Navigation.

Lessee agrees that:

(1) It will not erect or permit the erection or growth of any building, structure, tree or other object on said Leased Premises above any elevation above mean sea level as shown on Exhibit "E" (175 feet at the northerly boundary and 250 feet in the center); and

(2) It will not use said Leased Premises or permit said Leased Premises to be used in any manner which might interfere with the landing or taking off of aircraft from the airport, or which otherwise constitutes an air navigation obstruction, or which creates an interference; and

(3) It will not light or operate, or cause to be lighted or operated, any equipment which would interfere with the navigation, landing or takeoff of aircraft on the runways and in the aeronautical areas of the airport.

B. Avigation Easements

(1) The City reserves the following easements from the leasehold estate created hereby:

(a) The right to take any action necessary to prevent the erection or growth of any building, structure, tree or other object into the air space above those elevations shown on Exhibit "E" attached hereto, and to remove from such air space, or mark and light as obstructions to air navigation, any and all buildings, structures, trees or other objects that may at any time project or extend above the elevations shown on Exhibit "E" together with the right of ingress to, egress from, and passage over the said Leased Premises for such purposes;

(b) The right to enter onto the said Leased Premises for the purpose of causing the abatement of any interference with the landing and taking off of aircraft from said airport; and

(c) A right of flight for the passage of aircraft in the air space above the surface of the said Leased Premises, together with the right to cause in said air space such noise as may be inherent in the operation of aircraft, now known or hereafter used for navigation of, or flight in the air, using said air space or landing at, or taking off from, or operating at, or on said airport.

(2) "Aircraft" as used in this Section includes aircraft now or hereafter developed which utilize the airport or such air space whether similar or dissimilar to existing aircraft.

(3) "Interference" as used in this Section includes without limitation any interference with radar, any electrical or other interference with radio or other communication between airport and aircraft, or any use of activity which makes it difficult for pilots to distinguish between airport and other lights, creates glare or otherwise impairs visibility or which otherwise endangers the landing, taking off or maneuvering of aircraft or the safety of those using the airport, or is hazardous thereto.

(4) In the event that the City exercises any of its rights pursuant to the above provisions, the City shall not be liable to the Lessee for any damage suffered as a result thereof and the Lessee shall reimburse the City for all reasonable and necessary expenses incurred by the City therefor.

15. TAXES, ASSESSMENTS AND UTILITY CHARGES

A. Net Lease

It is the intention of City and Lessee that all costs, expenses and obligations of every kind relating to the use, operation or occupancy of the Leased Premises which may arise or become due during the term of this Lease shall be paid by Lessee, and that City shall be indemnified by Lessee against such costs, expenses, and obligations. Accordingly, Lessee agrees to pay before delinquent every charge, lien or expense accruing or payable during the Term of this Lease in connection with the use or occupancy of said Leased Premises, including, but not by way of limitation, all taxes and assessments, insurance costs, operating costs, water, electricity, gas, telephone, utilities and all other costs for services used by Lessee on said Leased Premises. Lessee agrees to pay before delinquency every charge, lien or expense accruing or payable during the term of this Lease in connection with the use of Leased Premises, including, but not by way of limitation, water, electricity, gas, telephone, utilities and other services used by Lessee on Leased Premises.

B. Payment of Taxes

Lessee agrees to pay at least ten (10) days prior to delinquency all taxes which shall be levied against the Leased Premises and the Improvements thereon, and against any buildings, structures or any improvements hereafter erected or constructed on the Leased

Premises, and which become a lien against said Leased Premises and the improvements. Lessee shall provide proof of its payment of such taxes prior to any such taxes becoming delinquent. Furthermore, in accordance with California Revenue & Taxation Code § 107.6, Tenant hereby acknowledges that the possessory interest granted herein may be a taxable interest and, Tenant's obligations with respect to the payment of any and all costs associated with Tenant's use of the Leased Premises shall include, without limitation, the obligation to pay any such possessory interest tax.

C. Payment of Assessments

Lessee, at Lessee's sole cost and expense, agrees to pay before delinquent any and all assessment, tax, fee, levy or charge in addition to, or in partial or total substitution of any assessment, tax, fee, levy or charge levied against the Leased Premises or against any buildings, structures or any improvements erected or constructed by the Lessee on the Leased Premises made for maintenance purposes, such as (without limitation) lighting, water lines, sewer (wastewater facilities), fences or other utilities (even if said assessments or charges are for items that would otherwise be characterized as "capital improvements"). Tenant and City acknowledge that Proposition 13 was adopted by the people of the State of California in June, 1978 and that assessments, taxes, fees, levies and charges may be imposed for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants. It is the intention of Lessee and City that all such new and increased assessments, taxes, fees, levies and charges and all similar assessments, taxes, fees, levies and charges be included within the definition of assessments for the purposes of this Lease. Lessee agrees to comply with, and to cause all sublessees, licensees and concessionaires to comply with, all statutes, ordinances, rules, laws or regulations of any governmental agency (including, without limitation, those of the City of Torrance) which are applicable to said Leased Premises or the operation of Lessee or such sublessees on the Leased Premises (collectively, the "Applicable Laws").

D. Valuation

Lessee understands that, under the law now in effect, the Leased Premises will be valued by the City's Tax Assessor for the purpose of assessing and levying real property (possessory interest) taxes by adhering to the formula contained in the case of De Luz Homes, Inc. v. County of San Diego, 45 Cal. 2d 546, 290 P.2d 544 (1955). Lessee agrees that if at any time during the Term or Option Term(s) of this Lease the law is changed so as to require that said assessor value the interest of Lessee in the Leased Premises in a manner other than that being used by said assessor on the date of execution of this Lease as first above written, then the Lessee shall be responsible for any and all amounts due and owing for said real property (possessory interest) taxes.

E. Additional Rent

The amounts payable to the City, if any, under the provisions of this Article 15 shall be deemed to be additional rent payable to the City as consideration for the execution of this Lease. Said amounts shall be payable monthly, quarterly or; semiannually in the discretion of Lessee.

F. Sales Tax Permit

If applicable, Lessee agrees that it will have obtained (and shall cause any and all Sublessees to obtain) a California State Sales and Use Tax Permit for the Leased Premises. Lessee shall report to the State Board of Equalization, as sales tax collecting agency for the City, all sales for sales tax purposes of personal property from the leasehold premises as coming from Leased Premises and the City of Torrance. The City shall have the right to audit Lessee's accounts at a reasonable time or times.

G. Contests

Lessee shall have the right, at the Lessee's sole cost and expense to contest the amount or legality of any taxes, assessments or utility charges which it is obligated to pay, and make application for the reduction thereof, or of any assessments upon which the same may be based, and the City agrees, at the request of Lessee, to execute or join in the execution of any instrument or documents necessary in connection with such contest or application, save and except for taxes, assessments or utility charges assessed or made by the City. If Lessee desires to contest any such taxes, assessments or charges, as herein provided, Lessee shall do so by posting a bond with the City in an amount equal to the amount of such taxes, assessments or charges contested with interest and penalties, or by paying the amounts contested under protest. Lessee agrees that it will prosecute any such contest or application with due diligence and will within thirty (30) days after an adverse final determination thereof pay the amount of any such taxes, assessments or charges which may have been the subject of such contest or application as so determined, together with any interest, penalties, costs and charges which may be payable in connection therewith.

H. Ad Valorem Taxes

If, during the Term, federal or state taxes shall be imposed, assessed or levied on the fee interest of City in the Leased Premises, or on or with respect to any real or personal property constituting a portion of the fee interest of City in the Leased Premises, or on the rents derived by City from the Leased Premises in lieu of or in addition to such real or personal property taxes, and such new tax would most fairly be characterized as in the nature of an ad valorem or use tax, as opposed to an income or franchise tax on City's income, Lessee shall pay all such taxes, assessments, levies or charges imposed upon City within thirty (30) days of demand therefor by City.

16. LIABILITY

A. Lessee's Indemnification

Lessee has accepted the condition of the Leased Premises and hereby releases the City from and agrees to indemnify and hold the City (with "City" being defined for purposes of this Article 16 as including City, City's Mayor, City's City Council and its members, City's boards and commissions and their respective members, and City's officers, employees and agents) free and harmless from and, at City's request, defend City against, any and all liabilities and claims for damages, losses, costs and expenses (including defense costs and reasonable attorneys' fees) relating to or arising from breach of contract, any injury or death to any persons,

including, but not limited to, Lessee and its employees and agents, or damage to or loss of use of property of any kind whatsoever and to whomsoever belonging, including, but not limited to, property of Lessee, from any and all cause or causes whatsoever (except City's gross negligence or willful conduct), which occurs on or about, or is in any way connected with, the Leased Premises, the Improvements, any buildings or other improvements subsequently constructed on the Leased Premises during the term of this Lease, or results or arises from the activities conducted by Lessee or its officers, employees, agents, contractors, subcontractors, and sublessees.

With respect to damage or injury resulting from the condition of the Leased Premises or from the Lessee's or Lessee's employees' or invitees' activities upon the Leased Premises, and without limiting the generality of the foregoing, Lessee hereby agrees that City shall not be liable for any injury to Lessee's business or any loss of income therefrom or for the damage to the goods, wares, merchandise, improvements, or other property of Lessee, Lessee's offices, agents, employees, invitees, customers, or any other person in or about the Leased Premises, nor shall City be liable for injury or death to the person of Lessee, any sublessee, or any of their respective officers, employees, agents or contractors, whether such damages or injury is caused by any cause whatsoever (except as a result of City's gross negligence or willful conduct), and whether the same damage or injury results from conditions arising upon the Leased Premises, or from the Lessee's activities upon the Leased Premises.

