EXHIBIT "B"

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding made and entered into this 13 day of June, 1977, by and between HERMOSA BEACH CITY SCHOOL DISTRICT, a city school district of the County of Los Angeles, State of California, hereinafter referred to as the "District," and the CITY OF HERMOSA BEACH, a municipal corporation of the County of Los Angeles, State of California, hereinafter referred to as the "City."

W I T N E S S E T H:

WHEREAS, Chapter 1 of Division 11 of the Education Code of the State of California, Section 15051 et seq., authorizes and empowers school districts to sell, for less than fair market value, any school site that is deemed to be surplus property of the district, to any district, city, or county in which the school district is wholly or partially situated for use for park or recreational purposes or for open space purposes; and

WHEREAS, the District is the owner and fee simple of certain property known as the Pier Avenue School hereinafter more particularly described in Exhibit "A" attached hereto which property has hereinbefore been found to be surplus property and is not now needed for school classroom purposes or other school related purposes by the District; and

WHEREAS, after a public hearing the Board adopted a Resolution approving of the sale of the school for less than fair market value; and

WHEREAS, the City of Hermosa Beach ("the City"), a municipal corporation in the County of Los Angeles, State of California, desires to purchase said real property for use for parks and recreational purposes or for open space purposes; and

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WHEREAS, the City is the only governmental entity, designated by the Education Code, that has expressed an interest in purchasing said property; and

WHEREAS, the District has complied with all the requirements set forth in Education Code of the State of California, Section 15051 et seq.; and

WHEREAS, it appears it will be in the best interest of the District that said property be sold for the above stated purposes for less than fair market value;

NOW, THEREFORE, for and in consideration of the mutual convenants and conditions contained herein, the parties agree as follows:

ARTICLE 1

Section 1.01 The District does hereby agree to sell and the City does hereby agree to buy the improved real property known as the Pier Avenue School more particularly described in Exhibit "A" attached hereto, subject to the terms and conditions set forth below.

ARTICLE 2

PURCHASE PRICE

Section 2.01 The purchase price shall be the sum of $650,000 payable by the City as follows:

a. $400,000 cash through escrow;

b. The remaining balance shall be in the form of an encumbrance for $250,000. Said encumbrance shall be evidenced by a non-interest bearing Promissory Note for this amount secured by a Deed of Trust. The note shall be payable $25,000 per year or more on or before June 30 of each year subsequent to the close of escrow. The first payment shall be due on or before June 30, 1978 and a like sum on or before June 30 of each succeeding year until the sum has been paid in full.

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ARTICLE 3

ESCROW

Section 3.01 The District and the City will cause an escrow to be opened forthwith. The escrow agent shall be the Bank of America, Hermosa Beach Branch 63. The costs of said escrow shall be shared equally by the City and the District.

Section 3.02 The escrow will embody the following instructions and/or additional instructions as hereafter agreed to by the District and the City in writing. The close of escrow is subject to the fulfillment of these instructions by the City and the District.

a. The City reviewing and approving a preliminary title report furnished by the District and issued by the Title Insurance and Trust Company.

b. The City receiving a grant of funds from the Department of Housing and Urban Development (HUD) in the amount of TWO HUNDRED SEVENTY-FIVE THOUSAND, ONE HUNDRED AND ONE DOLLARS ($275,101).

c. The District receiving an opinion letter from the City's attorney affirming the fact that the City has the right to purchase the Pier Avenue School; the City has complied with all the laws applicable to the City's acquisition of said property and the City's covenant to defend any lawsuit wherein a person questions the City's right to acquire the Pier Avenue School from the District and hold the District free and harmless therefrom.

d. The City receiving an opinion letter from the District's special counsel, GERALD M. HILBY, or the county counsel affirming the fact that the District has the right to sell the subject property;

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the District has fully complied will all the conditions set forth in the laws applicable to the District selling surplus land; and the Disirict's covenant to defend any lawsuits filed hereafter by one who contests the District's right to sell the subject property and hold the City free and harmless therefrom.

e. As a part of the District's grant of the subject property, the Deed shall contain a provision setting forth the District's right to a reversionary interest in the land as follows:

1. The District shall have the right of reentry to the subject property if the City shall ever rezone the property for purposes other than open space or use for parks and recreational purposes; or

2. The City leases or sells said property to entities whose primary purpose is to engage in proprietary or money making activities.

3. The property is ever used for purposes other than open space or parks and recreational purposes.

f. The escrow agent shall do the necessary prorations or adjustments as are required.

g. The escrow shall close on or before November 1, 1977, or be terminated on that date unless the District and the City expressly agree in writing to extend the escrow beyond this date.

ARTICLE 4

FURTHER AGREEMENTS PURSUANT TO THE MEMORANDUM OF UNDERSTANDING

Section 4.01 The escrow agent is not to be concerned with the concepts hereinafter set forth other than a formal document executed

by the District and the City must be submitted to the escrow agent with a recital in the agreement that it is to be made a part of the escrow and is an integral part of the entire transaction. If this agreement is not submitted to the escrow agent, the escrow agent is instructed not to close the escrow.

