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 83. 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