It is the intention of City and Lessee that City be released from and indemnified, held harmless and (at City's option) defended against any and all injuries (including death) to persons and damage to property described in this Section to the fullest extent permitted by law. If at any time during the term of this Lease, the right of City to be so released, indemnified, held harmless or (at its option) defended shall be enlarged or reduced by reason of the application of any law or legal standard, City's rights under this Section shall be ipso facto enlarged or reduced to conform to such requirements such that City shall at all times during the term hereof be released from and indemnified, held harmless from and (at its option) defended against those matters to the fullest extent permitted under then applicable law.

Lessee's obligation to indemnify, defend and hold harmless under this Lease will apply even in the event of concurrent negligence on part of City; provided, however, that nothing in this Section will excuse City of its responsibility for liability arising from City's gross negligence or willful misconduct.

Notwithstanding any other provision of this Lease, Lessee's indemnification as set forth in the provisions of this Section shall survive the expiration or earlier termination of this Lease and shall continue in perpetuity.

B. Hazardous Materials; Lessee Contamination; Indemnity and Release

Lessee is and shall be responsible for the current condition of the Leased Premises and the Improvements located thereon and for the expeditious investigation, removal, and remediation of all Hazardous Materials (as defined below) that may have been discharged, released, placed or disposed of on, in, under, or about the Leased Premises and any affected surrounding premises, and/or the improvements located thereon, during the Term of this Lease

("Lessee Contamination"). Lessee further agrees that it shall defend, indemnify and hold City and City's property, harmless from any and all claims, demands, liabilities, obligations, expenses and/or penalties arising out of or in connection with Lessee's Contamination in accordance with the provisions of this Article 16.

Lessee, at Lessee's sole cost and expense, shall promptly take all investigatory and/or remedial action required or ordered by any and all governmental authorities for the clean-up of any and all Lessee Contamination. Lessee shall neither (nor allow its permittees to bring onto, create or dispose of, in or about the Leased Premises, any Hazardous Materials in violation of, nor engage in any activities in or about the Leased Premises that violate, any Environmental Laws (as hereinafter defined). If Lessee knows, or has reasonable cause to believe, that Hazardous Materials, or a condition involving or resulting from the same, has come to be located in, on, under or about the Leased Premises, Lessee shall immediately give written notice of such fact to City, and as required by law, to all appropriate governmental agencies. Lessee shall also immediately give City a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action or proceeding given to, or received from any governmental agency or private party, or persons entering or occupying the Leased Premises, which concerns or in any way relates to the existence, presence, spill, release, discharge of, or exposure to any Hazardous Materials or any other contamination in, on, or about the Leased Premises.

Lessee understands and agrees that in the event Lessee incurs any loss or liability concerning Hazardous Materials not within the provision of the first two paragraphs of this Section 16(B), whether attributable to events occurring prior to or following the Effective Date, then Lessee shall look solely to such person(s) or entity(ies) as are responsible for the existence of the Hazardous Materials, but in no event shall Lessee look to City (City being defined for the purposes of this Section as City, City's Mayor, City's City Council and its members, City's boards and commissions and their respective members, and City's officers, employees and agents) for any liability or indemnification regarding Hazardous Materials. Lessee hereby waives, releases, remises, acquits and forever discharges City of and from any and all Environmental Claims, Environmental Cleanup Liability and Environmental Compliance Costs, as those terms are defined below, and from any and all actions, suits, legal or administrative orders or proceedings, demands, actual damages, punitive damages, loss, costs, liabilities and expenses, which concern or in any way relate to the physical or environmental conditions of the Leased Premises, the existence of any Hazardous Material thereon, or the release or threatened release of Hazardous Materials therefrom, whether existing prior to, at or after the Effective Date. It is the intention of the parties pursuant to this release that any and all responsibilities and obligations of City, and any and all rights, claims, rights of action, causes of action, demands or legal rights of any kind of Lessee, its successors, assigns or any affiliated entity of Lessee arising by virtue of the physical or environmental condition of the Leased Premises, the existence of any Hazardous Materials thereon, or any release or threatened release of Hazardous Material therefrom, whether existing prior to, at or after the Effective Date, are by this release provision declared null and void and of no present or future force and effect as to the parties. IN CONNECTION THEREWITH, LESSEE EXPRESSLY AGREES TO WAIVE ANY AND ALL RIGHTS WHICH LESSEE MAY HAVE WITH RESPECT TO SUCH RELEASED CLAIMS UNDER SECTION 1542 OF THE CALIFORNIA CIVIL CODE WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.”

LESSEE'S INITIALS: A.N.

CITY'S INITIALS: [Signature]

Lessee shall defend, indemnify and hold harmless City, City's Mayor, City's City Council and its members, City's boards and commissions and their respective members, and City's officers, employees, representatives and agents (collectively, the "Indemnified Parties") from and against any and all Lessee Contamination, Environmental Claims, Environmental Cleanup Liability, Environmental Compliance Costs, and any other claims, actions, suits, legal or administrative orders or proceedings, demands or other liabilities (collectively, "Claims") resulting at any time from the physical and/or environmental conditions of the Leased Premises whether before or after the Effective Date or from the existence of any Lessee Contamination and/or other Hazardous Materials or the release or threatened release of any Lessee Contamination and/or other Hazardous Materials of any kind whatsoever, in, on or under the Leased Premises or any other affected surrounding premises, including, but not limited to, all foreseeable and unforeseeable damages, fees, costs, losses and expenses, including any and all attorneys' fees and environmental consultant fees and investigation costs and expenses, directly or indirectly arising therefrom, and including fines and penalties of any nature whatsoever, assessed, levied or asserted against any Indemnified Parties to the extent that the fines and/or penalties are the result of a violation or an alleged violation of any Environmental Law.

For purposes of this section, the following terms shall have the following meanings:

(a) "Environmental Claim" means any claim for personal injury, death and/or property damage made, asserted or prosecuted by or on behalf of any third party, including, without limitation, any governmental entity, relating to the Leased Premises or its operations and arising or alleged to arise under any Environmental Law.

(b) "Environmental Cleanup Liability" means any cost or expense of any nature whatsoever incurred to contain, remove, remedy, clean up, or abate any contamination or any Hazardous Materials on or under all or any part of the Leased Premises, including the ground water thereunder, including, without limitation, (A) any direct costs or expenses for investigation, study, assessment, legal representation, cost recovery by governmental agencies, or ongoing monitoring in connection therewith and (B) any cost, expense, loss or damage incurred with respect to the Leased Premises or its operation as a result of actions or measures necessary to implement or effectuate any such containment, removal, remediation, treatment, cleanup or abatement.

(c) "Environmental Compliance Cost" means any cost or expense of any nature whatsoever necessary to enable the Leased Premises to comply with all applicable

Environmental Laws in effect. "Environmental Compliance Cost" shall include all costs necessary to demonstrate that the Leased Premises is capable of such compliance.

(d) "Environmental Law" means any federal, state or local statute, ordinance, rule, regulation, order, consent decree, judgment or common-law doctrine, and provisions and conditions of permits, licenses and other operating authorizations relating to (A) pollution or protection of the environment, including natural resources, (B) exposure of persons, including employees, to Hazardous Materials or other products, raw materials, chemicals or other substances, (C) protection of the public health or welfare from the effects of by-products, wastes, emissions, discharges or releases of chemical substances from industrial or commercial activities, or (D) regulation of the manufacture, use or introduction into commerce of chemical substances, including, without limitation, their manufacture, formulation, labeling, distribution, transportation, handling, storage and disposal.

(e) "Hazardous Material" is defined to include any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is: (A) petroleum or oil or gas or any direct or derivate product or byproduct thereof; (B) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140, of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (C) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act); (D) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Sections 25501(j) and (k) and 25501.1 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory); (E) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (F) "used oil" as defined under Section 25250.1 of the California Health and Safety Code; (G) asbestos; (H) listed under Chapter 11 of Division 4.5 of Title 22 of the California Code of Regulations, or defined as hazardous or extremely hazardous pursuant to Chapter 10 of Division 4.5 of Title 22 of the California Code of Regulations; (I) defined as waste or a hazardous substance pursuant to the Porter-Cologne Act, Section 13050 of the California Water Code; (J) designated as a "toxic pollutant" pursuant to the Federal Water Pollution Control Act, 33 U.S.C. § 1317; (K) defined as a "hazardous waste" pursuant to the Federal Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq. (42 U.S.C. § 6903); (L) defined as a "hazardous substance" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq. (42 U.S.C. § 9601); (M) defined as "Hazardous Material" pursuant to the Hazardous Materials Transportation Act, 49 U.S.C. § 5101 et seq.; or (N) defined as such or regulated by any "Superfund" or "Superlien" law, or any other federal, state or local law, statute, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning Hazardous Materials and/or underground storage tanks, as now, or at any time here-after, in effect.

Notwithstanding any other provision of this Lease, Lessee's release and indemnification as set forth in the provisions of this Section, as well as all provisions of this Section shall survive the termination of this Lease and shall continue in perpetuity.

17. INSURANCE

A. Liability

(1) Lessee agrees that at all times during the Term of this Lease and any renewal or extension thereof, it will maintain in full force and effect at Lessee's expense a comprehensive (commercial) general liability insurance with the broad form comprehensive liability endorsement and automobile liability insurance policy which will insure and indemnify the Lessee and the City, the City Council and each member thereof, and every officer and employee of the City against liability or financial loss resulting from any suits, claims, or actions brought by any person or persons and from all costs and expenses of litigation brought against the City in the amount of \$10,000,000 combined single limit for any injury to persons and/or damages to property (i) in or about said Leased Premises and any Improvements constructed thereon, or (ii) by reason of the use and occupation by Lessee or by any other person or persons of said Leased Premises. The City, the City Council, and every officer and employee of the City, acting in due course of his employment or his official capacity, shall be named as an additional insured on said policy.

(2) It is understood that the type of insurance and minimum limits of liability insurance required herein may become inadequate for such purposes during the Term of this Lease, and Lessee agrees that it will add such insurance coverage and increase such minimum limits at its sole expense by such amounts as may be reasonably required by the City. In the event that the Lessee objects to such increase on the grounds that it is unreasonable and the dispute cannot be resolved by the parties, the issue shall be decided by arbitration in accordance with the rules of the American Arbitration Association.