Section 4.02 The nature of this memorandum of understanding shall be construed as being analogous to a lease in that a part of the consideration for the District selling the subject property to the City for less than fair market value is the District's right to use the subject property facilities without cost as more particularly set forth below; and, conversely, a part of the consideration the City is giving to the District, is allowing the District use of the facilities at the subject property as more particularly set forth below.

Section 4.03 For a period of ten years after the close of escrow the District shall have the first priority to use the Pier Avenue School facilities rent free subject to the following conditions:

a. The District's use of the school facilities shall be conditioned upon the City and District working out a "notice procedure" wherein the City will have adequate notice of the District's intention to use the facilities.

b. The District shall have the right to use classroom facilities at the subject property when and if the District's pupil enrollment exceeds 1,266 pupils in that after the District shall be entitled to the use of one classroom per 28 children enrolled beyond 1,266 pupils.

c. The District shall be entitled to use certain office and storage space at the Pier Avenue School, the square foot area and location to be agreed upon by the District and the City.

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d. The District shall be responsible and shall pay to the City, the cost of maintenance, utilities and any other normal cost for the facilities such as classrooms, office space, storage, showers and lockers used by the District at the Pier Avenue School.

Section 4.04 After the ten year period, the District shall have the continued right to use the school for the purposes set forth above. However, the City shall have the right to charge a reasonable rental for the use of the school facilities by the District. Said rental shall be in accordance with what comparable facilities, zoned open space, educational or recreational purposes charge for like facilities.

Section 4.05 The District acknowledges that the City may wish to take possession of the Pier Avenue School prior to the close of escrow. The City taking possession is conditional upon the District and the City agreeing in writing to this concept. Such an agreement shall embody but not be limited to the following terms and conditions:

a. The City shall keep and maintain the Pier Avenue School in the condition in which the school property now is, normal wear and tear excepted.

b. The City shall secure at its own expense insurance coverage, covering any kind of exposure the District may be subject to including but not limited to liability, exposure, fire or theft loss, etc. and hold the District free and harmless from any loss or claim.

c. If the escrow referred to herein is not completed, the City shall not be entitled to any reimbursement for any expenditures of any kind whatsoever made by the City in connection with the Pier Avenue School unless the District has approved in writing and

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agrees that any major improvement made, shall be at the District's expense if the escrow is not completed.

Section 4.06 The District and the City recognize there are certain safety hazards for school children caused by vehicular traffic at the intersections of Valley, Ardmore and Pier Avenues in the City and the City agrees to provide adequate safety for the children by either providing crossing guards or traffic control signals for this intersection, for the school children using the Pier Avenue School during school hours.

Section 4.07 If the City does not receive the grant referred to above from the Department of Housing and Urban Development, the City and the District agree to negotiate and explore all possibilities or other alternatives wherein the City may acquire the Pier Avenue School from the District.

Section 4.08 If the City receives the grant from the Department of Housing and Urban Development and the City is permitted under the terms of the grant to use the funds for the purchase of the Pier Avenue School, and thereafter elects to use the funds for some other purpose, the City shall pay to the District, as liquidated damages, forthwith, the sum of twenty four thousand dollars ($24,000).

Section 4.09 If for any reason the district ceases to exist and becomes a part of another district through consolidation, merger, etc, the successor district shall have and be entitled to all the rights of the district including the reversionary rights hereinbefore set forth; however, the successor district shall not be entitled to use, without a new and separate agreement with the city, the classroom, office, and storage facilities on the same terms and conditions as the district.

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Section 4.10 Each and all of the terms, conditions and agreements contained herein shall in every respect be binding upon and shall inure to the benefit of the respective successors in interest of and

assigns of the District or the City.

Section 4.11 Each and every provision of law and each and every clause required by law to be inserted in this Agreement shall be deemed to be inserted herein and the Agreement shall be read and enforced as though they were included herein; and if for any reason such provisions are not inserted, or are not correctly stated, then upon application of either party this Agreement shall forthwith be physically amended to make such insertion or correction.

IN WITNESS WHEREOF, the HERMOSA BEACH CITY SCHOOL DISTRICT has caused this Memorandum of Understanding to be executed by its Board of Education on this _____ day of _____, 1977.

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss

Executed before me, the undersigned, a Notary Public in and for the State of California, this _____ day of _____, 1977.

WITNESS my hand and official seal.

_____

BOARD OF EDUCATION OF THE HERMOSA BEACH CITY SCHOOL DISTRICT

_____

_____

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_____

_____

IN WITNESS WHEREOF, the CITY OF HERMOSA BEACH has caused this Memorandum of Understanding to be executed by its duly authorized officers on this _____ day of _____, 1977.

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss

Executed before me, the undersigned, a Notary Public in and for the State of California this _____ day of _____, 1977

CITY OF HERMOSA BEACH

By: _____
Title:

By: _____
Title:

By: _____
Title:

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