B. Property Damage

(1) Lessee agrees that at all times during the Term of this Lease and any renewal or extension thereof, it will maintain in full force and effect at Lessee's expense an insurance policy which will insure and indemnify the Lessee and the City from loss occurring to Improvements (excluding grading and fill but including foundations) located on the Leased Premises, by reason of fire, extended coverage perils, and "all risk" perils, including but not by way of limitation earthquake, flood, demolition, and increased cost of construction and contingent liability arising out of the operation of building codes.

(2) The amount of such insurance shall be at least eighty percent (80%) of the full replacement cost of the Improvements located on the Leased Premises with an agreed amount endorsement. The City shall be named as an additional insured on said policy, including earthquake coverage, if required.

C. Rent Insurance

(1) Lessee agrees that at all times during the Term of this Lease, it will maintain in full force and effect at Lessee's expense a business interruption and/or rent or rental value insurance policy with endorsements and coverage equivalent to the earthquake, fire, extended coverage and "all risk" perils policies described in Section 17(A) and (B) above, in an

amount not less than twelve (12) months Rent, plus the estimated annual cost of taxes and the annual premiums for such policy.

(2) All business interruption and/or rent or rental value insurance policies provided for herein shall name the City and Lessee as insureds as their respective interest may appear, but shall be deposited with the City. Such business interruption and/or rent or rental value insurance policies shall provide for payment or loss to the City to the extent of Lessee's obligations hereunder, and the difference between such payment and the amount of insurance collected shall be payable to Lessee. Any business interruption and/or rent or rental value insurance proceeds received by the City shall be applied against Lessee's rental obligations hereunder.

D. Carrier Rating and Cancellation

All policies enumerated in this Article 17 shall be issued by an insurer admitted to do business in California, which qualifies as a member of the California Insurance Guaranty Fund, and which is rated in Best's Insurance Guide with a financial rating of A:XII or better, or as may be accepted in writing by the City Manager. Said policies shall provide that the insurance coverage shall not be cancelled or reduced by the insurance carrier without the City having been given sixty (60) days prior written notice thereof by such carrier. Lessee agrees that it will not cancel or reduce said insurance coverage and will replace any insurance cancelled, reduced or non-renewed by the insurance company during the Term of this Lease.

E. Copy of Policy

At all times during the Term of this Lease, Lessee shall maintain on file with the City Clerk of the City a certified copy of each insurance policy, and any and all amendments thereto, required to be maintained by Lessee pursuant to this Lease.

F. Failure to Provide

Lessee agrees that if it does not keep the aforesaid insurance in full force and effect, the City may, after thirty (30) days notice to Lessee, obtain the necessary insurance and pay the premium thereon, and the repayment thereof shall be deemed to be Additional Rent and payable as such on the next day after notice of the payment by the City for the said insurance.

G. Lessee's Insurance Primary

The insurance provided in the policies of insurance required hereunder to be maintained by Lessee shall be primary and non-contributing with any insurance that may be carried by the City.

H. Subrogation

Lessee agrees to waive its right of subrogation against the City. Any insurance policies procured by Lessee hereunder shall provide that, to the extent that insurance is

provided, the insurance carrier waives all rights of subrogation against the City and all of Lessee's subtenants and other occupants of the Leased Premises.

I. Cross Liability Endorsement

It is agreed that claims for personal injury or property damage made by an insured hereunder against another insured hereunder shall be covered in the same manner as if separate policies had been issued to each Insured. Nothing contained herein shall operate to increase the insurance company's limit of liability as provided under such policy.

18. CONDEMNATION

A. Award

In the event that all or any part of the Leased Premises or the Improvements shall, during the Term of this Lease, be taken or damaged by eminent domain, the total consideration paid in connection with such taking and damage (including both amounts paid for property taken and severance or other damage to the portion of the Leased Premises not taken) shall be paid and applied in the following order of priority:

(1) First, to reimburse the City for the reasonable costs, fees and expenses incurred by the City in connection with the collection of such award.

(2) Second, but only if such taking does not result in the termination of this Lease as further provided in this Section, all remaining proceeds, if any, shall be paid to a trustee, reasonably acceptable to both the City and Lessee who shall disburse the funds for construction purposes as construction progresses to repair any and all damage to the Leased Premises or the buildings or improvements located thereon resulting from such taking, with such safeguards as said trustee may deem to be desirable to assure that workmen and materialmen are paid and that no mechanic's liens may be recorded.

(3) Third, any excess proceeds held by the trustee following completion of the restoration and repair or in the event this Lease is terminated pursuant to the provisions of this Section so that no reconstruction or repair is to be undertaken, the balance of such proceeds, if any, shall be paid and applied in the following order of priority:

(a) First, to the City to the extent of the fair market value of the land of the Leased Premises so taken (including the full amount of the award for severance damages to the land not so taken). The fair market value of the land so taken shall be the value which is established by the parties as a part of any litigation or arbitration in connection with such taking. In the event there is no such litigation or determination, the fair market value of the land so taken shall be determined by the procedure set forth in Sections 3(B) and 3(C) above.

(b) Second, after any payment to the City required above, Lessee shall receive the remainder of such award, if any.

(4) If any of Lessee's trade fixtures or any of Lessee's other personal property shall be so taken, and if a separate and distinct award is made in connection therewith,

such separate and distinct award (including amounts paid for trade fixtures and personal property taken and severance or other damages to such of Lessee's trade fixtures and other personal property as shall not be taken) shall belong solely to Lessee. Lessee's right to such award shall, however, not diminish or detract in any way from any award or amount due to the City.

B. Settlement of Claims

Lessee shall not settle or adjust any claim for damages resulting from a taking of the Leased Premises or any buildings or improvements thereon without the City's prior written consent, which consent shall be given if, and only if, the amount of such award shall be sufficient to pay the amounts to which the City is entitled pursuant to the provisions of this Section.

C. Reconstruction and Repairs

If such taking does not result in the termination of this Lease as further provided in this Section, Lessee, whether or not damages, if any, on account of such be sufficient for such purposes, shall at its sole cost and expense, promptly commence and diligently complete the restoration of the Leased Premises and all buildings and improvements located thereon as nearly as possible to their value, condition and character immediately prior to such taking, except only for any reduction in any areas caused or necessitated by such taking; provided, however, that if the total cost to restore the Leased Premises and all buildings and improvements located thereon remaining after said taking is reasonably estimated to exceed the portion of any award made available to Lessee for that purpose by fifteen percent (15%) of the replacement value of such building, structure or other improvement immediately prior to such damage, Lessee may elect to demolish same, restore the Leased Premises to a neat and clean condition to the reasonable satisfaction of the City and terminate this Lease by notifying the City in writing of its intent to do so within thirty (30) days of the event causing such damage or destruction. If Lessee shall elect to cancel this Lease as provided for above, except with respect to obligations that expressly survive the expiration or earlier termination of this Lease, Lessee shall have no further obligation for rental or other payments hereunder from and after the date that such demolition and restoration are completed.

D. Lease Termination

In the event all of the Leased Premises, or so much thereof and/or the buildings and improvements thereon are taken so that the use of the remainder, in the Lessee's reasonable judgment, is economically unfeasible, the Term of this Lease shall terminate as of, and the City and, except with respect to obligations that expressly survive the expiration or earlier termination of this Lease, Lessee shall be released of all obligations under this Lease arising subsequent to, the date of such taking. If only a part of the Leased Premises are so taken, and this Lease is not terminated as a result thereof, this Lease shall remain in full force and effect as to the portion of the Leased Premises and the buildings and improvements thereon remaining except that the Rent, then applicable shall be reduced in that proportion or percentage which the fair market value of that portion of the land of the Leased Premises so taken bears to the total fair market value of the land of the Leased Premises immediately preceding such taking. Such total

fair market value shall, for the purposes of this Section, be determined in the manner set forth in Sections 3(B) and 3(C) above.

19. CASUALTY: INSURANCE PROCEEDS

A. Statement of Costs

In the event of the partial or total destruction of any of the buildings, structures or other improvements on the Leased Premises where the cost of repair or replacement exceeds five Thousand Dollars (\$5,000.00), as established jointly by Lessee and the Director of Building and Safety of the City, Lessee shall promptly furnish the City and any Approved Leasehold Mortgagee, as defined in Article 20 herein, with

- (1) A statement of the original cost of the damaged structure;
- (2) An itemized statement setting forth the estimated cost of reconstruction thereof or repairs thereto, prepared by a California licensed architect or engineer.

B. Duty to Repair – Where Insurance

(1) In the event of the partial or total destruction of any of the Improvements located on the Leased Premises by any cause which is by the terms of this Lease required to be insured against (including any partial destruction where the cost of repair is less than Ten Thousand Dollars (\$10,000)), Lessee shall repair or rebuild the affected Improvements to the condition existing prior to the occurrence of such destruction or damage, and shall do so even though the proceeds of the insurance policies covering the loss shall be insufficient to reimburse Lessee thereof; provided, however, that if such proceeds of insurance are more than sufficient to pay the cost of any such rebuilding, Lessee shall be entitled to receive any surplus.

(2) Any insurance proceeds exceeding Fifty Thousand Dollars (\$50,000) shall be payable to an insurance trustee, acceptable to both parties, who shall disburse the funds for construction purposes as construction progresses and with such safeguards as said trustee may deem to be desirable to assure that workmen and materialmen are paid and that no mechanics liens may be recorded. If the Approved Leasehold Mortgagee, as defined in Section 20 of this Lease, agrees to disburse such proceeds for restoration as aforesaid, such Approved Leasehold Mortgagee shall be acceptable to the City as the insurance trustee for purposes of this provision.

C. Duty to Repair – Where No Insurance

(1) In the event of the partial or total destruction of any of the Improvements on the Leased Premises by any cause which is by the terms of this Lease not required to be insured against, then:

(a) If the cost to repair or restore such buildings, structures or other improvements is reasonably estimated to be less than fifty percent (50%) of the value of same immediately prior to such damage or destruction, then Lessee shall proceed to repair and replace the same at its own expense; or

(b) If the cost to restore or repair such damage or destruction is reasonably estimated to exceed fifty percent (50%) of the replacement value of such buildings, structures or other improvements immediately prior to such damage, Lessee may elect to demolish those buildings, structures and improvements designated by the City as requiring demolition, restore the land to City's reasonable satisfaction and in the same condition as existed upon commencement of the Original Lease, free of all Lessee Contamination and terminate this Lease by notifying the City in writing of its intent to do so within thirty (30) days of the event causing such damage or destruction.

(2) If Lessee shall elect to terminate this Lease as provided for above, it shall have no further obligation for rental or other payments hereunder from and after the date that such demolition and restoration are completed, and from and after the date that such demolition and restoration are completed, neither Lessee nor any Leasehold Mortgagee shall have any right, title, interest, lien or encumbrance in, to or upon the Leased Premises or any of the Improvements located thereon.

20. ENCUMBRANCES

A. Hypothecation

During the Term of this Lease, Lessee may assign for security purposes only or may encumber Lessee's leasehold interest under this Lease and the leasehold estate created hereby (a "Leasehold Mortgage") in favor of an institutional Approved Leasehold Mortgagee (herein sometimes referred to as the "Leasehold Mortgagee") and in that connection may perform any and all acts and execute any and all instruments necessary or proper to consummate any loan transaction and perfect the security therefor to be given the Leasehold Mortgagee; provided, however, that:

(1) Any such Leasehold Mortgage must constitute a first lien on Lessee's leasehold estate; and

(2) Such Leasehold Mortgage shall be an assignment or encumbrance only of the Lessee's leasehold interest under this Lease and the leasehold estate created hereby and shall not convey or be a lien upon the City's fee estate in the Leased Premises or the City's reversionary interest in all buildings and improvements located on the Leased Premises.

B. Approved Leasehold Mortgagee Defined

The term "Leasehold Mortgagee" as used in this Article 20 and elsewhere in this Lease shall mean the mortgagee under any mortgage, or the trustee and beneficiary under any deed of trust or indenture of mortgage and deed of trust encumbering the leasehold estate or Lessee's interest therein (including the assignee or successor of any such mortgagee, beneficiary or trustee and the holder of any promissory note or bond secured thereby), and executed by Lessee and delivered for the purpose of securing to such mortgagee, trustee or beneficiary payment of any indebtedness incurred by Lessee and secured by such mortgage, deed of trust or indenture of mortgage and deed of trust. The terms "Approved Leasehold Mortgagee" and "Approved Leasehold Mortgage" shall mean a Leasehold Mortgagee and a Leasehold Mortgage, respectively, complying with the requirements of Section 20(A) above.

B. Approved Leasehold Mortgagee's Rights

Any Approved Leasehold Mortgagee shall have the right at any time during the term hereof:

(1) To do any act or thing required of Lessee hereunder and all such acts or things done and performed shall be as effective to prevent a forfeiture of Lessee's rights hereunder as if done by the Lessee; and

(2) To realize on the security afforded by the leasehold estate and to acquire and succeed to the interest of Lessee hereunder by foreclosure of any mortgage or deed of trust and to convey or assign the title to the leasehold estate created hereby to any purchaser at a foreclosure sale; and

(3) In the event of any default by the Lessee in the payment of an installment of rent hereunder, to pay such rent to the City, and such rent payments alone, without further requirement, shall be sufficient to prevent a termination or forfeiture of the leasehold estate created hereby; provided, however, that such right to prevent such termination or forfeiture shall exist only for a period of thirty (30) days after notice of such default has been given by the City to such Approved Leasehold Mortgagee and only as to those Approved Leasehold Mortgagees who have notified the City Clerk of their interest in Leased Premises, as provided in Section 28 herein; and after said thirty (30)-day period such Approved Leasehold Mortgagee, to prevent such termination or forfeiture, shall be required to do all acts and things required of Lessee to be done and performed hereunder.

C. Notice

As a condition to the vesting of any rights in this Lease or in the leasehold estate created hereby in any encumbrances, except as may be otherwise provided by law, there shall first have been delivered to the City Clerk a written notice of such encumbrance which shall state the name and address of the encumbrancer for the purpose of enabling notices to be given under Section 28 herein.

21. ASSIGNMENT AND SUBLETTING

A. Consent

(1) The City hereby approves all subleases identified on Exhibit "E" hereto; provided, however, that any renewal, extension, modification, or other change to any of such existing subleases shall require the consent of the City. From and after the effective date, Lessee shall not sublet all or any part of the Leased Premises, or assign this Lease or any interest herein or in the Leased Premises (collectively, a "Transfer"), without first obtaining the written consent of the City Council.

(2) In addition to the circumstances identified in Section 21(A)(1) above, the term "Transfer" shall also include the circumstances hereinafter set forth, and any of the following shall be deemed "Transfer" that is prohibited hereby unless the written consent of the City be first obtained thereto:

(a) If Lessee is a partnership, limited liability company, or joint venture, a withdrawal, addition or change (voluntary, involuntary, by operation of law, directly or indirectly, or otherwise) of any, of the partners, members, or venturers thereof; or

(b) If Lessee is composed of more than one person, a purported assignment or transfer (voluntary or involuntary, by operation of law, directly or indirectly, or otherwise) from one to any other or others thereof; or

(c) If Lessee is a corporation, a cumulative change in the ownership (voluntary, involuntary, by operation of law, directly or indirectly or otherwise) of thirty-three and one-third percent (33-1/3%) or more of its capital stock owned as of the date of its acquisition of this Lease; provided, however, that any such transfer as a result of the death or judicially declared incompetency of any such person may be made without the consent of the City so long as such transfer is to the immediate family, or to a trust for the benefit of the immediate family, of such deceased or incompetent person.

Lessee shall give the City prompt written notice of any such change in the ownership interests in Lessee whether or not the consent of the City is required therefor. The provisions of this Article 21 [except for the notice provisions hereof] shall not be applicable to any Approved Leasehold Mortgagee (as defined below) that is a corporation, the stock of which is publicly traded on a recognized stock exchange.

(3) Without limiting the City's right of refusal to consent to any Transfer, the City's refusal to consent to any Transfer shall be considered reasonable if the Lessee cannot demonstrate to the reasonable satisfaction of the City that such proposed Transfer would not result in a partial assignment or a de facto division of the Lessee's rights or duties hereunder. It is the City's intention that this Lease be held as an entirety by the Lessee and it may not be divided.

(4) City's granting consent to any assignment or sublease hereunder (a) shall not be a waiver of any right to object to further or future assignments or subleases and the consent to each successive assignment or sublease must be first obtained in writing from the City Council, and (b) shall not release Lessee of its obligations hereunder and Lessee shall remain fully liable for the performance of all of the covenants to be performed by Lessee under this Lease.

B. Vesting of Assignments

As a condition to the vesting of any rights in this Lease or in the leasehold estate created hereby in any assignee of the Lessee's interest hereunder, whether voluntary or involuntary, each such assignee shall first have delivered to the City Clerk of the City a written notice of such assignment, which notice:

(1) Shall contain a statement that the assignee agrees to be bound by all the terms, covenants and conditions of this Lease which are to be performed by Lessee.

(2) Shall state the name and address of the assignee for the purpose of enabling notices to be given under Section 28 herein.

(3) Shall state whether the assignee is an individual, a corporation or a partnership, and if such assignee be a corporation, the names of such corporation's principal officers and of its directors and state of incorporation, and if such assignee be a partnership, the names and addresses of the members of such partnership.

(4) Shall state the amount of capital stock assigned and the total amount of capital stock outstanding at the time of the assignment.

C. Vesting of Subleases

As a condition to the vesting of any rights in this Lease or in the leasehold estate created hereby in any sublessee of the Lessee's interest hereunder, whether voluntary or involuntary, each such sublessee shall first have delivered to the City Clerk of the City a written notice of such subleases which notice:

(1) Shall state the name and address of the sublessee for the purpose of enabling notices to be given under Section 28 herein.

(2) Shall state whether the sublessee is an individual, a corporation or a partnership, and if such sublessee be a corporation, the names of such corporation's principal officers and its directors and state of incorporation, and if such sublessee be a partnership, the names and addresses of the members of such partnership.

D. Termination

This Lease shall not be terminated by reason of any assignment or transfer by operation of law of Lessee's interest hereunder or in the leasehold estate created hereby.

E. Approved Leasehold Mortgagee's Liability

In the event that any Approved Leasehold Mortgagee obtains title to the leasehold estate or to any part hereof, by sale on foreclosure proceedings or by deed given in lieu of foreclosure and subsequently assigns its interest therein and such Approved Leasehold Mortgagee and its assignee comply with all the provisions of this Article 21, then such Approved Leasehold Mortgagee shall be relieved of any liability hereunder as the successor of Lessee, except:

(1) Liability for the amount of any rental or other moneys due and owing to the City by the Approved Leasehold Mortgagee or by Lessee or any other of the assignees or successors of the Approved Leasehold Mortgagee or Lessee at the time of such assignment;

(2) Liability to apply the proceeds of any insurance policy in accordance with the provisions of Article 19 herein; and

(3) Liability under the provisions of Articles 16, 17, 18, and 19 herein.

F. Approved Leasehold Mortgagee's Right to Assignment

Notwithstanding anything to the contrary contained in this Section 21, any Approved Leasehold Mortgagee upon succeeding to the Lessee's interest shall have the right to make one (1) assignment thereafter without the prior written consent of the City Council.

G. Voidability

Any Transfer that has been made in violation of or which is not in full compliance with the provisions of this Section 21 shall be voidable by the City and shall constitute a material default under this Lease.

22. ATTACHMENT, BANKRUPTCY OR RECEIVERSHIP

This Lease shall not be transferable in bankruptcy by operation of law and in the event that the said Lessee shall be adjudicated a bankrupt or in the event that said Lessee's interest in and to the demised premises are attached and made subject to an execution in any judicial proceedings or a receiver is appointed to take possession of all or substantially all of the assets of the Lessee or a general assignment by Lessee for the benefit of creditors, this Lease shall immediately terminate and all rights of the said Lessee thereunder cease. On the occurrence of any such event the Lessee agrees to immediately surrender possession of said demised premises to the City. Any attempted transfer or sale of any interest of the Lessee by judicial sale or bankruptcy shall invest no title or interest in the intended buyer or purchaser or any rights theretofore held by said Lessee.

23. BREACH OR DEFAULT

In the event of any breach or default at any time by Lessee in the payment of the rent as specified herein or any part thereof, or in the performance of any other term, covenant or condition contained herein, which has not been fully remedied thirty (30) days after written notice of breach or default, the City shall have the right of reentry or repossession of the Leased Premises. Should the City exercise its right of reentry or repossession, it may do so without waiving any other right or remedies provided by law.

24. FORECLOSURE

A. Termination on Foreclosure

Notwithstanding anything to the contrary contained in Section 23 above, if at any time prior to the expiration of the thirty (30)-day period referred to in said Section 23 any Approved Leasehold Mortgagee has commenced foreclosure of the mortgage, trust deed or other lien of such Approved Leasehold Mortgagee affecting the leasehold estate, and if such foreclosure proceedings thereafter be prosecuted and continued to the point of sale of said leasehold estate, this Lease shall not terminate provided that such Approved Leasehold Mortgagee shall pay or cause to be paid to the City during such period of foreclosure the rent provided to be paid to the City under the terms of this Lease and shall comply with the provisions hereof.

B. Grace Periods

Any purchaser at foreclosure sale of said leasehold estate or under a deed given in lieu of foreclosure shall be entitled to the same period of grace within which to cure any default as is granted to Lessee in Section 23 above, and further, any purchaser of said leasehold estate whether at a sale on foreclosure or by virtue of a deed given in lieu of foreclosure, may assign, sublease or encumber this Lease or any interest in or to the leasehold estate created hereby or any part of the Leased Premises provided that he complies with the provisions of Section 23; and further, provided that such right to assign or sublease shall not inure to the benefit of any assignee or sublessee of such purchaser of said leasehold estate.

25. COMPLIANCE WITH LAW

In the event the City sells or transfers all or any portion of the Leased Premises and such sale or transfer results in an increase in the applicable real property taxes upon reappraisal of the Leased Premises, the Lessee shall be obligated to pay such tax and any and all taxes, assessments, liens, charges and other similar matters applicable to the Leased Premises prior to such reappraisal and/or applicable to the Leased Premises pursuant to normal increases following such reappraisal shall remain the sole responsibility of Lessee.

26. RIGHT OF ACCESS

A. City's Access to Leased Premises

The City and the City's officers, employees and agents shall at all reasonable times have the right to enter upon the Leased Premises or any buildings, structures or other improvements thereon for the purpose of inspecting the same and posting notice of non-responsibility or any other notices required by law for the protection of the City.

B. Lessee's Access to Airport Runways

Lessee shall have no right of access for aircraft, vehicles or people to the runways, taxiways or other property or facilities on the Torrance Municipal Airport. Lessee acknowledges that it has been informed of the location of the City's chain link fence for airport security purposes along the northerly perimeter of the Leased Premises. Said chain link fence shall be relocated by the Lessee at Lessee's expense to the southerly perimeter of the premises.

27. QUIET ENJOYMENT

Subject to the provisions of this Lease, the City covenants that Lessee, upon paying the rent expressly reserved in Section 3 herein and observing and keeping the terms, covenants and conditions of this Lease on its part to be kept and performed, shall lawfully and quietly hold, occupy and enjoy the Leased Premises during the term of this Lease.

28. NOTICES

All notices, demands, or other communications under this Lease will be in writing. Notice will be sufficiently given for all purposes as follows:

A. Personal delivery. When personally delivered to the recipient: notice is effective on delivery.

B. First Class mail. When mailed first class to the last address of the recipient known to the party giving notice: notice is effective three mail delivery days after deposit in a United States Postal Service office or mailbox.

C. Certified mail. When mailed certified mail, return receipt requested: notice is effective on receipt, if delivery is confirmed by a return receipt.

D. Overnight delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account: notice is effective on delivery, if delivery is confirmed by the delivery service.

E. Facsimile transmission. When sent by fax to the last fax number of the recipient known to the party giving notice: notice is effective on receipt. Any notice given by fax will be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a non-business day.

Addresses for purposes of giving notice are as follows:

LESSEE: South End Racquet and Health Club, Inc.
Attn: Hooshang Nader, Manager
2800 Skypark Drive
Torrance, CA 90505
Facsimile: (310) 325-9421

CITY: City of Torrance
3031 Torrance Boulevard
Torrance, California 90509-2970
Attention: City Clerk
Copy To: City Attorney
Facsimile: (310) 618-2931

Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified, will be deemed effective as of the first date the notice was refused, unclaimed or deemed undeliverable by the postal authorities, messenger or overnight delivery service.

Either party may change its notice information by giving the other party notice of the change in any matter permitted by this Agreement.

29. NOTICE TO APPROVED LEASEHOLD MORTGAGEES

A. Copies

The City and Lessee shall, and each of them shall, furnish to any Approved Leasehold Mortgagee and to all sublessees of the Leased Premises, a copy of any notice given by the City to Lessee, or by Lessee to the City, irrespective of whether such notice to the City or to Lessee be required or permitted under the terms of this Lease or otherwise required or permitted by law; provided, however, that the City shall have such duty only as to those Approved Leasehold Mortgagees on the security of the leasehold estate and sublessees who have notified the City Clerk of the City of the interest of such Approved Leasehold Mortgagee or sublessee in Leased Premises as provided in Article 20 herein.

B. Delivery

Such copy of the notice furnished to such Approved Leasehold Mortgagees on the security of the leasehold estate and sublessee shall be furnished concurrently with the giving of the notice to the City or Lessee, as the case may be, and shall be delivered to said Approved Leasehold Mortgagee or sublessee at such address as said Approved Leasehold Mortgagee or sublessee shall designate in the aforesaid notice to said City Clerk.

C. Condition to Default

The furnishing of such copy of said notice to Approved Leasehold Mortgagees on the security of the leasehold estate and sublessees in compliance with the foregoing provisions of this Section 29, followed by the lapse of the respective periods of time specified in Section 23 hereof and the failure to cure or commence to cure any event of default as mentioned and specified in said Section 23, shall in each case be a condition precedent to the existence, declaration or creation of any default by the City or by Lessee, as the case may be, under the terms and provisions of this Lease.

30. AMENDMENTS AND MODIFICATIONS

This Lease shall not be amended or modified in any way, and no purported amendment or modification shall be effective, unless same has been (i) approved by the City Council and set forth in a written instrument, expressly purporting to amend this Lease, executed by the City Manager or the Mayor for the City; (ii) executed by Lessee; and (iii) approved in writing by any Approved Leasehold Mortgagee.

31. APPROVALS BY CITY; CITY ACTING IN ITS PROPRIETARY CAPACITY.

No consent, approval or satisfaction of the City provided for hereunder, and no waiver by the City of any provisions hereof, shall be effective unless given in writing specifically referring to this Lease and executed by the City Manager or the Mayor for the City; no such consent, approval, satisfaction or waiver under or with respect to this Lease shall be inferred or implied from any other act or omission of the City or any agent or employee thereof. Unless otherwise expressly provided therein, no approval, consent or other action taken by the City under or pursuant to this Lease shall be deemed to waive any other rights or authority of the City in any capacity other than as the lessor under this Lease.

Although City is a city of the State of California having regulatory powers, the execution of this Agreement and the lease of the Leased Premised as contemplated by this Agreement is undertaken by the City in its proprietary capacity and not in its regulatory capacity. Lessee agrees that City retains all of its regulatory powers and the development contemplated is subject to the applicable laws and regulations of City and other governmental agencies having jurisdiction. Nothing contained in this Lease shall in any way restrict or diminish the rights, powers or jurisdiction of the City, its City Council, Planning Commission and other agencies with respect to the governance of the Leased Premises and all buildings, improvements, business and activities located on or conducted thereon. Lessee acknowledges that it will have to apply for land use entitlements and building permits and to comply with applicable laws and ordinances in order to implement the development of the Project. This Agreement does not and the Lease will not constitute any agreement, promise or assurance by City to grant such land use entitlements or issue building permits, or that City is obligated to obtain the agreement or assurance from such agencies that such agencies will do so, nor is City obligated to amend any of its laws or regulations regarding land use entitlements or building permits, or to grant any entitlements or building permits.

32. ESTOPPEL CERTIFICATES

The City and Lessee shall at any time and from time to time upon not less than thirty (30) days prior written request by the other, deliver to the requesting party an executed and acknowledged written statement certifying that (a) this Lease is unmodified and in full force and effect (or if this Lease has been modified or if this Lease is not in full force or effect, stating the nature of the modification or the basis on which this Lease had been terminated, whichever is applicable); (b) to its knowledge, the requesting party is not in default under this Lease (or if any such default exists, stating the specific nature and extent of the default); and (c) the dates to which the monthly rent and other monetary obligations under this Lease have been paid in advance. Each certificate delivered pursuant to this Section may be relied upon by any prospective purchaser or transferee of the City's or Lessee's respective interests in the Leased Premises, including without limitation any prospective Approved Leasehold Mortgagee.

33. GENERAL PROVISIONS

A. Remedies Cumulative

No remedy or election provided by any provisions in this Lease shall be deemed exclusive unless so indicated, but it shall whenever possible be cumulative with all other remedies in law or equity except as otherwise herein specifically provided.

B. Provisions as Covenants

Each provision hereof shall be deemed both a covenant and condition and all of the conditions and covenants contained herein shall be covenants running with the land and shall be construed as such.

C. Time

Time is of the essence of this Lease.

D. Headings

The Section headings in this Lease contained are for convenience and reference only, and are not intended to and shall not define, govern, limit, modify or in any manner affect the scope, meaning, or intent of any provision in this Lease contained.

E. Successors in Interest

Except as otherwise herein provided, each and every of the terms, covenants and conditions of this Lease shall inure to the benefit of and shall bind, as the case may be, not only the parties hereto but each and every of the heirs, executors, administrators, successors, assigns and legal representatives of the parties hereto.

F. Waivers

The waiver by either Lessee or the City of any breach of any of the covenants, agreements, obligations, conditions or provisions of this Lease shall not be construed to be a waiver of such covenant, agreement, obligation, condition, Term or provision upon any subsequent breach of the same or of any other covenant, agreement, obligation, condition, term or provision herein contained.

G. Gender and Number

In this Lease, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the neuter gender includes the masculine and/or feminine, and the singular number includes the plural and the plural includes the singular.

H. Memorandum of Lease

A memorandum of this Lease, in recordable form, will be prepared, executed by both parties, and recorded in accordance with California Government Code Section 37393.

I. No Brokers

Lessee covenants and agrees that no commission or fees are due and owing to any person or entity by reason of the execution of this Lease or the payment of rent hereunder, and Lessee shall indemnify and hold the City harmless from and against any demand, liability, claim or obligation for any such fees or commissions from any person or entity claiming to have.

J. Good Faith and Reasonability

In the event any provision under this Lease shall require or anticipate that either party hereto make a judgment, give consent or approval, or exercise discretion, that party agrees to do so reasonably and in good faith, with due diligence, communicated to the other party in writing except in those instances where a Lease provision specifically sets forth a different standard of approval, in which case the specific standard of that Lease provision shall govern.

K. Severability

If any provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions will nevertheless continue in full force without being impaired or invalidated in any way.

L. Integration

This Lease incorporates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to all or part of the subject matter hereof. Any amendment or modification to this Lease must be in writing and executed by the appropriate authorities of Lessor and Lessee.

M. Independent Review

Each party acknowledges and agrees that it has had the opportunity to thoroughly review the terms contained herein, to obtain the advice of independent legal counsel in connection therewith, and that this Lease is the product of negotiations between the parties. Consequently, the parties agree that in the event of any dispute arising out of this Lease, this instrument shall not be construed against one party, and in favor of another, based upon the fact that one party may have drafted this Lease, or a particular provision thereof.

N. Governing Law

This Agreement is made under and shall be construed pursuant to the laws of the State of California. Any suit hereon or hereunder shall be brought only in a state or

federal court sitting in the City of Los Angeles, State of California, and all parties hereto hereby agree that venue shall lie therein.

O. Attorneys' and Other Fees

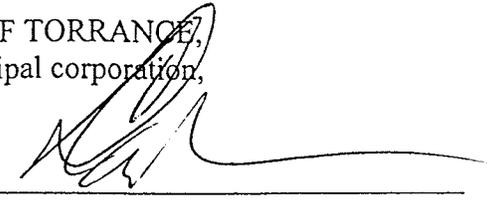
All sums reasonably incurred by City in connection with an Event of Default or holding over of possession by Lessee after the expiration or termination of this Lease, including, but not limited to, all costs, expenses and actual accountants', appraisers', attorneys' and other professional fees, and any collection agency or other collection charges, shall be due and payable by Lessee to City on demand. In addition, in the event that any action shall be instituted by either of the parties hereto for the enforcement of any of its rights in and under this Lease, the party in whose favor judgment shall be rendered shall be entitled to recover from the other party all expenses reasonably incurred by the prevailing party in such action, including actual costs and reasonable attorneys' fees.

P. Incorporation of Exhibits

Exhibits "A", "B", "C", "D", and "E", each as attached to this Lease, are incorporated herein and made a part hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written.

CITY OF TORRANCE,
a municipal corporation,

By 
Mayor, DAN WALKER

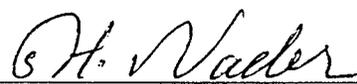
ATTEST:


City Clerk - SUE HERBERS, CMC

“LESSOR”

SOUTH END RACQUET AND HEALTH CLUB,
INC., a California corporation

(Corporate Seal)

By 
Hooshang Nader, General Manager

“LESSEE:

APPROVED AS TO FORM:

JOHN L. FELLOWS III
City Attorney

By 

STATE OF CALIFORNIA)
COUNTY OF Los Angeles) ss.

On January 25, 2005, before me, Kathleen Polliard, Notary Public,
personally appeared Nooshang Nader

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.



Kathleen Polliard
Notary Public

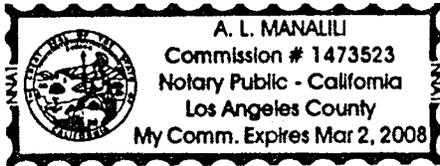
[SEAL]

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.

On FEBRUARY 2, 2005, before me, A. L. MANALILI, Notary Public,
personally appeared DAN WALKER and SUE HERBERS

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.



Manalili
Notary Public

[SEAL]

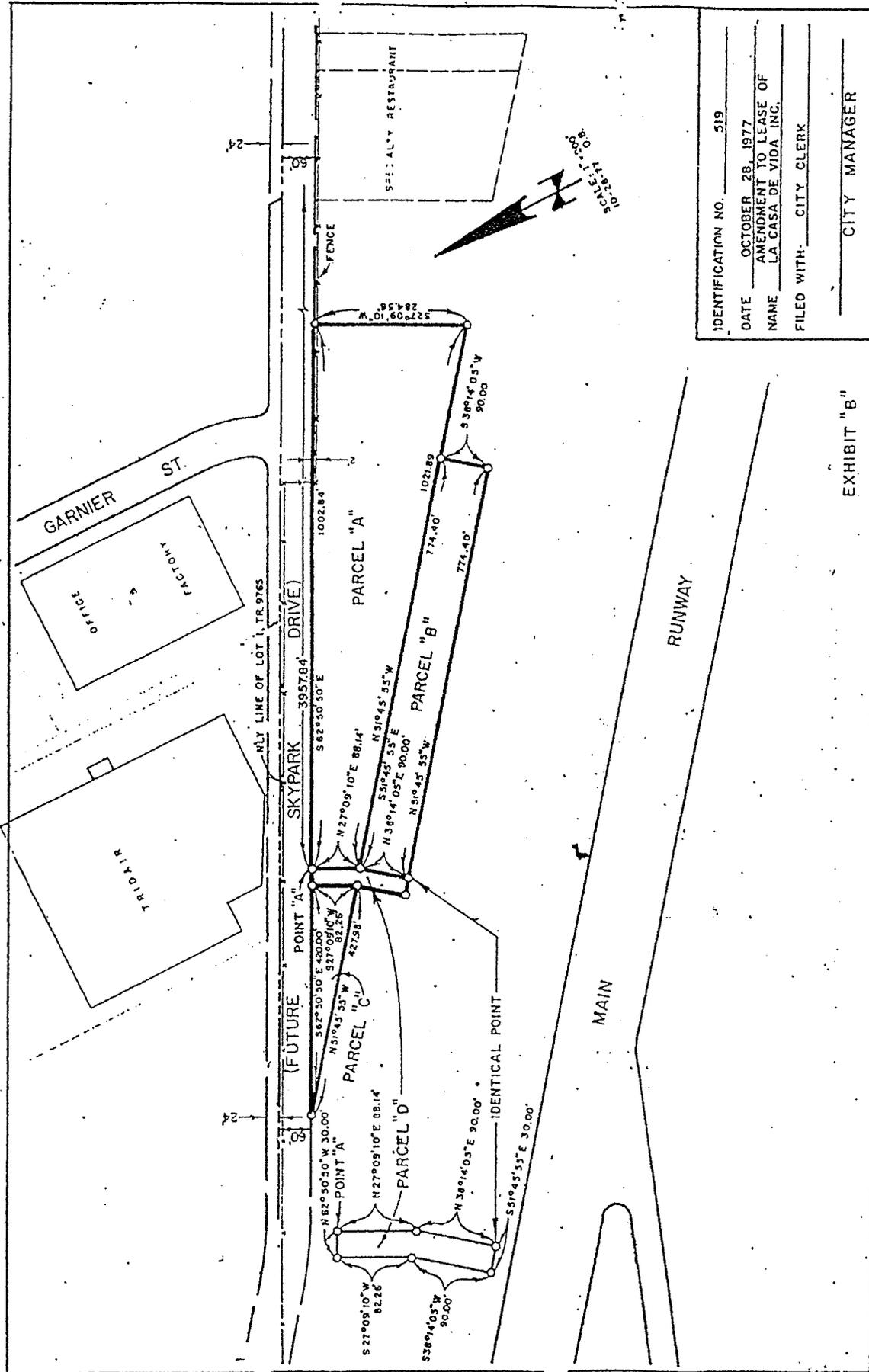
EXHIBIT "A"LEGAL DESCRIPTION

THAT PROPERTY IN THE CITY OF TORRANCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA MORE PARTICULARLY DESCRIBED AS: PARCEL 35, OF OFFICIAL MAP NUMBER 2 AS PER MAP RECORDED IN BOOK 5, PAGES 44 THROUGH 51 INCLUSIVE OF OFFICIAL MAPS, RECORDS OF SAID COUNTY, OF THAT CERTAIN LAND CONSISTING OF APPROXIMATELY 279,219 SQUARE FEET.

EXHIBIT "B"

DEPICTION OF PROPERTY

[See Attached]



IDENTIFICATION NO. 519
 DATE OCTOBER 28, 1977
 AMENDMENT TO LEASE OF
 NAME LA CASA DE VIDA INC.
 FILED WITH: CITY CLERK
 CITY MANAGER

EXHIBIT "B"

EXHIBIT "C"

QUITCLAIM DEED

[See Attached]

Recorded May 13, 1948
 BOOK 27145 Pages 362-368 Incl.

QUITCLAIM DEED

THIS INDENTURE, made this 5th day of March, 1948, between the United States of America, acting by and through the War Assets Administration, and pursuant to Reorganization Plan 1 of 1947 (12 F.R. 4534), and pursuant to the powers and authority contained in the provisions of the Surplus Property Act of 1944 (58 Stat. 765) as amended, and applicable rules, regulations and orders, GRANTOR and the City of Torrance, a municipal corporation under the laws of the State of California, acting by and through its City Council, GRANTEE,

WITNESSETH: That the said Grantor, for and in consideration of the assumption by the Grantee of all the obligations and its taking subject to certain reservations, restrictions, and conditions, and its covenant to abide by certain other reservations, restrictions, and conditions, all as set out hereinafter, has remised, released, and forever quitclaimed, and by these presents does remise, release, and forever quitclaim unto the said Grantee, its successors, and assigns, under and subject to the reservations, restrictions, and conditions, exceptions and rights hereinafter set out, all its right, title, and interest in the following described property situated in the County of Los Angeles, State of California, to wit:

That portion of Lot 1 of Tract No. 9765, as per map recorded in Book 170, Pages 10, 11 and 12 of Maps, in the office of the County Recorder of Los Angeles County, in the City of Torrance, County of Los Angeles, State of California, and described as follows:

Beginning at the northeasterly corner of said Lot 1; thence along the East line of said Lot 1, South $0^{\circ} 03' 45''$ East 4302.77 feet to the center line of the Pacific Coast Highway, 100 feet wide, as described in the deed to the State of California recorded in Book 12743, Page 23 of Official Records of said county; thence along said center line as follows:

South $89^{\circ} 56' 15''$ West 26.04 feet to the beginning of curve concave northerly and having a radius of 1146.28 feet; thence westerly along the arc of said curve 821.34 feet; thence North $49^{\circ} 00' 30''$ West 2390.48 feet; thence North $49^{\circ} 00' 56''$ West 11.96 feet to the beginning of a curve concave northeasterly and having a radius of 14,000 feet; thence along the arc of said curve 777.84 feet; thence North $45^{\circ} 49' 56''$ West 3481.23 feet to the beginning of a curve concave southwesterly and having a radius of 3000 feet; thence northwesterly along the arc of said curve 400.42 feet to the intersection of said center line with the West line of said Lot 1; thence along said West line North $0^{\circ} 01' 26''$ West 1783.98 feet; thence South $51^{\circ} 45' 55''$ East 6984.73 feet; thence North $38^{\circ} 14' 05''$ East, 550 feet; thence North $51^{\circ} 45' 55''$ West 6534.31 feet to a point on the northeasterly line of said Lot 1, said last mentioned

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point being distant along said northeasterly line South $62^{\circ} 50' 50''$ East, 780.39 feet from the most northerly corner of said Lot 1; thence South $62^{\circ} 50' 50''$ East along the said northeasterly line of Lot 1, a distance of 5921.76 feet to the northeasterly corner of said Lot 1, the point of beginning, containing 385.463 acres, more or less;

Excepting therefrom:

PARCEL 1-A

An easement for embankment slopes upon, over and across that portion of said Lot 1 of Tract No. 9765, described as follows:

Beginning at the most northerly corner of said Lot 1; thence South $62^{\circ} 50' 50''$ East along the northeasterly line of said Lot 1, a distance of 780.39 feet; thence South $51^{\circ} 45' 55''$ East 3334.31 to the TRUE POINT OF BEGINNING OF PARCEL 1-A;

Thence South $54^{\circ} 37' 40''$ East a distance of 400.50 feet more or less; thence South $51^{\circ} 45' 55''$ East 2300 feet; thence South $46^{\circ} 03' 17''$ East 201 feet; thence North $51^{\circ} 45' 55''$ West 2900 feet to the true point of beginning;

and excepting therefrom:

PARCEL 1-B

An easement for road purposes upon, over and across that portion of said Lot 1 of Tract 9765, included within a strip of land 40 feet wide, being 20 feet on each side of the following described center line:

Beginning at the most northerly corner of said Lot 1; thence South $62^{\circ} 50' 50''$ East along the northeasterly line of said Lot 1, a distance of 780.39 feet; thence South $51^{\circ} 45' 55''$ East 6534.31 feet; thence South $38^{\circ} 14' 05''$ West 230 feet to the TRUE POINT OF BEGINNING OF PARCEL 1-B;

Thence South $51^{\circ} 45' 55''$ East 159.79 feet; thence southwesterly 133.72 feet along the arc of a curve concave northeasterly and having a radius of 200 feet; thence North $89^{\circ} 55' 35''$ East 50.37 feet, to a point on the westerly prolongation of the center line of 251st Street, shown as Almond Street on map recorded in Book 17, page 125 of Maps, in the office of the County Recorder of Los Angeles County, State of California, said point being South $0^{\circ} 03' 45''$ East, 25 feet from the southwest corner of Lot 10 of Tract No. 592 as shown on said map recorded in Book 17, page 125 of Maps;

and excepting therefrom:

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PARCEL 1-C

An easement for drainage facilities upon, over and across that portion of said Lot 1 of Tract No. 9765, included within a strip of land 52 feet wide, being 26 feet on each side of the following described center line:

Beginning at a point on the northeasterly line of said Lot 1, distant thereon, South $62^{\circ} 50' 50''$ East 3978.62 feet from the most northerly corner of said Lot; thence South $0^{\circ} 50' 55''$ East, 782.14 feet; thence South $15^{\circ} 09' 05''$ West 848.57 feet;

Thence southwesterly along a curve concave northwesterly, tangent to last described line and having a radius of 520.60 feet; through an angle of $49^{\circ} 30'$ and an arc distance of 449.77 feet; thence tangent South $64^{\circ} 39' 05''$ West, 605 feet to a point in an existing drainage channel:

AND ALSO, an easement for drainage facilities upon, over and across that portion of said Lot 1, included within a strip of land 32 feet wide, being 16 feet on each side of the following described center line:

Beginning at the southerly terminus of that certain course herein described as having a length of 848.57 feet; thence southeasterly along a curve concave northeasterly, tangent to said course having a length of 848.57 feet and having a radius of 550 feet, through an angle of $41^{\circ} 00'$, an arc length of 393.57 feet; thence tangent South $25^{\circ} 50' 55''$ East, a distance of 574.06 feet; thence southerly along a curve concave westerly, tangent to last described course and having a radius of 500 feet, through an angle of $25^{\circ} 39'$, an arc distance of 223.84 feet; thence tangent South $0^{\circ} 11' 55''$ East, a distance of 200 feet to a point in an existing drainage channel.

TOGETHER WITH those certain chattel enumerated in Exhibit "B" attached hereto and made a part hereof; and TOGETHER WITH all buildings, structures, and improvements located thereon, except those thirty-four (34) structures hereinafter enumerated, and described in a certain inventory attached hereto and made a part hereof, marked Exhibit "A", and located on that portion of the demised premises more particularly described in said Exhibit "A", being a part of the same property acquired by the United States of America under proceedings in condemnation had in Case No. 2527-KH, Civil, of record in the District Court of the United States, Southern District of California, Central Division.

The above-described premises are transferred subject to the following encumbrances: All existing easements for roads, highways, public utilities, railways, and pipe lines; leasehold interest executed by the Grantor as Lessor and by A.P. Wright as

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Lessee, designated as Lease No. W-04-193-Eng.-4974, dated April 17, 1945; and the right of the United States of America to occupy use, and maintain in place, together with reasonable means of ingress and egress without payment to the Grantee, its successors, or assigns, all the buildings and structures enumerated in Exhibit "A", and located on the demised premises.

EXCEPTING, HOWEVER, from this conveyance all right, title, and interest in and to all property in the nature of equipment, furnishings, and other personal property which can be removed from the land without material injury to the land or structures located thereon other than those chattels enumerated in Exhibit "B"; and reserving to the Grantor the right of removal from the premises of the personal property excepted hereby within a reasonable period of time after the date hereof, which shall not be construed to mean any period less than one (1) year after the date of this instrument.

AND FURTHER EXCEPTING, from this conveyance and reserving to the GRANTOR, in accordance with Executive Order 9908 approved December 5, 1947 (12 F.R. 8223), all uranium, thorium, and all other materials determined pursuant to section 5 (b) (1) of the Atomic Energy Act of 1946 (60 Stat. 761) to be peculiarly essential to the production of fissionable material, contained, in whatever concentration, in deposits in the lands covered by this instrument, together with the right of the United States through its authorized agents or representatives at any time to enter upon the land and prospect for, mine, and remove the same, making just compensation for any damage or injury occasioned thereby. However, such land may be used, and any rights otherwise acquired by this disposition may be exercised, as if no reservation of such material had been made; except that, when such use results in the extraction of any such material from the land in quantities which may not be transferred or delivered without a license under the Atomic Energy Act of 1946, as it now exists or may hereafter be amended, such material shall be the property of the United States Atomic Energy Commission, and the Commission may require delivery of such material to it by any possessor thereof after such material has been separated as such from the ores in which it was contained. If the Commission requires the delivery of such material to it, it shall pay to the person mining or extracting the same, or to such other person as the Commission determines to be entitled thereto, such sums, including profits as the Commission deems fair and reasonable for the discovery, mining, development, production, extraction and other services performed with respect to such material prior to such delivery, but such payment shall not include any amount on account of the value of such material before removal from its place of deposit in nature. If the Commission does not require delivery of such material to it, the reservation hereby made shall be of no further force or effect.

AND FURTHER EXCEPTING from this conveyance and reserving to the Grantor all minerals, other than those specifically mentioned in the last paragraph above, and all petroleum in the above described land, together with the exclusive right at any and all times to enter upon the lands and prospect for, mine for, and remove such minerals or petroleum, with all necessary and conven-

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ient means of working and transporting the materials and supplies; and reserving unto the Grantor the exclusive right at any time to drill from adjacent premises into and through the sub-surface of the land hereby transferred, in order to recover, remove, and transport therefrom any minerals or petroleum herein reserved. By accepting this instrument, or any rights hereunder, the said Grantee hereby releases the Grantor from any and all liability for all claims and losses or damage arising out of the exceptions and reservations above.

Said property transferred hereby was duly declared surplus and was assigned to the War Assets Administration for disposal, acting pursuant to the provisions of the above-mentioned Act, as amended, Executive Order 9689, and applicable rules, regulations, and orders.

By the acceptance of this deed or any rights hereunder, the said Grantee, for itself, its successors, and assigns agrees that transfer of the property transferred by this instrument, is accepted subject to the following restrictions set forth in subparagraphs (1) and (2) of this paragraph, which shall run with the land, imposed pursuant to the authority of Article 4, Section 3, Clause 2 of the Constitution of the United States of America, the Surplus Property Act of 1944, as amended, Reorganization Plan 1 of 1947 (12 F.R. 4534), and applicable rules, regulations, and orders:

(1) That all of the property transferred hereby, hereafter in this instrument called the "airport", shall be used for public airport purposes, and only for such purposes, on reasonable terms and without unjust discrimination and without grant or exercise of any exclusive right for use of the airport within the meaning of Section 303 of the Civil Aeronautics Act of 1938.

(2) That the entire landing area, as hereinafter defined, and all structures, improvements, facilities, and equipment of the airport shall be maintained at all times in good and serviceable condition to assure its efficient operation; provided, however, that such maintenance shall be required as to structures, improvements, facilities, and equipment only during the remainder of their estimated life, as determined by the Civil Aeronautics Administration or its successor Government agency. In the event materials are required to rehabilitate or repair certain of the aforementioned structures, improvements, facilities, or equipment they may be procured by demolition of other structures, improvements, facilities, or equipment transferred hereby and located on the above-described premises, which have outlived their use as airport property in the opinion of the Civil Aeronautics Administration or its successor Government agency.

By the acceptance of this deed or any rights hereunder, the said Grantee for itself, its successors, and assigns, also assumes the obligations of, covenants to abide by, and agrees to, and this transfer is made subject to, the following reservations and restrictions set forth in subparagraphs (1) to (6) of this paragraph, which shall run with the land, imposed pursuant to the

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authority of Article 4, Section 3, Clause 2 of the Constitution of the United States of America, the Surplus Property Act of 1944, as amended, Reorganization Plan 1 of 1947 (12 F.R. 4534), and applicable rules, regulations and orders:

(1) That insofar as is within its power and reasonably possible, the Grantee and all subsequent transferees shall prevent any use of land either within or outside the boundaries of the airport, including the construction, erection, alteration, or growth of any structure or other object thereon, which use would be a hazard to the landing, taking-off, or maneuvering of aircraft at the airport, or otherwise limit its usefulness as an airport.

(2) That the building areas and non-aviation facilities, as such terms are hereinafter defined, of or on the airport shall be used, altered, modified, or improved only in a manner which does not interfere with the efficient operation of the landing area and of the airport facilities, as hereinafter defined.

(3) That itinerant aircraft owned by the United States of America (hereinafter sometimes referred to as the "Government") or operated by any of its employees or agents on Government business shall at all times have the right to use the airport in common with others; Provided, however, that such use may be limited as may be determined at any time by the Civil Aeronautics Administration or its successor Government agency to be necessary to prevent interference with use by other authorized aircraft, so long as such limitation does not restrict Government use to less than twenty-five (25) per centum of capacity of the landing area of the airport. Government use of the airport by virtue of the provisions of this subparagraph shall be without charge of any nature other than payment for damage caused by such itinerant aircraft.

(4) That during the existence of any emergency declared by the President of the United States of America or the Congress thereof, the Government shall have the right without charge, except as indicated below, to the full, unrestricted possession, control, and use of the landing area, building areas, and airport facilities, as such terms are hereinafter defined, or any part thereof, including any additions or improvements thereto made subsequent to the declaration of any part of the airport as surplus; Provided, however, that the Government shall be responsible during the period of such use for the entire cost of maintaining all such areas, facilities, and improvements, or the portions used, and shall pay a fair rental for the use of any installations or structures which have been added thereto without Federal aid.

(5) That no exclusive right for the use of any landing area or air navigation facilities, included in or on the airport shall be granted or exercised.

(6) That the property transferred hereby may be successively transferred only with the approval of the Civil Aeronautics Administration or its successor Government agency, and with the proviso that any such subsequent transferee assumes all the obligations imposed upon the Grantee by the provisions of this instrument.

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As used in this Quitclaim Deed, the following terms shall have the following meanings:

(a) "Landing Area" means any land, or combination of water and land, together with improvements thereon and necessary operational equipment used in connection therewith, which is used for landing, take-offs, and parking of aircraft. The term includes but is not limited to, runways, strips, taxiways, and parking aprons.

(b) "Building Area" means any Land other than a landing area, used or necessary for or in connection with the operation or maintenance of an airport.

(c) "Non-aviation facilities" means any building, structures, improvements and equipment located in a building area and used in connection with, but not required for the efficient operation and maintenance of the landing area or the airport facilities.

(d) "Airport facilities" means any buildings, structures, improvements and operational equipment other than non-aviation facilities, which are used and necessary for or in connection with the operation and maintenance of an airport.

By acceptance of this instrument or any rights hereunder, the Grantee further agrees with the Grantor as follows:

(1) That upon a breach of any of the aforesaid reservations or restrictions by the Grantee or any subsequent transferee, whether caused by the legal inability of said Grantee or subsequent transferee to perform any of the obligations herein set out, or otherwise, the title, right of possession, and all other rights transferred to the Grantee, or any portion thereof, shall at the option of the Grantor revert to and become the property of the United States of America upon demand made in writing by the War Assets Administration or its successor Government agency at least sixty (60) days prior to the date fixed for the reversion of such title, right of possession, and other rights transferred, or any portion thereof; Provided, that, as to installations or structures which have been added to the premises without Federal aid, the United States of America, shall have the option to acquire title to or use of the same at the then fair market value of the rights therein to be acquired by the United States of America.

(2) That if the construction as covenants of any of the foregoing reservations and restrictions recited herein as covenants, or the application of the same as covenants in any particular instance is held invalid, the particular reservations or restrictions in question shall be construed instead merely as conditions upon the breach of which the Grantor may exercise its option to cause the title, right of possession and all other rights transferred to the Grantee, or any portion thereof, to revert to the United States of America, and the application of such reservations or restrictions as covenants in any other instance a

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the construction of the remainder of such reservations and restrictions as covenants shall not be affected thereby.

TO HAVE AND TO HOLD the said premises, with appurtenances, except those rights excepted and reserved above, and under and subject to the aforesaid reservations, restrictions, and conditions, unto the said Grantee, its successors, and assigns forever.

IN WITNESS WHEREOF, the Grantor has caused these presents to be executed as of the day and year first above written.

THE UNITED STATES OF AMERICA
 Acting by and through
 WAR ASSETS ADMINISTRATION

By s/ ROBERT P. ALFORD
 DEPUTY REGIONAL DIRECTOR
 For Real Property Disposal
 Los Angeles Regional Office
 War Assets Administration

WITNESSES:

s/ Devera L. Scholnek

s/ Doris Goodman

EXHIBIT "D"

FEDERAL AVIATION ADMINISTRATION PROVISIONS

[See Attached]

FEDERAL AVIATION ADMINISTRATION PROVISIONS

Lessee agrees to observe the following provisions required by the Federal Aviation Administration:

(a) Lessee in the operations to be conducted pursuant to the provisions of this lease and otherwise in the use of the airport, will not discriminate or permit discrimination against any person or class of persons by reason of race, color, creed or national origin in any manner prohibited by Part 15 of the Federal Aviation Regulations or any amendments thereto.

(b) Lessee shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit of service; PROVIDED, THAT the Lessee may be allowed to make reasonable and non-discriminatory discounts, rebates, or other similar type of price reductions to volume purchasers.

(c) Lessee shall make its accommodations and/or services available to the public on fair and reasonable terms without unjust discrimination on the basis of race, creed, color or national origin.

(d) Non-compliance with provisions (a), (b) and (c) above shall constitute a material breach thereof and in the event of such non-compliance the City shall have the right to terminate this lease and the estate hereby created without liability therefor or at the election of the City or the United States, either or both said Governments shall have the right to judicially enforce said provisions (a), (b) and (c).

(e) Lessee agrees that it shall insert the above four provisions in any lease by which said Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the premises herein leased.

(f) The City reserves the right to further develop or improve the landing area of the airport as it sees fit, regardless of the desires or view of the Lessee, and without interference or hindrance.

(g) The City reserves the right, but shall not be obligated to the Lessee, to maintain and keep in repair the landing area of the airport and all publicly-owned facilities of the airport, together with the right to direct and control all activities of the lessee in this regard.

(h) This lease shall be subordinate to the provisions and requirements of any existing or future agreement between the City and the United States, relative to the development, operation or maintenance of the airport.

(i) Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event any future structure or building is planned for the leased premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the leased premises.

(j) It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act.

(k) This lease and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of said airport or the exclusive or non-exclusive use of the airport by the United States during the time of war or national emergency.

EXHIBIT "E"APPROVED SUBLEASES

1. Don Lorenzo Hair Salon, lease expires March 1, 2009
2. Taylor Chiropractic Care, lease expires August 1, 2010
3. Holly Gavin Skincare, lease expires October 1, 2010
4. South End Sports Shop, lease expires June 1, 2012
5. Cuisine of Angels, lease expires October 1, 2008
6. South Bay Endermologie, lease expires April 1, 2010